Minnesota Housing Finance Agency

AGENDA ITEM: 9.B.(1)
MINNESOTA HOUSING BOARD MEETING
March 22, 2012

ITEM: Proposed Revisions to the Qualified Allocation Plan (QAP) and Procedural Manual, 2013 Housing Tax Credit (HTC) Program

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REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☑ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff recommends the adoption of a motion to approve the 2013 Housing Tax Credit Program Qualified Allocation Plan and Procedural Manual, and Timetable for Applications.

FISCAL IMPACT:
This is a federally sponsored program not funded from state appropriations and will not have any fiscal impact on the Agency's financial condition.

MEETING AGENCY PRIORITIES:

☑ Provide New Opportunities for Affordable Housing

☑ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☑ Preserve Existing Affordable Housing ☑ Prevent and End Long-term Homelessness

ATTACHMENT(S):

- Background
- Timetable
- Suballocator Participation
- Attachment 1 – Public Hearing Written Comments
- Attachment 2 - 2013 Housing Tax Credit Program, QAP and Procedural Manual Proposed Revisions
- Attachment 3 - Project Location – Top Growth Communities Methodology
- Attachment 4 - Foreclosure Priority Methodology and High Needs Zip Codes
- Attachment 5 - Minimizing Transportation Costs and Promoting Access to Transit Methodology
- Attachment 6 - Community Economic Integration Methodology
- Attachment 7 – Distribution of Tax Credits for 2013

BACKGROUND:

The Federal Tax Reform Act of 1986 created the Housing Tax Credit Program (HTC) for qualified residential rental properties. The HTC program is the principal federal subsidy contained within the tax law for acquisition/substantial rehabilitation and new construction of low-income rental housing.

Section 42 of the Internal Revenue Code (IRC), requires that state allocating agencies develop an Allocation Plan for the distribution of the tax credits within their jurisdiction. The QAP is subject to modification or amendment to ensure the provisions conform to the changing requirements of the IRC, applicable state statute, the changing environment and to best promote the Agency's strategic priorities. A preliminary summary of the proposed changes to the 2013 Qualified Allocation Plan (QAP) and Procedural Manual was provided at the January 26, 2012 Board Meeting.

In accordance with Section 42, on January 29, 2012, the Agency published a notice soliciting public comment. Minnesota Housing staff held the public hearing on Wednesday, February 22, 2012. A summary of the proposed changes was made available to the public in advance of and at the hearing for review and comment. Thirteen members of the general public attended the hearing in person, five provided oral comments on the QAP and 27 written comments were submitted to the hearing. Copies of the written comments are attached (Attachment 1).

Attachment 2 is a summary of the revisions to the 2013 QAP and Procedural Manual and Selection Criteria. Attachment 7 is the estimated 2013 Distribution of Housing Tax Credits for the state allocating agencies. The distribution is based upon the Low-Income Housing Tax Credit-2012 Calendar Year Resident Population Estimates released by the Census Bureau.

Determinations of population for any calendar year are made on the basis of the most recent census estimate of the resident population of a state (or issuing authority) released by the Census Bureau before the beginning of such calendar year. These determinations of population are subject to final publications made by the IRS at the beginning of each year.

TIMETABLE:

2013 HTC PROGRAM SCHEDULE

February 22, 2012	Minnesota Housing 2013 HTC Public Hearing
March 22, 2012	Agency Board asked to approve final 2013 QAP and Manual
April 23, 2012	Publish RFP for HTC 2013 Rounds 1 and 2
June 12, 2012	HTC 2013 Round 1 and 2012 MF Consolidated RFP Application Deadline
October 25, 2012	Agency Board asked to approve HTC 2013 Round 1 selection recommendations
January 29, 2013	HTC 2013 Round 2 Application Deadline (Tentative date)
April 25, 2013	Agency Board asked to approve HTC 2013 Round 2 selection recommendations (Tentative date)

SUBALLOCATOR PARTICIPATION:

Minneapolis, St. Paul, Dakota County, Washington County, Duluth, St. Cloud and Rochester are suballocators of housing tax credits for the 2013 program year. The cities of Duluth, St. Cloud and Rochester will again enter into a Joint Powers Agreement with the Agency to administer their 2013 Housing Tax Credits. Under this Agreement, the Agency will perform certain allocation and compliance functions on behalf of the Suballocating agency.

2013 Housing Tax Credit Program, QAP and Procedural Manual
Proposed Revisions

At the January, 2012 Board meeting, staff presented a proposed 2013 Qualified Allocation Plan (QAP) for the Housing Tax Credit program. Public comments on the proposed 2013 QAP were submitted to the Agency last month. Staff has carefully reviewed and considered all of the comments. Changes made as a result of comments are detailed below.

This Board report restates the explanation provided in the January 2012 report for proposed changes from the 2012 to 2013 QAP. Following the original explanation of each change is a summary of the public comments received and then staff's suggested modifications to the QAP in response to the public comments. To aid in readability, the information that the Board has not seen previously (the summary of public comments and staff's recommendations) is boxed and shaded.

Statutory

No statutory changes are proposed.

Qualified Allocation Plan and/or Procedural Manual

The following are proposed revisions to priorities made to accommodate special circumstances of the Housing and Economic Recovery Act of 2008 (HERA):

1. **Require new construction proposals to utilize the floating tax credit percentage rate.**

The Housing and Economic Recovery Act of 2008 (HERA) set the applicable percentage for non-federally subsidized new buildings that are placed in service after July 30, 2008 and before December 31, 2013 at a flat 9 percent applicable percentage (i.e. 70 percent present value credit). New construction proposals selected for 2013 HTC will be unlikely to complete construction and place in service before December 30, 2013. Calculating tax credits based on the 9 percent applicable fraction could result in large funding gaps, therefore, new construction proposals will be required to utilize the IRS published floating rate (The 70 Percent Value Credit for January 2012 is 7.44% - IRS Revenue Ruling 2012-2). Preservation proposals may use the fixed 9 percent rate only if there is a high level of certainty that the project will place in service prior to December 31, 2013 as supported by the project schedule submitted with the application.

Utilizing the floating applicable percentage will make it more difficult for projects to be financially feasible without additional gap funding. The pending Extender's Bill in Congress proposes to extend the 9 percent applicable percentage; and if not extended, this issue will begin to have an effect on HTC allocations made by state agencies over the next year. The long-term goal of the National Council of State Housing Agencies (NCSHA) and housing advocates is to permanently fix the credit percentage to the 9 percent flat rate which would eliminate uncertainty and financial risk of the floating rate system, simplify state administration, and provide predictability to investors and developers.

Public Comments Summary:

- Allow new construction proposals to utilize the 9% rate
- Allow new construction proposals that have previously been awarded tax credits that apply for a supplemental amount of tax credits to utilize the 9% rate

Proposed change resulting from public comment:

Allow new construction proposals to utilize the 9% rate if there is a high level of certainty that the project will place in service prior to December 31, 2013 as supported by the project schedule submitted with the application. In order to increase the potential for new construction projects to meet the deadline, new construction projects that utilize the 9% flat rate must close on financing and begin construction no later than February 28, 2013 and will not be considered for any additional deferred loan funding to fill the gap created by their inability to meet the placed in service deadline.

2. Revise targeting of the State Designated Basis Boost.

HERA allowed states to set standards for determining which areas and projects shall receive the state designated basis boost and define the criteria as part of the Agency's QAP and express its reasons for such determination. To further target the state designated basis boost, staff proposes revising the criteria to target the basis boost to projects that involve community revitalization, historic preservation, preservation of existing federally assisted buildings, housing with rents affordable to households at or below 30 percent of median income, including households experiencing long-term homelessness or in response to significant proposed expansions in area employment or natural disaster recovery efforts. The proposed revision is consistent with the criteria for justifying a waiver to the per development and per developer limits established in the QAP. The proposed language is as follows (revisions underlined/black lined):

State Designated Basis Boost – Buildings Designated by State Housing Credit Agency [pursuant to 42(d)(5)(B)(v)]

It is the goal of Minnesota Housing to optimize the use of all available sources of funding for multifamily developments; including private investor equity, amortizing loans and deferred loans to produce the maximum number of affordable rental units in the most sustainable, equitable, cost effective and geographically diverse developments possible which meet Minnesota Housing's strategic priorities. Consistent with this goal, the following criteria will be used to determine if, when, and in what amount, Minnesota Housing will provide a basis boost for housing tax credit developments on a building by building basis to attain financial feasibility.

a. Development must meet state identified housing priorities by competitive tax credit score<u> and involve community revitalization, historic preservation, preservation of existing federally assisted buildings, housing with rents affordable to households at or below 30 percent of median income, including households experiencing long-term homelessness, or in response to significant proposed expansions in area employment or natural disaster recovery efforts</u>
b. Funding gaps remain for top ranking tax credit developments
c. Credits allocated in connection with the basis boost shall be no more than needed to achieve financial feasibility

Requests must be made formally in writing and should clearly outline the reasons supporting the request and demonstrate how the proposal meets the criteria established by the Agency for receiving boost considerations.

Public Comments Summary *(staff responses italicized)*:

- Expand the basis boost to expiring tax credit projects
- Expand the basis boost to rural developments
- Expand the basis boost to preservation projects that are not federally assisted
  Preservation (rehabilitation) and rural projects should be able to meet one of the other identified project types or areas to utilize the basis boost.

Proposed changes resulting from public comment:

Clarify that expiring tax credit projects, as defined in the Self Scoring Worksheet, are considered federally assisted and eligible for the basis boost.

The following are refinements to existing priorities based on experience and additional data:

3. Combine Large Family Housing, Single Room Occupancy and Special Populations into one Household Targeting scoring criterion.

Points may be taken in only one of the following categories: Large Family Housing, Single Room Occupancy or Special Populations. Combining these categories into one single Household Targeting selection criteria will simplify the Self-scoring worksheet by clarifying that only one household targeting type may be selected and reducing the number of Household Targeting selection priorities from three to one. The proposed revision is not a policy change and does not result in any changes to content or points.

Public Comments Summary:

- The agency received one letter of support

Proposed change resulting from public comment: No proposed change

4. Revise Project Location – Top Growth Communities scoring criterion.

In the 2012 QAP, the project location scoring criterion was revised. The previous criterion awarded points to projects that were located in one of the top twenty counties in either job or household growth where housing is needed to increase or sustain the supply of affordable housing. The proposed criterion scores on the top cities/townships, which more effectively targets resources to areas of growth. To take into account geographic differences, points were awarded to the top 10 cities/townships in the 7 county metro area and top 20 cities/townships in Greater Minnesota with the highest household or job growth from 2000-2010. Following an assessment of the new criterion, staff proposes adding a 5-10 mile buffer area around the cities/townships eligible for points (5 mile buffer around the metro area cities and a 10 mile buffer around greater Minnesota cities/townships) and decreasing the maximum point value from 10 to 5, providing equal priority to growth cities/townships and simplifying the determination of points eligibility with the expanded buffer areas. The buffer is intended to recognize normal commuting patterns. Workers may live in a community adjacent to the one experiencing job growth and actually live closer to the job than someone living in the community with the job growth. Refer to Attachment 2, where Tables 1 and 2 identify the top growth cities/townships and the map displays the buffer area eligible for points. The map will be a layer in the community profiles interactive mapping tool so applicants can easily check location in relation to these areas.

Public Comments Summary *(staff responses italicized)*:

- The agency received one letter supporting the change and two additional letters supporting the decrease in points from 10 to 5.
- Keep cities/township lists more stable for site location planning
  2012 was the first year of prioritizing cities/townships rather than counties. The wider variation of eligible cities/townships from the 2012 to 2013 QAP resulted from switching from estimated 2009 household counts (nine years after the last Census) for the 2012 QAP to actual 2010 household counts from the 2010 Census for the 2013 QAP. The availability of more reliable 2010 Census resulted in the changes. When we use estimated 2011 household counts next year in the 2014 QAP, the list should be relatively consistent with this year's because it is only one year after the 2010 Census.
- Tribal housing does not qualify for top growth communities and does not recognize tribal housing needs

Prioritizing projects in areas of household and/or job growth has been a long-standing Agency priority that encourages housing to be built in areas that can demonstrate the need for housing as evidenced by their household and/or job growth.

Proposed change resulting from public comment: No proposed change

5. Remove the duplicative Regulatory Cost Avoidance/Cost Reduction scoring criterion.

Contributions from local units of government are taken into account and will be more accurately measured in the Local/Philanthropic Contributions selection criteria. Applicants previously had the option of taking the value of the cost avoidance/cost reduction measure in the Regulatory Cost Avoidance/Cost Reduction scoring criterion or in the Local/Philanthropic Contributions selection priority, but not in both scoring criterion. Applicants routinely provided documentation that did not accurately demonstrate cost avoidance or cost reductions making its value difficult to assess. Removal of the duplicative Regulatory Cost Avoidance/Cost Reduction scoring criterion will allow a more accurate measure of local government contributions based on the contribution value within the Local/Philanthropic selection priority. The Local/Philanthropic scoring criterion will be revised to incorporate all missing items from the Regulatory Cost Avoidance/Cost Reduction category as shown below:

One point for each box checked, with a maximum of 7 points

- ☐ Donation or waiver of project specific local government development fees
- ☐ Donation or waiver of project specific assessments or infrastructure costs
- ☐ Density bonus (an increase in density granted under specific provisions of the zoning ordinance above the maximum density otherwise allowed in the applicable zoning district.)
- ☐ Flexibility in zoning code requirements
- ☐ WAC/SAC reductions
- ☐ Fast-track permitting and approval
- ☐ Historic tax credits (at time of application, submit letter from State Historic Preservation Office (SHPO) confirming historic nature of building)

Public Comments Summary:

- The agency received one letter of support

Proposed change resulting from public comment: No proposed change

6. Revise the Local/Philanthropic Contributions scoring criterion to incorporate federal contributions.

Rename the Local/Philanthropic Contributions selection priority to Federal/Local/Philanthropic Contributions and allow for federal contributions to be included in the calculation. Points are currently awarded for projects that have secured external contributions from local units of government, local employers and philanthropic contributions. The purpose of this scoring criterion is to promote leveraging of non-state resources which should include capital federal funding and resources. This revision also adds the inclusion of the net present value of the added benefit of Historic Tax Credits and federal below market rate loans such as Native American Housing and Self Determination Act (NAHASDA) and USDA Rural Development 515 loans.

Current:
Points are awarded for projects that are receiving contributions from a local unit of government; an area employer; and/or a private philanthropic, religious or charitable organization.

Identity of Interest exclusion: Contributions from any part of the ownership entity will be considered general partner cash and excluded from the calculation unless the contributions are awarded by local units of government or nonprofit charitable organizations pursuant to a funding competition.

Total local/philanthropic contributions $_____ divided by Total Development Cost $_____ equals (rounded to the nearest tenth)

☐ 20.1% and above – *10 points*

☐ 15.1 – 20% – *8 points*

☐ 10.1 – 15% – *6 points*

☐ 5.1 – 10% – *4 points*

☐ 2.1 – 5% – *2 points*

☐ 0 – 2% – *0 points*

Local/Philanthropic Contributions include:

- Monetary grants/donations
- Tax increment financing - calculate Net Present Value (NPV) by using NPV discounted by Applicable Federal Rate (AFR)
- Tax abatement (calculate NPV by using NPV discounted by AFR)
- Land donation of the development site
- In-kind work and materials donated at no cost
- Local government donation/waiver of project specific costs, assessments or fees (e.g. SAC/WAC)
- Reservation land not subject to local property taxes
- Reservation land with long-term low cost leases
- Deferred loans with a minimum term that is co-terminus with the HTC Declaration with an interest rate at or below the AFR
- Grants from nonprofit charitable organizations converted to deferred loans with a minimum term that is co-terminus with the HTC Declaration with an interest rate at or below the AFR. Award letter from the nonprofit charitable organization contributor must be provided at the time of application verifying the project specific (restricted) contribution

Proposed (revisions underlined):

Points are awarded for projects that are receiving contributions from <u>the federal government</u>; a local unit of government; an area employer; and/or a private philanthropic, religious or charitable organization.

Identity of Interest exclusion: Contributions from any part of the ownership entity will be considered general partner cash and excluded from the calculation unless the contributions are awarded by local units of government or nonprofit charitable organizations pursuant to a funding competition.

Total <u>federal/</u>local/philanthropic contributions $_____ divided by Total Development Cost $_____ equals (rounded to the nearest tenth)

☐ 20.1% and above – *10 points*

☐ 5.1 – 10% – *4 points*

- ☐ 15.1 – 20% – *8 points*
- ☐ 10.1 – 15% – *6 points*
- ☐ 2.1 – 5% – *2 points*
- ☐ 0 – 2% – *0 points*

<u>Federal/</u>Local/Philanthropic Contributions include:

- Monetary grants/donations
- Tax increment financing - calculate Net Present Value (NPV) by using NPV discounted by Applicable Federal Rate (AFR)
- Tax abatement (calculate NPV by using NPV discounted by AFR)
- Land donation of the development site
- In-kind work and materials donated at no cost
- Local government donation/waiver of project specific costs, <u>assessments or fees (e.g. SAC/WAC)</u>
- Reservation land not subject to local property taxes
- Reservation land with long-term low cost leases
- Deferred loans with a minimum term that is co-terminus with the HTC Declaration with an interest rate at or below the AFR
- Grants from nonprofit charitable organizations converted to deferred loans with a minimum term that is co-terminus with the HTC Declaration with an interest rate at or below the AFR. Award letter from the nonprofit charitable organization contributor must be provided at the time of application verifying the project specific (restricted) contribution
- <u>Below Market Interest Rate (BMIR) Loans –calculate NPV based on the difference between the AFR and the BMIR rate (e.g. RD 515, NHASDA first mortgage).</u>
- <u>Historic Tax Credits</u>

Public Comments Summary *(staff responses italicized)*:

- The agency received two letters of support
- Remove the Identity of Interest exclusion and count GP contributions as contributions as a Local/Philanthropic contribution
  The Local/Philanthropic scoring criterion prioritizes proposals that are able to leverage external resources. Due to the difficulty in valuing general partner cash, the QAP was changed to specify that if there is an identity of interest, it may be included as a contribution if the funding is awarded by a local unit of government or nonprofit charitable organization pursuant to a funding competition. General partner cash and deferred developer fees are taken into account in the Readiness to Proceed scoring criterion.
- Add city land write downs as an eligible contribution
  City land write downs are currently counted as an eligible contribution with proper documentation of the value of the write down. Language will be added to clarify as described below.

Proposed change resulting from public comment:
Add clarification to the scoring criterion as follows (change to existing language bolded and underlined):

Land donation **<u>or city write down</u>** of the development site

7. Remove the Non-Financial Readiness to Proceed items from the Readiness to Proceed scoring criterion.

In the 2012 QAP, the Board approved the addition of Non-Financial Readiness to Proceed items intended to give priority to developments more ready to proceed towards closing and construction. Following review and assessment of submittals of the items and documentation received, the submissions were preliminary, sometimes problematic for local jurisdictions to provide, and did not demonstrate a development's readiness to proceed. Staff proposes eliminating the Non-Financial Readiness to Proceed section detailed below:

Non-Financial Readiness to Proceed – (1 point for each box checked up to a maximum of 4 Pts)

Points will be awarded to projects that evidence Non-Financial Readiness to Proceed by submitting verification of the following;

☐ Land use and zoning approvals

☐ Project Specific Title Commitment and Survey* (if project is located on tribal trust land, only the survey needs to be submitted to be eligible)

☐ Verification that all infrastructure for the project is complete

☐ Draft Building permits

Public Comments Summary *(staff responses italicized)*:

- The agency received one letter of support
- Keep the non-financial readiness to proceed items for points
  Documentation that applicants submitted to support non-financial Readiness to Proceed was preliminary and did not demonstrate that a project was more ready to proceed.

Proposed change resulting from public comment: No proposed change

8. Remove the Underserved Populations scoring criterion and make it a threshold requirement.

Points are awarded for projects that target and market to underserved populations, defined in Agency statutes as single head of household with minor children, households of color or persons with disabilities. Through scoring analysis, almost all proposals are awarded maximum points in this selection priority. Making targeting and marketing to underserved populations a threshold requirement will change the option into a requirement. Applicants will continue to be required to provide a description of their marketing efforts or project design features that will be used to attract underserved populations including describing collaborations and partnerships proposed with members or organizations, addressing the needs of underserved populations, and describing past successful experiences in marketing to or working with underserved populations. In addition, in accordance with Fair Housing laws, owners may not discriminate and owners will continue to be required to affirmatively further fair housing and market to those least likely to apply for the housing.

Public Comments Summary:

- The agency received one letter of support to but recommended keeping points for projects located on tribal land
  Targeting and marketing of underserved populations should be threshold for all proposals.
- Add clarity to how a project will meet threshold, is it through an Affirmative Fair Housing Marketing Plan (AFHMP)? If so state as such, if not, allow for additional comments.
  Yes, to meet threshold, the Agency will require all projects to submit an AFHMP at the time of application. All tax credit projects and projects with federal funds are currently required to submit the AFHMP after selection so this change will result in earlier submission for the projects and will not replace the final Agency approved AFHMP submitted post selection.

Proposed change resulting from public comment:
Projects will be required to submit an AFHMP at the time of application. An Agency approved AFHMP will also continue to be a requirement and condition of Carryover and 8609.

9. **Revise the Temporary Priority - Foreclosed Properties scoring criterion.**

Points are awarded to applications proposing to acquire and rehabilitate a foreclosed property or are located in a Foreclosure Priority area identified by Minnesota Housing that has been heavily impacted by the foreclosure crisis. Foreclosure recovery is one of the Agency's five strategic priorities. Staff proposes revising the criteria by eliminating the points for being located in a priority area for the third round of funding under the Neighborhood Stabilization Programs (NSP3) and redistributing the tiering of point values. The NSP3 priority areas are highly targeted, tightly defined areas. Foreclosure remediation efforts are needed in larger target areas. Separate criteria in the metro and Greater Minnesota areas were previously developed due to the lack of NSP3 designated areas in Greater Minnesota. With the removal of the additional priority points for NSP3 areas, the separate criterion for the metro area and Greater Minnesota is no longer needed, and the maximum 10 point value will be redistributed and applicable statewide. Refer to Attachment 3 for the revised Foreclosure Zip Codes Map and table of high need zip codes eligible for points.

Current:

Priority is given to applications proposing to acquire and rehabilitate a "Foreclosed Property" (A home or residential property has been foreclosed upon if any of the following conditions apply: a) the property's current delinquency status is at least 60 days delinquent under the Mortgage Bankers of America delinquency calculation and the owner has been notified of this delinquency, or b) the property owner is 90 days or more delinquent on tax payments, or c) under state, local, or tribal law, foreclosure proceedings have been initiated or completed, or d) foreclosure proceedings have been completed and title has been transferred to an intermediary aggregator or servicer that is not an NSP grantee, subrecipient, contractor, developer, or end user.) or a property located in a NSP3 Target Area or Foreclosure Priority Area identified by Minnesota Housing. In cases where the project involves a "Foreclosed Property", the proposed project cannot be a conversion (adaptive reuse/conversion to housing from another use).

The project must consist of a minimum of 12 units and all units must be located on one parcel or contiguous site.

Metropolitan Area:
Points may be claimed for only one of the following (maximum of ten (10) points):

☐ For applications proposing to acquire and rehabilitate a Foreclosed Property which is located in one of the Minnesota Housing designated NSP3 target areas. – 10 points

☐ For applications proposing to acquire and rehabilitate a Foreclosed Property which is located in one of the designated Foreclosure Priority Areas. – 5 points

☐ For applications proposing a project that is located is a Minnesota Housing designated NSP3 target area. – 5 points

☐ For applications proposing to acquire and rehabilitate a Foreclosed Property which is not located in one of the designated Foreclosure Priority Areas. – 3 points

☐ For applications proposing a project to acquire and rehabilitate a property that is located in one of the designated Foreclosure Priority Areas. – 3 points

Greater Minnesota:

Points may be claimed for only one of the following (maximum of five (5) points):

☐ For applications proposing to acquire and rehabilitate a Foreclosed Property which is located in one of the designated Foreclosure Priority Areas. – 5 points

☐ For applications proposing to acquire and rehabilitate a Foreclosed Property which is not located in one of the designated Foreclosure Priority Areas. – 3 points

☐ For applications proposing a project to acquire and rehabilitate a property that is located in one of the designated Foreclosure Priority Areas. – 3 points

Proposed:

Priority is given to applications proposing to acquire and rehabilitate a "Foreclosed Property" (A home or residential property has been foreclosed upon if any of the following conditions apply: a) the property's current delinquency status is at least 60 days delinquent under the Mortgage Bankers of America delinquency calculation and the owner has been notified of this delinquency, or b) the property owner is 90 days or more delinquent on tax payments, or c) under state, local, or tribal law, foreclosure proceedings have been initiated or completed, or d) foreclosure proceedings have been completed and title has been transferred to an intermediary aggregator or servicer that is not an NSP grantee, subrecipient, contractor, developer, or end user.) or a property in a Foreclosure Priority Area identified by Minnesota Housing. In cases where the project involves a "Foreclosed Property", the proposed project cannot be a conversion (adaptive reuse/conversion to housing from another use).

The project must consist of a minimum of 12 units and all units must be located on one parcel or contiguous site.

Points may be claimed for only one of the following (maximum of ten (10) points):

☐ For applications proposing to acquire and rehabilitate a Foreclosed Property which is located in one of the designated Foreclosure Priority Areas. – 10 points

☐ For applications proposing to acquire and rehabilitate a Foreclosed Property which is not located in one of the designated Foreclosure Priority Areas. – 5 points

☐ For applications proposing a project to acquire and rehabilitate a property that is located in one of the designated Foreclosure Priority Areas. – 5 points

Public Comments Summary:

- The agency received one letter of support
- Add points for the redevelopment of vacant land that contained residential property that was previously involved in a foreclosure action. Redevelopment of larger parcels resulting from demolition of foreclosed properties are more efficient than acquisition/rehabilitation of single family detached homes

Proposed change resulting from public comment (proposed changes bolded and underlined):
Points may be claimed for only one of the following (maximum of ten (10) points):

☐ For applications proposing to acquire and rehabilitate a Foreclosed Property **<u>or redevelop vacant land involved in a foreclosure action</u>** which is located in one of the designated Foreclosure Priority Areas. – 10 points

☐ For applications proposing to acquire and rehabilitate a Foreclosed Property **<u>or redevelop vacant land involved in a foreclosure action</u>** which is not located in one of the designated Foreclosure Priority Areas. – 5 points

☐ For applications proposing a project to acquire and rehabilitate a property that is located in one of the designated Foreclosure Priority Areas. – 5 points

10. Combine Preservation of Federally Assisted and Preservation of Existing Housing Tax Credits as separate options into one scoring criterion and add clarifying language to Preservation of Existing Housing Tax Credits.

Combining the currently separate priorities of Preservation of Federally Assisted Housing and Preservation of Existing Housing Tax Credits into one will simplify the Self-scoring worksheet by combining related preservation scoring into one selection priority and highlight the importance of preservation within the QAP.

Within the Preservation of Existing Housing Tax Credits section, clarify that developments that have already exercised their option to opt out under the Qualified Contract Process are not eligible for points and add clarifying language that all of the listed criteria (1-4 below) must be met. The revised <u>underlined</u> language is proposed as follows:

To obtain the related points, the existing tax credit housing must meet <u>all</u> of the following:

1. The development received a Minnesota Housing allocation of housing tax credits and is eligible to and will exercise their option under the provisions of Section 42(h)(6)(E)(i)(II) and 42(h)(6)(F) <u>(Qualified Contract)</u> within the next 12 months <u>(developments that have exercised their option to opt out under the Qualified Contract process are not eligible for points in this category).</u>
2. Applicant agrees to maintain the Housing Tax Credit Units in the development for at least 30 years.
3. The proposal will not result in the displacement of existing low and moderate income residents;

<u>AND either 4a. or 4b below (check one)</u>

4. ☐ a. Units must be considered at risk of going to market rents, where the market rents of comparable units exceed the tax credit rent limits by 10 percent and the proposed rents will increase by more than 30 percent within two years of the Housing Tax Credit Application date. The risk of conversion must be supported by information contained in the application and with final determinations made by Minnesota Housing;

   ☐ b. Tax credit units would no longer remain decent, safe, and affordable due to physical deterioration or deterioration of capacity of current ownership/management entity.

Public Comments Summary *(staff responses italicized)*:

- The agency received one letter of support
- Expand the preservation definition to include:
- Projects that have existing Minnesota Housing deferred or first mortgage financing
- Projects that proactively seek recapitalization prior to deterioration (projects not at risk)
- Projects that have NAHASDA/Indian Housing Block Grant Funding
- Projects that are expiring tax credit projects that serve the lowest incomes that are farthest from their expirations that remain in good physical and financial standing

Preservation projects receive significant priority in the QAP. The additional scoring criterion of Preservation of Federally Assisted Units allows a higher priority for preservation developments that are truly at risk of losing their *federal subsidies over preservation developments that are not at risk.*

Proposed change resulting from public comment:

- Add a provision to allow projects that are effectively project based by written contract (e.g. NAHASDA) **(change bolded and underlined in the proposed language)**.
- Current and proposed language for the Preservation of Federally Assisted scoring criterion is detailed below. With the exception of the language added for projects that are effectively project based, the proposed language clarifies the existing requirements that are detailed in the Application Narratives. The clarifying language does not change the current requirements.

Current:

☐ **Preservation of Federally Assisted Units – 20 Points**

DEFINITION - Any housing receiving project based rental assistance, operating subsidies, or mortgage interest reduction payments. This includes public housing, Section 236 and Section 221(d)(3) interest reduction payments, and any development with project based Section 8, rent supplement, or rental assistance payments contract.

Preserves federally assisted low income housing which, due to mortgage prepayments or expiring rental assistance, would convert to market rate use or due to physical deterioration or deterioration of capacity of current ownership/management entity would lose its federal subsidies. Minnesota Housing, at its sole discretion, must agree that a market exists for a conversion to market rate housing.

To obtain the related points, the federally assisted housing must meet all of the following:

1 Units must be considered at risk of losing assistance within two years of the Housing Tax Credit Application date as supported by information contained in the application and with final determinations made by Minnesota Housing.
2 Applicant must agree to continue renewals of existing project based housing subsidy payment contract for as long as the assistance is available.
3 Applicant must agree to maintain the Housing Tax Credit Units in the development for at least 30 years.

Except for “good cause” applicant must not evict existing subsidized residents and must continue to renew leases for those residents.

Following selection, developments awarded points through this category which have an identity of interest will be required to provide an as-is appraisal acceptable to Minnesota Housing to substantiate the acquisition price reflected in the application. Prices which are unsubstantiated or inconsistent with comparable current market pricing will be subject to re-evaluation and adjustment of the tax credits or RFP award, up to and including the total recapture of tax credits or RFP funds.

Proposed:

☐ **Preservation of Federally Assisted Units – 20 Points**

These points are available to projects that are at risk of loss of project based federal assistance within two years.

DEFINITION - Any housing receiving project based rental assistance, operating subsidies, or mortgage interest reduction payments. This includes public housing, Section 236 and Section 221(d)(3) interest reduction payments, and any development with project based Section 8, rent supplement, rental assistance payments contract, **or are effectively project based by written contract (e.g. NAHASDA).**

In order to obtain the related points, the owner shall continue renewals of existing project based housing subsidy payment contract(s) for as long as the assistance is available; and shall maintain the Credit units in the Project for at least 30 years and shall agree that sections 42(h)(6)(E)(i)(II) and 42 (h)(6)(f) of the code shall not apply to the project. Except for "good cause" the owner must not evict existing subsidized residents and must continue to renew leases for those residents.

Please indicate the reason why property is at risk of loss within two years (check all that apply):

☐ 1. Prepayment/opt-out/mortgage maturity and conversion to market rate housing. Minnesota Housing, at its sole discretion, must agree that a market exists for a conversion to market rate housing. Attach evidence, including eligibility dates, with copies of relevant expiring contracts, filing documents of intent to opt out, loan documents that describe the ability to pre-pay the financing including required approvals and/or penalties AND documentation to fully evidence 1a. or 1b. below (check the box(es) that apply):

☐ 1a. Conversion risk due to strategic location:
- Attach the strategic location along with maps (i.e. specific proximity to services, transit-oriented development, or employment centers).

☐ 1b. Conversion risk due to market differential:
- Attach at least three market comparables for each bedroom size to indicate what market rents might be achievable at the property without the federal assistance restrictions.

☐ 2. Serious physical condition issues:
- Attach evidence with a copy of the most recent REAC inspection report or other evidence of physical deterioration that would threaten the HAP contract.

☐ 3. Deterioration of capacity of current ownership/management entity:
- Attach a narrative description of the history and issues.

Following selection, developments awarded points through this category which have an identity of interest will be required to provide an as-is appraisal acceptable to Minnesota Housing to substantiate the acquisition price reflected in the application. Prices which are unsubstantiated or inconsistent with comparable current market pricing will be subject to re-evaluation and adjustment of the tax credits or RFP award, up to and including the total recapture of tax credits or RFP funds.

11. Revise the Rental Assistance scoring criteria to provide maximum points for projects with 100% Project Based Rental Assistance Contracts and reduce the term of the extended commitment from five years to four years.

Points are awarded to applications with commitments of project based rental assistance (PBA). Currently, only projects with less than 100 percent PBA contracts are able to achieve maximum points in the selection priority because 100 percent PBA projects are unable to claim points for cooperatively developing a housing plan/agreement to provide "other" Rental Assistance because they have no need for "other" rental assistance. The proposed change will ensure that the owner maximizes the use of all of the available units of PBA and is able to achieve maximum points in this selection priority.

In addition, USDA RD 515 rent assistance contracts are structured as renewable rental assistance contracts with a **maximum** contract term of 4 years, and staff is recommending a decrease to the extended contract term requirement from a minimum of five years to four years to accommodate and acknowledge the importance of this historically stable source of rental assistance.

Staff proposes:

1. Adding option (A) below to give maximum points and prioritize proposals with project based rental assistance contracts for 100 percent of the units.
2. Revise option (F) below to reduce the contract term from a 5-9 year contract term to 4-9 year term.

Proposed Revisions are underlined in options (A) and (F) below:

☐ (A) For developments agreeing to set aside and having the required binding commitment for 100 percent of the total units for project based rental assistance – *17 points*

☐ (B) For developments agreeing to set aside and having the required binding commitment for at least 51 percent of the total units for project based rental assistance – *13 points*

☐ (C) For developments agreeing to set aside and having the required binding commitment for at least 20 percent but under 51 percent of the total units for project based rental assistance – *10 points*

☐ (D) For developments agreeing to set aside and having the required binding commitment for at least 10 percent but under 20 percent of the total units for the project based rental assistance – *6 points*

☐ (E) For selection components A, B or C above, if, in addition, the above binding commitments are coupled with a binding commitment to provide the project based rental assistance for a minimum 10 year contract term – *4 points*

☐ (F) For selection components A, B or C above, if, in addition, the above binding commitments are coupled with a binding commitment to provide the project based rental assistance for a ~~5~~ 4 to 9 year contract term – 2 *points*

☐ (G) For developments that cooperatively develop a housing plan/agreement to provide **other** Rental Assistance (e.g. Section 8, portable tenant based, formal recommendation for McKinney Vento Shelter Plus Care rent assistance, or other similar programs approved by Minnesota Housing) to meet the existing need as evidenced at application by a letter of intent signed by both the applicant and the local housing authority or other similar entities – *4 points*

Public Comments Summary *(staff comments italicized):*

- The agency received two letters of support
- Clarify that properties with existing Section 8 contracts with a remaining commitment of 4 or more years are eligible for extended term contract points
  See proposed language below
- Award points to a project with a commitment to renew and extend it's existing HAP contract
  Projects with a commitment to renew and extend are already eligible for points in this scoring criterion.
- Give maximum points for projects that have 100% project based assistance
  This is already part of the 2013 proposed changes (see Letter A above).
- Expand language to include other types of Rental Assistance (GRH, HUD SHP, Tribal RA, vouchers)
  Language will be added for projects that are effectively project based by written agreement.

Proposed change resulting from public comment (Revisions bolded and underlined):

☐ (E) For selection components A, B or C above, if, in addition, the above binding commitments are coupled with a binding commitment to provide the project based rental assistance for a minimum 10 year **new or remaining** contract term – *4 points*

☐ (F) For selection components A, B or C above, if, in addition, the above binding commitments are coupled with a binding commitment to provide the project based rental assistance for a 4 to 9 year **new or remaining** contract term – 2 *points*

The following are proposed revisions based on policy changes:

12. Replace Regulatory Cost Avoidance/Cost Reduction with Cost Containment – Per Unit Cost Limits scoring criterion.

The Agency has included cost avoidance/cost reduction in its QAP for a number of years. It has been difficult to value the cost avoidance measures and lack of clarity about the benefits. The proposed cost containment scoring criterion is much more concrete and objective.

The Cost Containment – Per Unit Cost Limit selection priority will be one of several tools that Minnesota Housing will use to assess costs. Besides the cost containment scoring priority:

- The Agency will continue to use its predictive cost model to test cost reasonableness for all projects. The model uses cost data from tax credit properties completed since 2003, industry cost data from RSMean, and regression analysis to predict total project costs. Based on a projects characteristics (building type, building characteristics, project size, project location, population served, financing, etc.), the model predicts the total development costs. During the tax credit selection process, the proposed total development costs for all projects will be compared with the predicted costs to assess cost reasonableness, regardless of whether the project receives points under this selection priority. The Agency wants to ensure that all costs are reasonable, particularly if a project does not get points for having low costs.
- Minnesota Housing underwriters and architects will continue to use their professional judgment to assess cost reasonableness

This selection priority and predictive model are consistent with a policy adopted by the National Council of State Housing Agencies (NCSHA) in December 2011. The policy states:

In addition to carefully rationing the amount of Housing Credit allocated to eligible developments, as federally required, each Allocating Agency should develop a per unit cost limit standard. That standard should be based on total development costs, including costs not eligible for Housing Credit financing and costs funded from sources other than the Housing Credit…Finally, each Allocating Agency should regularly review its QAP and related allocation guidelines with the goal of reducing development costs.

Staff will assess and revise the Low and Moderate Cost Thresholds annually. The low cost threshold represents the historical cost benchmark that captures the 25 percent of Housing Tax Credit developments over the last eight years with the lowest costs. (All costs are adjusted for inflation to reflect current costs.) The moderate threshold is 10 percent higher than the low cost threshold for new construction and 25 percent higher for rehabilitation. Generally, the moderate threshold captures the 50 percent of projects with the lowest costs. The percentage adjustment between the low and moderate cost thresholds is larger for rehabilitation than new construction because there is greater variation in costs (or cost spread) among the rehabilitation projects.

If a project receives points under this criterion, failure to keep project costs under the selected cost threshold will be considered an unacceptable practice and will result in negative points equal to points awarded in the applicant's next new tax credit submission. This language will be added to the Unacceptable Practices section in the HTC procedural manual.

Proposed:

Points are awarded for projects that demonstrate cost containment with per unit Total Development Costs (TDC) below the following Low Cost and Moderate Cost thresholds:

	Low Cost Threshold (10 pts)	Moderate Cost Threshold (5 pts)
New Construction in Metro for Families or Mixed Use	$215,000	$236,500
New Construction in Metro for Singles	$185,000	$203,500
New Construction in Greater Minnesota for Families or Mixed Use	$165,000	$181,500
New Construction in Greater Minnesota for Singles	$125,000	$137,500
Rehabilitation in Metro for Families or Mixed Use	$145,000	$181,250
Rehabilitation in Metro for Singles	$110,000	$137,500
Rehabilitation in Greater Minnesota for Families or Mixed Use	$95,000	$118,750
Rehabilitation in Greater Minnesota for Singles	$65,000	$81,250

"New Construction" includes: (1) Conversion from nonresidential use and (2) New Construction Combined with Rehabilitation

“For Families or Mixed Use” refers to developments were more than 25% of the units have two or more bedrooms.

“For Singles” refers to developments where 75% or more of the units are efficiencies or one bedroom.

☐ The proposed housing’s per unit TDC meets the Low Cost Threshold and is eligible for 10 points

☐ The proposed housing’s per unit TDC meets the Moderate Cost Threshold and is eligible for 5 points

Public Comments Summary *(staff responses italicized)*:

- The agency received 17 letters and one oral comment expressing concerns and/or recommending delay of implementation of a new cost containment category until the 2014 QAP.

While Minnesota Housing is committed to controlling total development costs associated with Housing Tax Credit properties, the Agency realizes that the proposed low- and moderate-cost thresholds are a significant change from previous QAPs and more time is needed to process the change and understand the overall implications, particularly unintended consequences.

Consequently, Minnesota Housing will drop the proposed low- and moderate-cost thresholds for the 2013 QAP but intends to include some version of it in the 2014 QAP. To ensure that developers and other partners have sufficient time to process and assess the proposed cost thresholds, the Agency will make them available in July of 2012 for comment and feedback, well in advance of the 2014 QAP approval process. Before developing the revised cost thresholds in July, Agency staff will assess in greater detail the comments made during the public comment period for the 2013 QAP.

While Minnesota Housing is dropping the low- and moderate-cost threshold, it will continue to assess the cost reasonableness of all proposed developments using the predictive cost model. The model uses cost data from tax credit properties completed since 2003, industry cost data from RSMean, and regression analysis to predict total development costs. Based on 17 project characteristics (including building type, building characteristics, project size, project location, population served, financing, etc.), the current model predicts the total development costs. During the tax credit selection process, the proposed total development costs for all projects will be compared with the predicted costs to assess cost reasonableness.

Proposed change resulting from public comment:
Defer adding a new Cost Containment criterion to the 2014 QAP.

13. Set a Preservation award ceiling at 2/3 of each regional pool.

The 2013 QAP strikes a balance between preservation of existing affordable housing and adding to the supply of rental housing through new construction. Economic conditions and demographics account for the increased demand for rental housing. The increasing share of households who are renters is due in part to the job market and slow climb out of the Great Recession. Homeowners who are unable to sustain homeownership add to the demands for rental housing. According to a 2011 study by the Harvard Joint Center on Housing Studies, between 1999 and 2009, there was a 28% net loss of low-cost rental housing units nationwide. New housing construction in Minnesota dropped dramatically between 2005 and 2010, interrupting the normal process of replacing demolished units or units otherwise removed from the housing supply. Rental housing vacancy rates in the Twin Cities metro area are under 3%, well below the 5% rate that is considered a balanced market. Areas of Greater Minnesota are also experiencing vacancy rates under 5%. As the demand for rental housing increases, rents are likely to inflate putting further pressure on the need for affordable rental housing.

The proposed revision reserves one-third of each Agency administered pool of tax credits for new construction projects. Staff has determined that this is an amount sufficient to ensure that at least one new construction project is funded from each pool. The proposed preservation award ceiling is the counterweight to the high number of points available for preservation projects. In all other respects under the QAP, preservation projects and new construction projects are competitive with one another. The policy goal of balancing preservation and new construction needs would not be achieved without a set-aside of a sufficient amount of credits to allow at least one new construction project to be funded.

Public Comments Summary *(staff responses italicized)*:

- The agency received four letters of support
- Create a preservation set-aside

A specific set-aside for preservation is not necessary as the points eligible for preservation projects provide significant priority to preservation projects.

Proposed change resulting from public comment: No proposed change.

14. Require that Housing Tax Credit developments without RFP funding adhere to architectural design and sustainable housing design requirements consistent with RFP Design standards.

In the 2012 QAP, points were added for proposals that are ready to proceed without a request of deferred loan funding through the RFP. A record number of proposals were submitted that were able to proceed without RFP deferred loan funding or LMIR first mortgage financing. In an effort to ensure that Housing Tax Credit only proposals meet minimum design and sustainability requirements, they will be required to meet the Agency's design and sustainable housing design standards.

Public Comments Summary:

- The agency received two letters of support

Proposed change resulting from public comment: No action needed

15. Remove the requirement that a nonprofit organization applying to the Nonprofit Set-aside must be local, organized and incorporated in the state of Minnesota.

Section 42 requires that states allocate a minimum of 10 percent of the state's volume cap to eligible nonprofit organizations within the meaning of Section 42. The requirement that the nonprofit organization be local, organized and incorporated in the state of Minnesota was originally included to prevent sham nonprofit organizations being created to be eligible to apply to the nonprofit set-aside. Based on Agency experience, there are experienced national nonprofit organizations with demonstrated capacity and history of developing and managing the affordable housing for the long-term and the requirement that the nonprofit organization be local and organized in Minnesota is no longer necessary. Staff proposes revising the language as follows:

> The nonprofit must ~~be local, organized and incorporated in the state of Minnesota and~~ have significant experience ~~in Minnesota~~ as a sponsor, owner, or manager of low-income housing. The nonprofit must have the fostering of low-income housing as one of its exempt purposes and must "materially participate" in the ownership, development and operation of the low-income project through the term of the Declaration.

Public Comments Summary:

- Keep the requirement that to apply to the nonprofit set-aside, the nonprofit organization be local, organized and incorporated in the state of Minnesota.
  The Agency agrees that Minnesota has a strong nonprofit housing development community and proposes to drop the proposed change.
- Provide points for nonprofit developers
  Nonprofit organizations have continuously scored competitively within the competitive funding rounds.

Proposed change resulting from public comment:

- Eliminate the proposed change, nonprofit organizations will continue to be required to be local, organized and incorporated in the state of Minnesota to access the nonprofit set-aside.

Additional Public Comment Summary resulting in QAP changes *(staff responses italicized):*

RD/Small Projects Set-Aside:

- Increase the RD set-aside from $200,000 to $300,000 or $400,000

Proposed Change Resulting From Public Comment:
The RD set-aside will be increased to $300,000

Long-Term Homelessness:

- The Agency received one letter of support for continuation of the Long-term Homeless (LTH) priority.
  Serving long-term homeless households continues to be an important Agency priority that supports the Agency's strategic plan and the State's Business Plan to End LTH. The QAP has been an effective mechanism to encourage development of LTH units.

- Add points for projects that have long-term homeless design standards and spaces
  The Agency has specific design standards for supportive housing projects (including LTH) that need to be met.

- Reduce the minimum number of LTH units required for smaller developments in Greater Minnesota (current minimum is the greater of 4 units or 5% of the total number of units)
  It has been determined that 4 units is the minimum number necessary to balance the additional requirements for projects that deem LTH units. Some factors include service delivery costs, annual reporting requirements and additional asset management oversight of the LTH units.

- Remove rural greater Minnesota from the LTH selection priority and instead consider a rural area set-aside or create a LTH set-aside
  The Agency currently administers a Rural Development/Small projects set-side, the amount of which is being increased for the 2013 QAP. Creating additional set-asides limits flexibility in project selection and the current LTH scoring criterion has been an effective tool to encourage the development of LTH units statewide.

- Increase LTH priority to be equal to preservation (20 points for Preservation of at risk Federally Assisted projects)
  LTH projects receive significant priority in the QAP. The point potential for LTH projects exceeds points for preservation. LTH projects may receive up to 10 points in addition to 100 bonus points for LTH projects up to 25% (approximately 1.75 MM) of Agency administered tax credits.

- Prioritize projects that deliver supportive services to residents online
  Online services may be one option available to supportive housing projects but does not replace having a primary service provider available to residents.

- Increase points for projects with extensive services
  Each project's supportive service plan is reviewed based on the appropriate level of services for the proposed housing and targeted households. Extensive services may not be appropriate for all supportive housing developments. In addition, it would be difficult to develop clear and measurable scoring criterion to consistently assess degrees of service levels.

- Increase incentives for projects that have a higher percentage of LTH units
  Syndicators require large up-front reserves for the LTH units to account for the uncertainty of the continuance of rental assistance, operating subsidies and/or service funding. To encourage more LTH units and maintain the economic viability of the project, staff recommends adding an additional tier to the LTH scoring criterion detailed below.

Proposed Change Resulting From Public Comment:

Current – For projects agreeing to set aside and rent to households experiencing long-term homelessness:

☐ 5% to 49.99%, but no fewer than 4 units – 5 points
☐ 50% to 100%, but no fewer than 20 units –10 Points

Proposed – For projects agreeing to set aside and rent to households experiencing long-term homelessness:

☐ 5% to 9.99%, but no fewer than 4 units – 5 points
☐ 10% to 49.99%, but no fewer than 7 units –7 points
☐ 50% to 100%, but no fewer than 20 units –10 Points

Additional Public Comment Summary *(staff responses italicized):*

Project Location – Locate projects in pro-integrative locations/areas of opportunity

Minnesota Housing received comments that Agency selections under the QAP contributes to school segregation by placing a high proportion of developments in areas with segregated schools. Without agreeing or disagreeing with the theory behind those comments, based on a preliminary assessment, the data does not appear to support these comments with respect to the credits allocated by the agency, which includes suballocator credits allocated under joint power agreements. This excludes credits allocated by suballocators under their own QAPs.

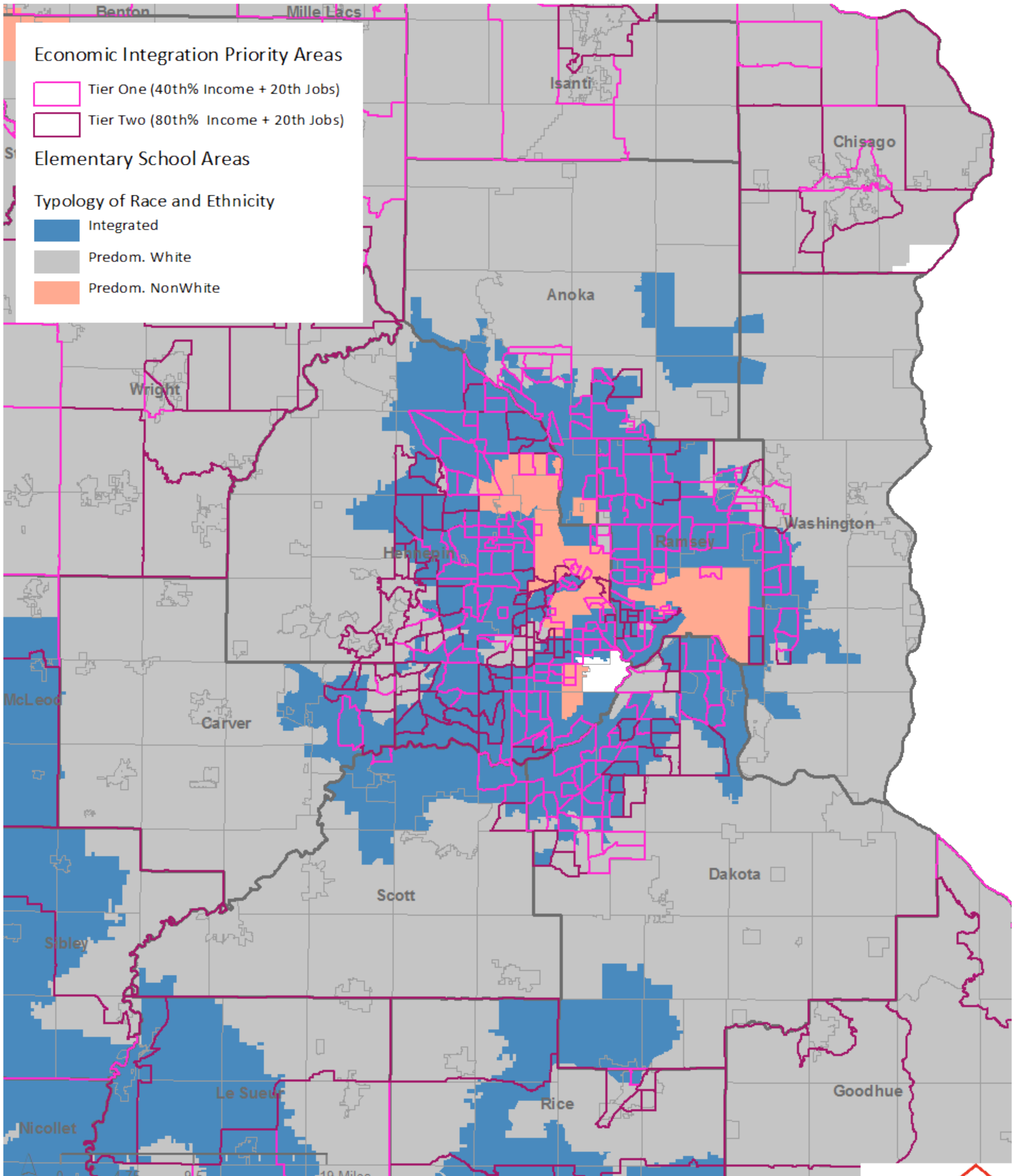
The following analysis is based on all developments that applied to Minnesota for HTCs during allocation years 2006 through 2012 (including TCAP and 1602 but excluding round 2 of 2012). The developments were identified as either "selected" or "not-selected." "Selected" developments were selected by Minnesota Housing to receive a tax credit allocation. "Not-selected" developments applied for credits some time during the period but were never selected by Minnesota Housing for an allocation.

- *In the Twin Cities metro areas, 77% of the developments selected for Minnesota Housing tax credits are in the attendance area of neighborhood elementary schools that are classified as integrated or predominantly white. Segregated attendance areas accounted for only 23% of the selected developments.*
- *Over 50% of metro area developments that applied for credits in integrated and predominantly white areas were selected for credits, while only 28% of developments in segregated areas were selected.*

(The classification of segregated, integrated, and predominantly white is based on a typology development by Myron Orfield and Tom Luce in their 2010 book Region: Planning the Future of the Twin Cities.)

In addition, under the 2013 QAP, a development will receive economic integration points if it is in a higher income census tract that is close to jobs, which is reflected by the areas outlined in pink and maroon in the attached map (Relationship of Economic Integration Priority Areas to Race and Ethnicity of Elementary Schools). As the maps shows, the vast majority of census tracts are in attendance areas for elementary schools that are classified as integrated or predominantly white.

Relationship of Economic Integration Priority Areas to Race and Ethnicity of Elementary Schools



Source: Minnesota Housing analysis of Housing Tax Credit applications 2006 through 2011, Current Section 8 PBCA and TCA portfolio, racial and ethnic characteristics of elementary school attendance areas (MDE, 2010/2011 school year), American Community Survey 2006-2010 (family income), LPS Applied Analytics (foreclosure), and MetroTransit. Date Printed: 3/13/2012

Minnesota Housing Finance Agency

Additional Public Comment Summary *(staff responses italicized):*

Joint Powers Suballocators:

- Give Joint Powers Suballocators more decision making ability
- Give significant points to projects in Joint Powers Suballocator jurisdictions
  Projects in Joint Powers suballocator jurisdictions previously received significant priority in the Agency's Qualified Allocation Plan which resulted in significant pushback from the balance of Greater Minnesota. This resulted in the change to the QAP which required projects located in Joint Powers Suballoocator jurisdictions to score competitively within the applicable regional pool to receive tax credits. Under the agreement, Minnesota Housing fully funds the remainder of the credit request over and above the Joint Powers Suballocator tax credit distribution up to the per unit (1 MM per project) or per developer (10% of the volume cap). Suballocators may choose to not enter in to a Joint Powers Agreement with the Agency and allocate their own credits under their Qualified Allocation Plans.

Developer Experience and Capacity:
- Give points to experienced developers
  Development team experience and capacity are reviewed as a threshold criterion.

Economic Integration:
- Project Economic Integration points are currently only awarded to projects that have at least 25 percent but not greater than 50 percent of the total units at HTC units, increase the percentage from 50 percent to 75 percent.
  As part of President Obama's 2013 proposed budget, a change to the tax credit program is proposed that provides incentives for creating mixed-income housing by allowing tax credit projects to elect an average-income criterion where the project meets the minimum set-aside of 20% at 50% AMI or 40% at 60% AMI and no rent-restricted unit occupied by households with incomes over 80% AMI. The proposed federal law will make it easier to achieve economic integration within a project. Rather than making a change now, this priority will be reviewed again next year after action is taken on the federal legislation.

Senior Housing:
- Allow some level of tax credits to be awarded to housing oriented to seniors
  Senior housing projects are eligible to apply and are selected if they are competitive.

Access to Transit:
- Allow points to dial-a-ride in tribal areas.
  Points are awarded to Greater Minnesota projects if the proposed housing is within a census tract that is within 5 miles of 2,000 low and moderate wage jobs (see Attachment 5) and are either within 1 mile of at least four different types of facilities OR have access to dial-a-ride services. In addition, some Minnesota Tribal areas also have fixed route transit systems that are eligible for points under the Minimizing Transportation Costs and Promoting Access to Transit scoring criterion.

Intermediary Costs:
- Revisit the definition of Intermediary Costs (e.g. Relocation expenses)
  Points are awarded to projects with the lowest Intermediary (soft costs) based on tiered scoring, the prioritizing projects with lower intermediary costs assists in the containment of total project costs.

QAP Timing:
- Increase lead time from QAP changes to application submission to the selection of projects or increase timing for the location criteria.

Staff will be looking at the QAP timeline over the next year to assess options that will allow applicants more lead time while allowing staff to analyze the previous round's selections for effectiveness, while being able to respond to changing market conditions.

Scoring Criteria Impact:

1. **Large Family Housing, Single Room Occupancy and Special Populations scoring criterion:**

   Combining the three household targeting scoring criterion into one has no impact on scoring, the applicant may only select one household type and the maximum 10 point value remains unchanged.

2. **Project Location – Top Growth Communities scoring criterion:**

   The proposed revision removes the point tiering (5 or 10 points) and decreases the maximum point value from 10 to 5.

3. **Regulatory Cost Avoidance/Cost Reduction scoring criterion:**

   Deletion of the scoring criterion removes its 7 point value.

4. **Local/Philanthropic Contributions scoring criterion:**

   The proposed revision maintains the maximum 10 point value.

5. **Non-Financial Readiness to Proceed scoring criterion:**

   Deletion of the scoring criterion removes its 4 point value and decreases the Readiness to Proceed maximum point value from 24 to 20.

6. **Underserved Populations scoring criterion:**

   Deletion of the scoring criterion removes its 10 point value.

7. **Temporary Priority - Foreclosed Properties scoring criterion:**

   The proposed revision changes the tiering of the points and increases the maximum points from 5 to 10 points in Greater Minnesota. The maximum 10 point value remains unchanged.

8. **Preservation of Federally Assisted and Preservation of Existing Housing Tax Credits scoring criterion:**

   Combining the preservation scoring criterion decreases the combined maximum point value from 30 to 20.

9. **Rental Assistance scoring criterion:**

   The proposed revision adds an additional 17 point tier; the maximum point value of 21 remains unchanged.

~~10. **Cost Containment – Per Unit Cost Limits scoring criterion:**~~

~~The addition of the scoring criterion adds a 10 point value.~~

10. Long-Term Homeless Households:

The proposed revision adds an additional 7 point tier; the maximum point value of 10 points in addition to 100 Bonus Points remains unchanged.

General Administrative and Clarifications:

Perform various administrative checks for spelling, formatting, text and instruction corrections and clarifications within QAP, Manual, Self-Scoring Worksheet, and other 2013 tax credit program related documents.

Attachments 5 and 6 are for informational purposes. There are no changes to the Minimizing Transportation Costs and Promoting Access to Transit and Economic Integration Methodologies. The attachments represent updated maps and lists of qualifying census tracts eligible for points using updated data.

Project Location - Top Growth Communities Methodology

Minnesota Housing awards 5 points for proposed housing located in or near a top growth city in households or jobs. In the Twin Cities 7 County Metro, project locations must be within 5 miles of a top growth city. In Greater Minnesota, project locations must be within 10 miles of a top growth city. Tables 1 and 2 list the top growth cities, and map 1 depict the cities and areas within the 5 and 10 mile buffers.

Top growth Cities in households and jobs

Table 1: Top Twin Cities 7 County Metro Cities

Top 10 Cities - Household Growth	2010 HH	2000 HH	Change	Rank	Top 10 Cities - Job Growth**	2010 Jobs	2000 Jobs	Change	Rank
Woodbury (Washington)	22,594	16,676	5,918	1	Maple Grove (Hennepin)	30,030	18,205	11,825	1
Maple Grove (Hennepin)	22,867	17,532	5,335	2	Maplewood (Ramsey)	27,150	18,703	8,447	2
Shakopee (Scott)	12,772	7,540	5,232	3	Eagan (Dakota)	49,316	42,741	6,575	3
Blaine (pr. Anoka)	21,077	15,898	5,179	4	Shakopee (Scott)	18,327	13,903	4,424	4
Lakeville Dakota)	18,683	13,609	5,074	5	Richfield (Hennepin)	15,408	11,565	3,843	5
Forest Lake (Washington)	7,014	2,805	4,209	6	Golden Valley (Hennepin)	33,552	30,074	3,478	6
Plymouth (Hennepin)	28,663	24,820	3,843	7	Woodbury (Washington)	19,260	16,077	3,183	7
Eden Prairie (Hennepin)	23,930	20,457	3,473	8	Lakeville (Dakota)	13,540	10,583	2,957	8
Farmington (Dakota)	7,066	4,169	2,897	9	Mendota Heights (Dakota)	11,360	8,479	2,881	9
Hugo (Washington)	4,990	2,125	2,865	10	Blaine (pr. Anoka)	20,045	17,419	2,626	10

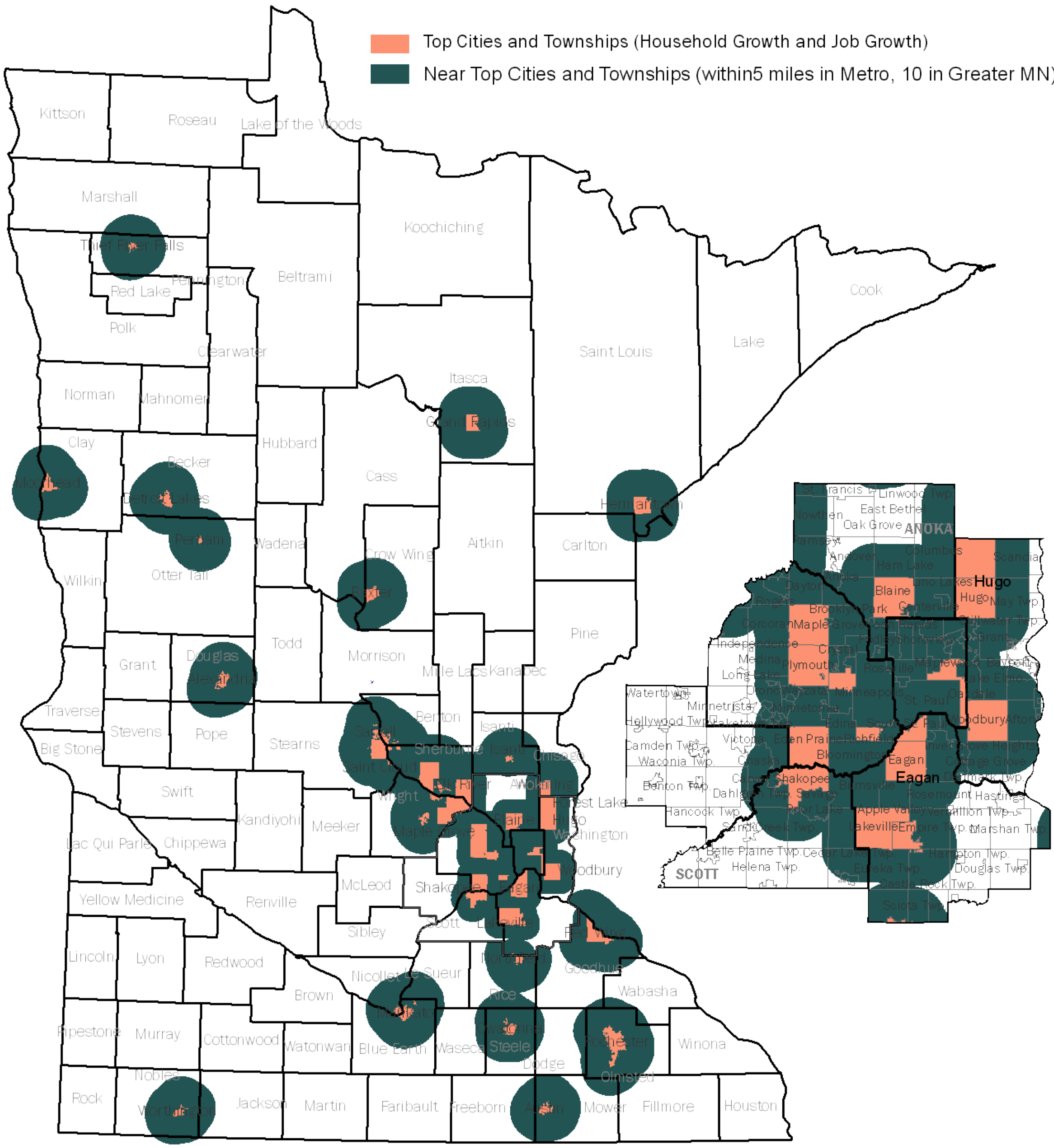
Table 2: Top Greater Minnesota Cities and Townships

Top 20 Cities/Townships - Household Growth	2010 HH	2000 HH	Change	Rank	Top 20 Cities/Townships - Job Growth**	2010 Jobs	2000 Jobs	Change	Rank
Rochester (Olmsted)	43,025	34,116	8,909	1	Rochester (Olmsted)	81,480	77,835	3,645	1
St. Cloud city (pr. Stearns)	25,439	22,652	2,787	2	Baxter (Crow Wing)	7,079	3,641	3,438	2
Otsego (Wright)	4,736	2,062	2,674	3	Mankato (Blue Earth)	30,719	27,916	2,803	3
Moorhead (Clay)	14,304	11,660	2,644	4	Red Wing (Goodhue)	13,033	10,649	2,384	4
Mankato (pr. BlueEarth)	14,851	12,367	2,484	5	Worthington (Nobles)	8,368	6,172	2,196	5
Sartell (pr. Stearns)	5,859	3,443	2,416	6	Elk River (Sherburne)	10,933	8,864	2,069	6
Elk River (Sherburne)	8,080	5,664	2,416	7	Albertville (Wright)	3,211	1,155	2,056	7
St. Michael (Wright)	5,239	2,926	2,313	8	Sartell (largely Stearns)	4,536	3,049	1,487	8
Buffalo (Wright)	5,699	3,702	1,997	9	Monticello (Wright)	6,990	5,562	1,428	9
Monticello (Wright)	4,693	2,944	1,749	10	North Mankato (Nicollet)	8,653	7,325	1,328	10
Wyoming (Chisago)	2,738	1,023	1,715	11	Hermantown (Saint Louis)	3,632	2,439	1,193	11
Owatonna (Steele)	10,068	8,704	1,364	12	Detroit Lakes (Becker)	8,533	7,597	936	12
Becker (Sherburne)	1,496	169	1,327	13	Moorhead (Clay)	14,155	13,333	822	13
Big Lake (Sherburne)	3,377	2,117	1,260	14	Buffalo (Wright)	7,289	6,490	799	14
Alexandria (Douglas)	5,298	4,047	1,251	15	Saint Michael (Wright)	2,965	2,208	757	15
Grand Rapids (Itasca)	4,615	3,446	1,169	16	Perham (Otter Tail)	3,809	3,160	649	16
Albertville (Wright)	2,377	1,287	1,090	17	Northfield (Rice)	9,202	8,562	640	17
Isanti (Isanti)	1,871	816	1,055	18	Thief River Falls (Pennington)	7,645	7,160	485	18
Baxter (Crow Wing)	2,963	1,921	1,042	19	Waite Park (Stearns)	6,727	6,305	422	19
Sauk Rapids (Benton)	4,960	3,921	1,039	20	Austin (Mower)	13,538	13,128	410	20

*"pr." designates primary county of multicounty cities.
** Cities and townships need at least 2,000 jobs in 2010 to be included in the top growth cities and townships.

Areas surrounding top growth cities in jobs and households

The below maps display the top cities and townships in household and job growth in orange. The areas in green represent areas surrounding these communities (within five miles surrounding these communities in the Twin Cities 7 County Metro and within ten miles in Greater Minnesota). This map will be available as a layer in the community profiles interactive mapping tool so applicants can check location in relation to these areas.



Notes on buffered areas

In the Twin Cities Metro, over 92% (2.6 of 2.8 million) of the population is within the five mile areas around top growth communities. In Greater Minnesota, 48% (1.2 of 2.5 million) of the population is within 10 miles of a high growth community.

When mapping the 5 and 10 mile buffers around high growth cities, a 1/2 sliver along the Minneapolis and St. Paul border and a small segment in northeast Duluth was excluded. For geographic consistency, Minnesota Housing included the 1/2 mile sliver in Minneapolis/St. Paul and the small segment in northeast Duluth in the buffered area.

Also of note is that the major cities of Duluth, Minneapolis, and Saint Paul, while not on a high growth community list, are covered by the buffers around other high growth communities.

Foreclosure Priority Methodology

Foreclosed priority areas identify high need zip codes with the greatest foreclosure need. This document describes the high need zip codes as well as an alternative method for quantifying foreclosure need in a community.

High Need Zip Codes Defined

Based on zip code data purchased from LPS Applied Analytics[1], Minnesota Housing identified the 77 residential zip codes (out of 883 statewide) with the greatest foreclosure need. Need was based on each zip code's:

- Post Sale Foreclosure/REO rate,
- Pre Sale Foreclosure rate,
- Delinquency rate, and
- Change in the unemployment rate (for the county in which the zip code is primarily located).

Each factor received the following weights:

- Post Sale Foreclosure/REO: 40%
- Pre Sale Foreclosure: 30%
- Delinquency: 20%
- Unemployment: 10%

See Map 1 for the high-need zip codes. Table 1 lists the zip codes by county. If a development is in one of the listed zip codes, it is eligible for this priority.

Alternative to High Need Zip Codes

Because zip codes can contain up to 20,000 households, some high need areas are not identified by the zip code analysis. One section of a zip code may have a very high foreclosure rate, while the remaining parts of the same zip code may have a low rate, giving the zip code a lower foreclosure rate overall. To account for this shortcoming in the analysis, an applicant working outside one of the 77 zip codes can still receive credit for the foreclosure priority if the development is in a community or neighborhood with at least a 10% sheriff-sales rate. The rate is calculated by identifying the community or neighborhood around the development and computing the number of residential sheriff sales that occurred during 2009, 2010, and 2011 in the community or neighborhood and then dividing the three year total by the number of residential parcels in the community or neighborhood. To be eligible for the foreclosure priority, the community or neighborhood boundaries must be acceptable to Minnesota Housing and contain at least 200 residential parcels. Isolated small pockets of foreclosures are not eligible for this priority.

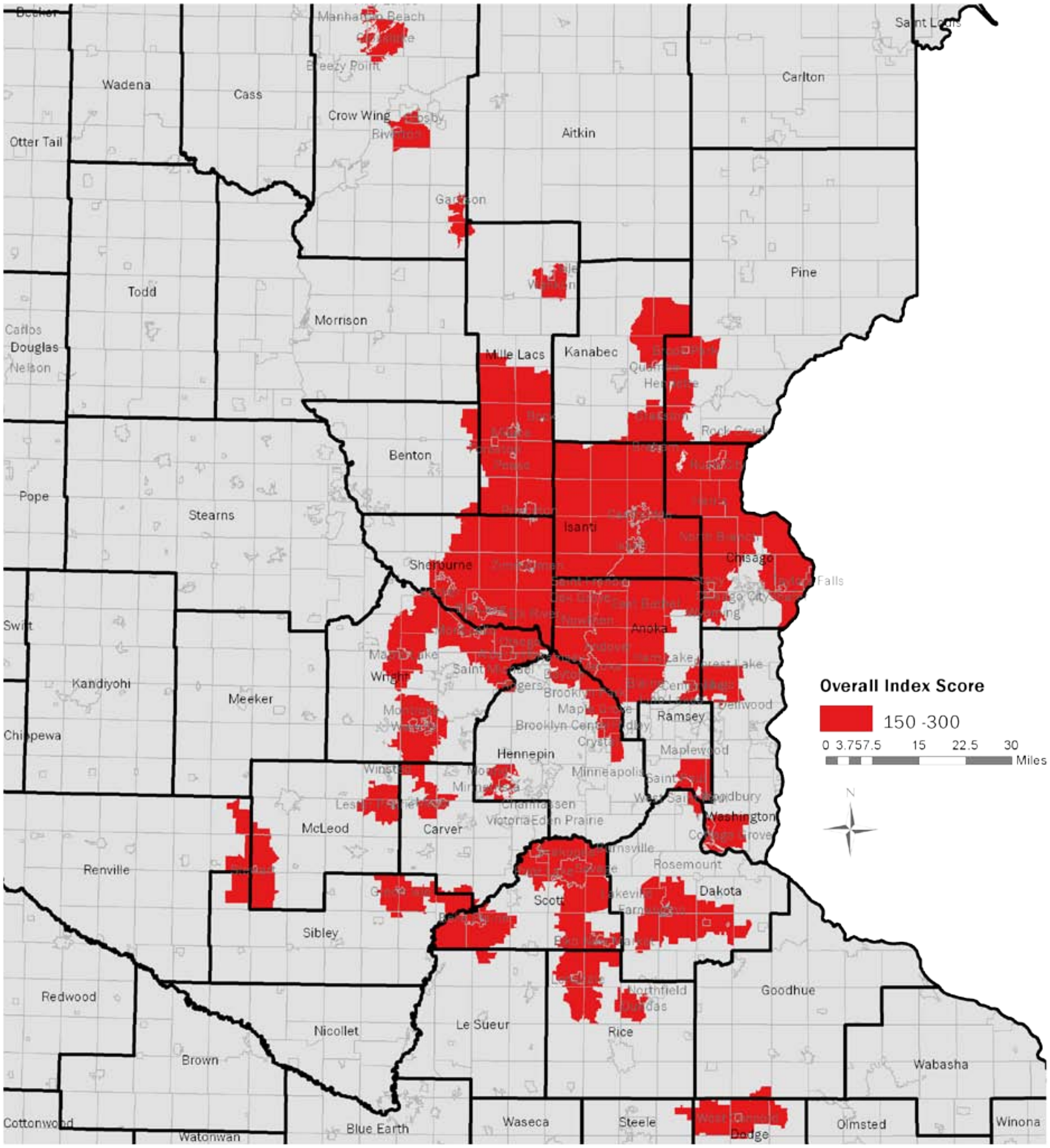
Each applicant seeking credit for a development in a high-need foreclosure area under the alternative definition (outside an identified high-need zip codes) must provide the following information:

1. A map showing the boundaries of the community or neighborhood and the development's location within it;
2. The number of sheriff sales that occurred in the identified community or neighborhood during 2009, 2010, and 2011 (with a separate figure for each year); and
3. The number of residential parcels in the identified community or neighborhood (not the number of residential households).

Finally, new subdivisions that are partially completed are not eligible to be counted in the sheriff sales calculation. A partially-completed, new subdivision is defined as a development where less than 90% of the lots have been fully developed with a residential structure and are ready to be occupied or less than 90% of the fully-developed residential structures have been occupied at some point.

[1] The data provider and final zip code list for the priority areas will be finalized with the most current data available by March, 2012.

MAP 1 - HIGH NEED FORECLOSURE ZIP CODES



Overall / Composite Foreclosure Score
Statewide-Rate: Index = 100

Source: Minnesota Housing analysis of data from LPS Applied Analytics.

Notes: The index is based on each zip code's composite score based on post sale foreclosures / including REO (40%), pre sale foreclosure (30%), delinquency (20%), and County September unemployment (10%). Each zip code's rate is divided by the statewide rate to compute the index score. An index score of 200 means the zip code's rate is twice the state rate, while an index score of 50 means the zip code's rate is half the state rate.

Table 1 - Listing of High Need Zip Codes

Primary County	Zip Code
Anoka	55005
Anoka	55011
Anoka	55070
Anoka	55303
Anoka	55304
Anoka	55433
Anoka	55434
Anoka	55448
Anoka	55449
Carver	55360
Chisago	55012
Chisago	55032
Chisago	55056
Chisago	55069
Chisago	55074
Chisago	55079
Chisago	55084
Chisago	55092
Crow Wing	56442
Crow Wing	56450
Crow Wing	56455
Dakota	55024
Dakota	55031
Dakota	55075
Dodge	55985
Hennepin	55316
Hennepin	55327
Hennepin	55364
Hennepin	55411
Hennepin	55412
Hennepin	55429
Hennepin	55430
Hennepin	55443
Hennepin	55444
Hennepin	55445
Isanti	55006
Isanti	55008
Isanti	55017
Isanti	55040
Isanti	55080
McLeod	55354
McLeod	55385

Primary County	Zip Code
Mille Lacs	55371
Mille Lacs	56330
Mille Lacs	56353
Mille Lacs	56386
Pine	55007
Pine	55030
Ramsey	55101
Ramsey	55106
Ramsey	55107
Ramsey	55119
Ramsey	55130*
Rice	55019
Rice	55046
Rice	55088
Scott	55020
Scott	55054
Scott	55372
Scott	55378
Scott	55379
Scott	56011
Sherburne	55308
Sherburne	55309
Sherburne	55330
Sherburne	55398
Sibley	55338
Washington	55016
Washington	55038
Washington	55071
Wright	55301
Wright	55341
Wright	55358
Wright	55362
Wright	55363
Wright	55376
Wright	55390

*** 55130.** This zip code on Saint Paul's East Side is relatively new. While local data support that this zip code has significant foreclosures, the analysis did not pick up this area as a hot spot for foreclosure and was altered to be included as a high need zip code. Census tract listing based on analysis of LPS Applied Analytics data for June 2011. The list will be updated in March 2012 with best available data.

Minimizing Transportation Costs and Promoting Access to Transit Methodology

Access to transportation is defined by Minnesota Housing in two tiers (two or three points) for the 7 County Metro and in one tier (three points) for Greater Minnesota.

Detailed map series will be made available at the city level to assist applicants in determining their location in these areas. Furthermore, Minnesota Housing staff will have access to tools to help applicants define their location.

MAP 1 - TRANSIT ORIENTED DEVELOPMENT - METRO

First Tier Metro – Transit Oriented Development (3 Points)
Minnesota Housing defines Transit Oriented Development areas as areas within one half mile of planned or existing LRT, BRT, or Commuter Rail Stations with locations finalized[2]. These areas are in red in map at right.

Lines include: Hiawatha and Central Corridor LRT, Northstar Commuter Rail, and stations of the Cedar Ave and I-35W BRT lines that are finalized or completed.

[2] Data from Metropolitan Council and MetroTransit, December 2011.

Second Tier Metro – Access to Public Transportation (2 points)

Access to public transportation for the Twin Cities 7 County Metro is defined by Minnesota Housing as areas:

- Within one quarter mile of a high service[3] public transportation fixed route stop; or
- Within one half mile of an express route bus stop or park and ride lot; or
- Located within a Transit Improvement Area[4] designation by MN Department of Employment and Economic Development (DEED).

MAP 2 - METRO HIGH SERVICE TRANSIT

The geographic coverage of these areas are displayed on the below map. More detailed maps will be available at the city level and the data layer will be available to applicants on the interactive mapping tool of the community profiles.

[3] High service fixed route stop defined as those serviced during the time period 6 AM through 7 PM and with service approximately every half hour during that time.

[4] DEED has designated 53 station areas near commuter rail, light rail, and bus rapid transit stations in the Twin Cities. The TIAs encompass a ½ mile radius around stations. More information at http://www.positivelyminnesota.com/Government/Financial_Assistance/Site_Cleanup,_Redevelopment,_Transit_Funding/Transit_Improvement_Areas.aspx

Greater Minnesota (3 Points)
In Greater Minnesota, applicants can receive points if one of the following are met, access to fixed route transit, or access to demand response/dial-a-ride service or proximity to facilities and close to jobs. These options are described below.

Fixed Route Transit
Developments in Greater Minnesota must be located within one half mile of a public transportation fixed route stop (including express bus stop and park and ride locations) or be located within a Transit Improvement Area designation by MN Department of Employment and Economic Development (DEED).

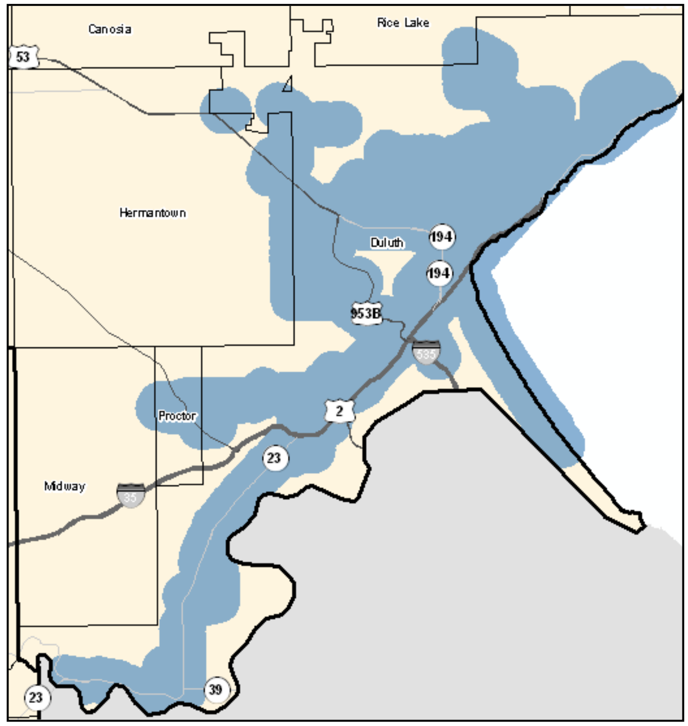
The maps on the followings page display fixed route stops in Duluth, Rochester, and St. Cloud. More detailed maps will be made available for these cities, and a data layer will be including in the community profiles interactive web tool.

Other cities may have fixed route public transportation, particularly the large urban systems listed above. For fixed route transit outside of Duluth, Rochester, and St. Cloud, applicants must provide maps and sufficient detail of fixed route service.

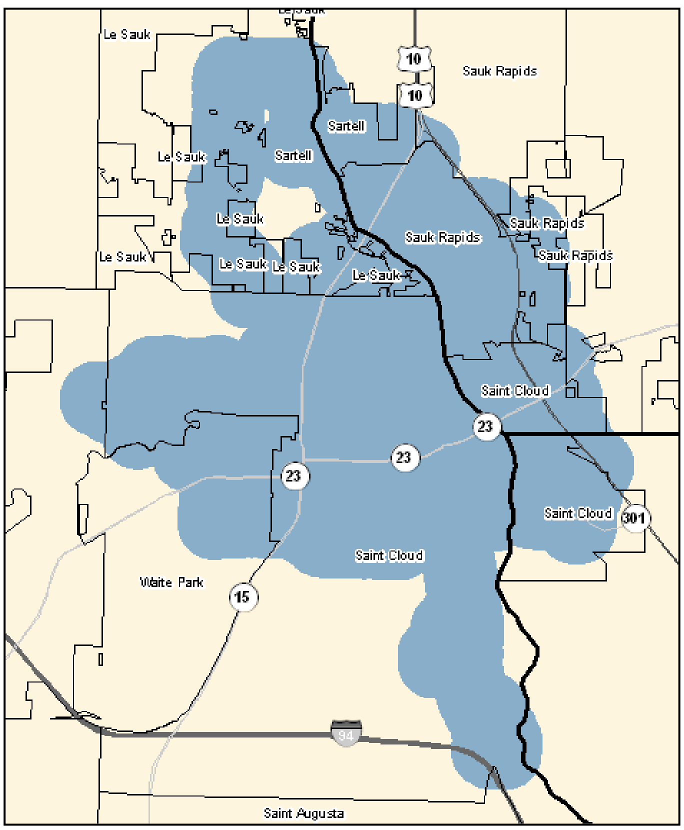
Applicants for a development in Greater Minnesota must submit a map identifying
the location of the project with exact distances to the eligible public transportation station/stop and include a copy of the route, span, and frequency of services. Applicants can find service providers by county or city at the MN Department of Transportation Transit website: http://www.dot.state.mn.us/transit/riders/index.html.

Maps of Fixed Route Service Areas in Duluth, Rochester and St. Cloud

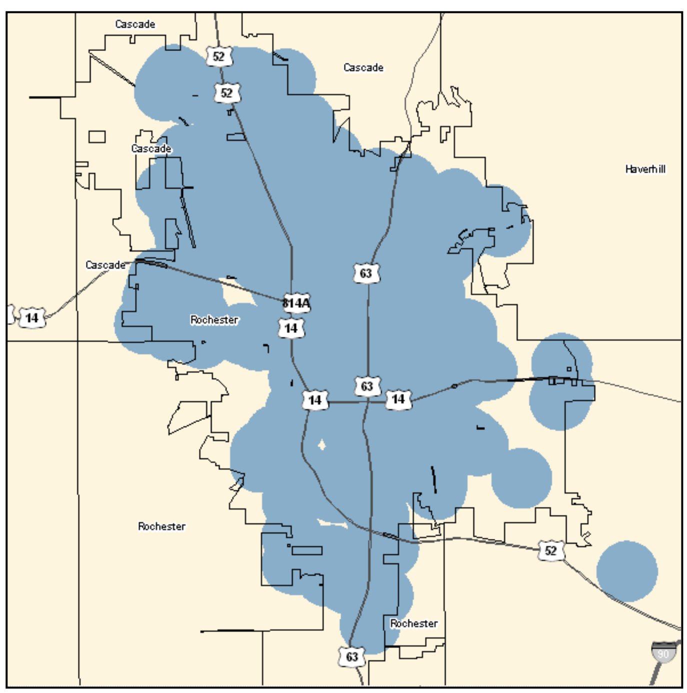
MAP 3 - DULUTH FIXED ROUTE STOPS



MAP 5 - SAINT CLOUD FIXED ROUTE STOPS



MAP 4 - ROCHESTER FIXED ROUTE STOPS



Access to demand response/dial-a-ride service or proximity to facilities, and close to jobs

The proposed housing is within a census tract that is within 5 miles of 2,000 low and moderate wage jobs[5] (see listing in table 1); and one of the two criteria need to be met.

- The proposed housing is within 1 mile of at least four different types of facilities. The facility types include: supermarket/ convenience store, public school, library, licensed child care center, usable park space/dedicated walking or biking trails, bank, medical or dental office, post office, laundry/dry cleaner, pharmacy, place of worship, community or civic center that is accessible to residents, arts or entertainment center, police station, fire station, fitness center/gym, restaurant, neighborhood-serving retail, office building/employment center.

-OR –

- The proposed housing has access to regular demand-response/dial-a-ride transportation service Monday through Friday during standard workday hours (6:30 AM to 7:00 PM). Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments. Applicants can find service providers by county or city at the MN Department of Transportation Transit website: http://www.dot.state.mn.us/transit/riders/index.html.

[5] Low to moderate wage jobs are those with monthly earnings $3,333 per month and less, based on data from the Local Employment Dynamics program of the US Census Bureau.

Jobs in Greater Minnesota

The below map shows Census Tracts with 2,000 and more jobs within 5 miles. Counties in blue are metropolitan statistical areas (not including the twin Cities Metro). In the metropolitan statistical areas, 2,000 jobs reflect the 25th percentile. In the balance of Greater Minnesota, 2,000 jobs reflect the 65th percentile for tracts. A listing of these tracts by county follows in table 1.

MAP 6 - CENSUS TRACTS WITH 2000+ JOBS WITHIN 5 MILES

Map Source: US Census Local Employment Dynamics program 2009. Includes low-to-moderate wage jobs with earnings less than $40,000 annually.

TABLE 1 CENSUS TRACTS WITHIN 5 MILES OF 2,000 OR MORE JOBS IN GREATER MINNESOTA

Tracts by County

Aitkin
770300

Becker
450300
450400
450500
450600
450700

Beltrami
450100
450200
450600
450701
450702

Benton
020206
020300
021101
021102
021200

Blue Earth
170200
170300
170400
170500
170600
170700
170800
171101
171202
171300
171600

Brown
960101
960102
960200
960300
960400
960500

Carlton
070100
070200
070300
070400

Chippewa
950600

Chisago
110301
110302
110401
110501
110502
110600

Clay
020100
020202
020300
020400
020500
020600
030102
030103
030104
030106

Cottonwood
270300
270400

Crow Wing
950900
951000
951100
951200
951301
951302

Douglas
450500
450600
450701
450702
450900

Freeborn
180400
180500
180600
180700
180800
180900

Goodhue
080101
080102
080200

Hubbard
070500
070600

Isanti
130301
130302

Itasca
480700
480801
480802
480900

Jackson
480400

Kanabec
480300
480400

Kandiyohi
770900
780500
780600
780700
780800
781000

Koochiching
790100
790200

Le Sueur
950100
950200
950600

Lyon
360200
360300
360400
360500

Martin
790200
790500
790600

McLeod
950200
950300
950400

Meeker
560300
560400
560500

Mille Lacs
170600
170700
970200

Morrison
780300
780600
780700

Mower
000100
000200
000300
000410
000600
000800
000900
001000

Nicollet
480100
480300
480400
480501
480502
480600

Nobles
105400
105500
105600

Olmsted
000100
000200
000300
000400
000500
000600
000901
000902
000903
001000
001100
001201
001202
001203
001301
001302
001401
001402
001501
001502
001503
001601
001602
001603
001701
001702
001703
002200
002300

Otter Tail
960500
960900
961000
961100

Pennington
090200

090300
090400
090500

Pine

950500
950600
950700
950800

Pipestone

460200
460300

Polk

020100
020200
020300
020600
020700

Redwood

750200
750300

Rice

070400
070501
070503
070504
070601
070602
070700
070800
070901
070902

Rock

570200
570300

Roseau

970100
970300

Saint Louis

000100
000200
000300
000400
000500
000600
000700
000900
001000
001100
001200
001300
001600
001800
001900
002000
002300
002400
002600
002900
003000
003300
003400
003600
003700
010100
010200
010300
010400
012100
012200
012300
012400
012500
012600
012800
013000
013100
013200
013300
013500
015600
015700
015800

Sherburne

030102
030402
030403
030502
030503
030504
031500

Stearns

000301
000302
000401
000402
000500
000601
000602
000701
000801
000901
001001
010101
010102
010500
010600
011301
011302
011304
011400
011500
011600

Steele

960100
960200
960300
960400
960600
960700

Stevens

480200
480300

Todd

790600

Wadena

480300

Waseca

790300
790400
790500

Watonwan

950300

Winona

670200
670300
670400
670500
670600
670700

Wright

100100
100202
100203
100204
100701
100702
100703
100801
100802
100900
101000

Community Economic Integration Methodology

Community economic integration is defined by Minnesota Housing in two tiers based on median family income and access to jobs.

For applicants to be awarded one or two points for community economic integration, the proposed housing is located in a community (census tract) with the median family income meeting or exceeding the region's[6] 40th percentile for median family income based on data published by the American Community Survey (ACS) for 2010. For each region, the 40 percent of census tracts with the lowest incomes are excluded. The census tract must also meet or exceed the region's 20th percentile for low and moderate wage jobs[7] within five miles based on data published by the Local Employment Dynamics program of the US Census for 2009. For each region, the 20 percent of census tracts with the fewest low and moderate wage jobs within five miles are excluded. To promote economic integration, the criteria identify higher income communities that are close to low and moderate wage job centers.

This document includes maps of the census tracts that meet the following two tiers of community economic integration as well as a list of census tracts by county for each tier. Table 1 shows the number of jobs within five miles that achieves the 20th percentile by region and both the 40th and 80th percentile for Median Family Income by region. Maps 1 and 2 display the Census tracts that meet these criteria.

First Tier Community Economic Integration – 1 Point
Meet or exceed the 40^{th} percentile of median family income (but less than the 80^{th} percentile) and meet or exceed the 20^{th} percentile of jobs within 5 miles.

Second Tier Community Economic Integration – 2 Points
Meet or exceed the 80^{th} percentile of median family income and meet or exceed the 20^{th} percentile of jobs within 5 miles – 2 points.

[6] For the purpose of assessing income and access to jobs, Minnesota Housing is defining three regional categories: 1) Twin Cities 7 County Metro, 2) Counties that include the five largest non-metro cities (Duluth, St. Cloud, Rochester, Mankato, and Moorhead), and 3) Balance of Greater Minnesota. The purpose of the regional split is to acknowledge that incomes and access to jobs varies by region. A higher income community close to jobs in the metro is very different than a higher income community close to jobs in rural Greater Minnesota.
[7] Low and moderate wage jobs are those with a monthly earning less than or equal to $3,333, using LED data from the US Census (2009).

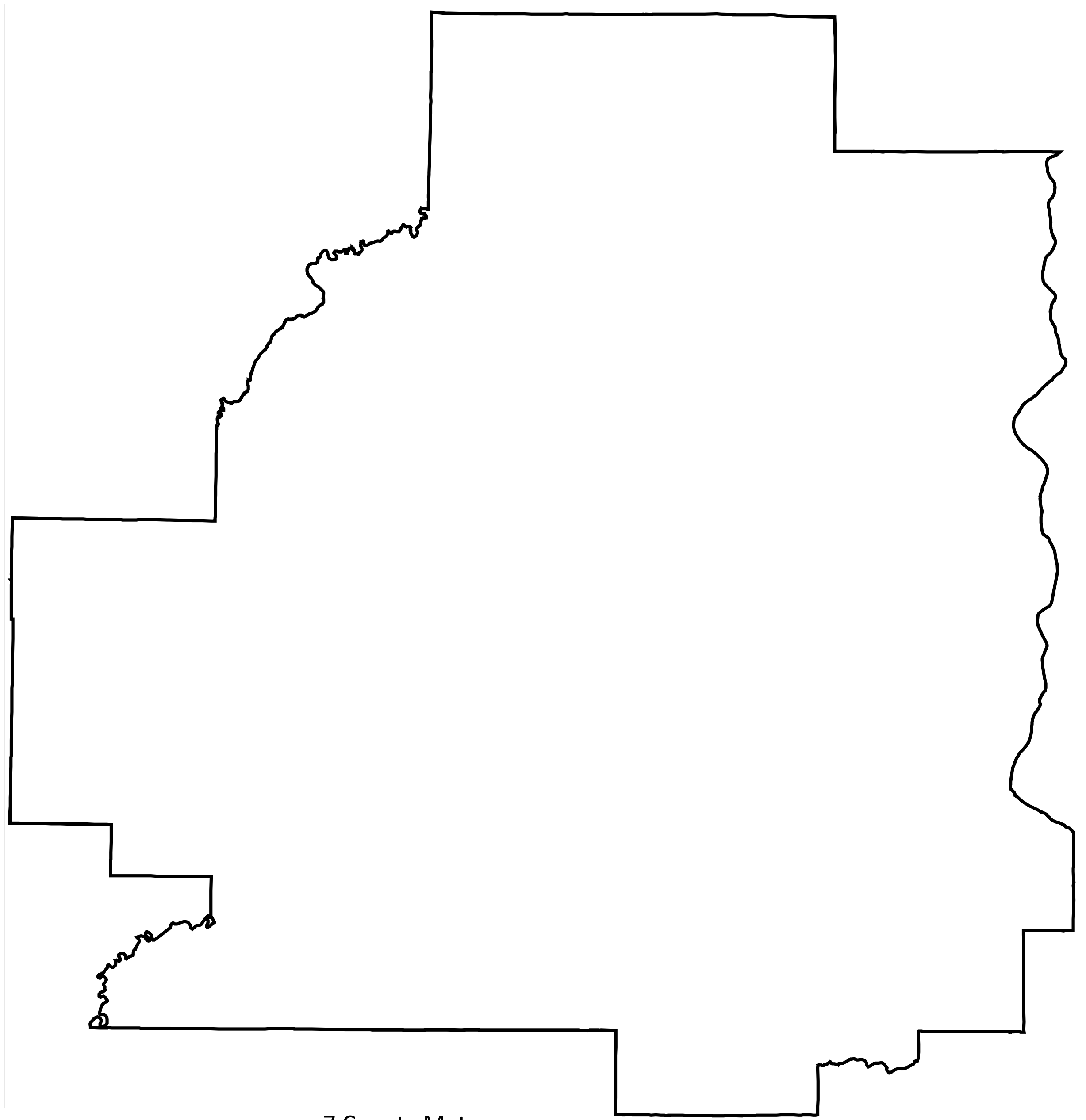
TABLE 2 – JOBS AND MEDIAN FAMILY INCOME THRESHOLDS BY REGION

Community Economic Integration / percentile	7 County Metro (Outlined in Green)	Non Metro Counties with Large Cities (Outlined in Blue)	Greater Minnesota
Jobs within 5 miles / 20th	20,752	1,137	409
Med Family Income / 40th	$71,250	$61,477	$56,280
Med Family Income / 80th	$103,257	$78,015	$66,995

MAP 7 – CENSUS TRACTS MEETING REGION'S 40TH AND 80TH PERCENTILE THRESHOLDS FOR MEDIAN INCOME & 20TH PERCENTILE FOR TOTAL JOBS WITHIN 5 MILES

*Note, map displays where median family income thresholds are met along with the jobs threshold.

MAP 8 – TWIN CITIES 7 COUNTY METRO DETAIL - CENSUS TRACTS MEETING REGION'S 40TH AND 80TH PERCENTILE THRESHOLDS FOR MEDIAN INCOME & 20TH PERCENTILE FOR TOTAL JOBS WITHIN 5 MILES



	7 County Metro
Jobs within 5 miles / 20th	20,752
Med Family Income / 40th	$71,250
Med Family Income / 80th	$103,257

Board Agenda Item: 9.B.(1)
Attachment: 6

Census Tract Listing by County for Economic Integration

* 80th percentile

Greater Minnesota

Becker
450300*
450400*
450600*
450700
450800*
450900*
Beltrami
450100*
450200*
450300*
450701*
Brown
960102*
960200*
960400
960500*
Carlton
070100*
070200*
070300
070400*
070500*
Cass
940001*
960801
Chippewa
950300*
950600*
Chisago
110200*
110301*
110302
110401
110402
110501*
110502
110600

* 80th percentile

110700
Clay
030106
Cook
480200*
Cottonwood
270300*
Crow Wing
950204*
950501*
950502*
950800*
950900*
951301
951302*
951400*
951700*
Dodge
950100
950200
950400
950500
Douglas
450500*
450702*
450800*
450900
451000
Fillmore
960100*
960200*
960300*
960400*
960600*
Freeborn
180200*
180400
180700
Goodhue

* 80th percentile

080101*
080102
080200*
080300
080400
080500
080600
080700
080800*
080900
Grant
070100*
Houston
020100
020300*
020500*
020900*
Isanti
130200*
130301
130302
130501*
130502*
130600*
Itasca
480700
480801
480802*
480900*
Jackson
480100*
480200*
480300*
480400*
Kandiyohi
780100
780300*
780400*
780500*

* 80th percentile

780600
780700*
781200*
Kittson
090200
Koochiching
790200*
790300*
Lake
370100
Lake of the Woods
460300*
Le Sueur
950100
950200
950300*
950400
950500*
950600
Lincoln
201001*
Lyon
360100*
360200
360300
360400
360500*
Marshall
080300
080400*
Martin
790100*
790300*
790500*
McLeod
950100*
950200
950300*
950400

* 80th percentile

950600
950700*
Meeker
560100*
560200*
560400*
560500
Mille Lacs
170400*
170600*
970100*
Morrison
780300*
780500*
780800*
Mower
000200
000800*
000900
001000*
001300*
001400
Nobles
105100*
105600*
Norman
960300*
Otter Tail
960102*
961100*
961700
Pennington
090100*
090300*
Pine
950600*
950800*
Pipestone
460300*

* 80th percentile

Polk
020100*
020200*
020300

020600*
020800*
Pope
970100*
970200*
970300*
Red Lake
010200*
Redwood
750200*
750400*
Renville
790200
790300*
Rice
070100
070200
070300
070400
070501
070503
070504
070601*
070602*
070700*
070800
Rock
570100*
570200*
Roseau
970300*
Sibley
170198
170400*
Steele
960100
960200
960300*

* 80th percentile

960500
960600*
960700
960800
Stevens
480200*
480300*
Traverse
460100*
Wabasha
490100*
490200
490600*
Waseca
790100*
790200*
790300
790400*
790500*
Watonwan
950300*
Winona
670100*
670200*
670300*
670400*
670600*
670900*
671000*
Wright
100100
100202
100203
100204
100300
100400*
100500*
100701*
100702
100703
100801
100802
100900

* 80th percentile

101000
101100
101200*
101300*
Yellow Medicine
970100*
970200*

Non Metro MSA

Benton
020206*
020300*
021101*
021102*
Blue Earth
170200*
170500*
170700*
170800*
170900*
171300
171600
Clay
020100*
020202*
020500
030102*
030104*
Nicollet
480100*
480400*
480501*
480502
480600*
Olmsted
000100
000400
000600*
000901*
000902*
000903
001000*
001100
001201

* 80th percentile

001202
001203
001301*
001302
001402
001501
001502
001503
001601*
001602
001603
001702*
001703
001800*
001900
002200*
002300
Saint Louis
000100*
000200*
000300*
000400
000500
000600*
000700
001000
001100
002300*
002900*
003600*
010100*
010200*
010300
010400*
012800*
013200*
013400*
015700*
Sherburne
030101*
030102*
030402*
030403

* 80th percentile

030404
030502
030503*
030504
Stearns
000402
001001*
010101
010102*
010200*
010401*
010402*
011301*
011302*
011304*
011400*

Twin Cities Metro

Anoka
050208*
050605*
050609*
050610*
050707*
050709*
050711*
050712*
050809*
050811*
050813*
050819
050820*
050821
051203*
Carver
090502
090503
090601*
090602
090701
090702
090900*
Dakota
060103*

* 80th percentile	* 80th percentile	* 80th percentile	* 80th percentile	* 80th percentile
060202*	060818*	023700	026206	027400
060302*	060819*	023801	026207*	027501
060505*	060822	023802	026208*	027504
060506*	060823	023901	026301	101200*
060507*	060824*	023902	026302*	103000*
060508	060825	023903	026402*	103600*
060603	**Hennepin**	024003*	026403*	104400*
060604	000300*	024005*	026404	105100
060605*	000603*	024006	026505*	105201*
060606	003800*	024200*	026507*	105400*
060709*	008100*	024400*	026508	105500
060713*	010600	024500*	026509	106500
060714*	010700	024700*	026510*	106600*
060716	011000*	024801*	026511*	107500*
060717*	011703*	025301*	026512*	107600*
060726*	011704*	025601*	026605	108000
060727*	011800*	025603*	026606	108900*
060728	011998*	025605*	026609	109000
060729	012001*	025701*	026610	109100
060730	020101*	025702*	026611*	109800
060731	020102*	025801*	026612	109900*
060732	020902*	025802*	026613	110200*
060733*	020903*	025805	026706*	110500*
060734	021001*	025903*	026707*	110800*
060735*	021002*	025905	026708*	111100*
060738*	021200*	025906	026710*	111200
060739*	021400*	025907*	026711*	111300
060741*	021504*	026005	026712*	111400
060742*	021505*	026007*	026713*	111500
060744*	021601*	026013	026715	111600
060745*	021602*	026014	026716	122600*
060746*	021700*	026015	026807*	125600
060748*	021800	026016	026811*	126100
060749*	021900*	026018	026812*	126200
060750*	022200*	026020*	026815*	**Ramsey**
060806*	022301*	026021	026820	030100*
060811*	022801	026022	026822	030201*
060812*	022901	026101*	026823	030300*
060813	022902	026103	026903*	030602*
060814*	023100	026104*	026906*	033200*
060815	023501*	026201	026907	033300*
060816	023502	026202	026908*	033900*
060817*	023600	026205	027300	034900

* 80th percentile	* 80th percentile
035000	042503
035100	042504*
035200	042602*
035300*	042900*
035500*	043000
035700	**Scott**
035800	080201*
036300	080203*
036400	080205
036500*	080500*
036600*	**Washington**
037500*	070303
037601*	070304*
040200	070906*
040301*	070907*
040302*	070909*
040401*	070911*
040402*	070912*
040503*	071006*
040504*	071013*
040601	071014
040603*	
040604*	
040703	
040704*	
040705*	
040706	
040707*	
040801*	
040803*	
041001*	
041002*	
041104*	
041105*	
041106*	
041301*	
041302*	
041500*	
041601*	
041700*	
041900*	
042102*	
042301*	

DISTRIBUTION OF TAX CREDITS FOR 2013
Round 1 Closing Date – June 12, 2012

Below is a listing of the estimated distribution of tax credits for Minnesota Housing and the cities and counties administering the tax credits in their respective jurisdictions:

GREATER MINNESOTA	
Duluth	$308,181
St. Cloud	$168,305
Rochester	$240,707
Rural Development /Small Project Set-Aside (Minnesota Housing Administered)	$300,000
Minnesota Housing Administered	$2,973,481
Subtotal	**$3,990,674**
METROPOLITAN AREA	
Minneapolis	$1,326,961
St. Paul	$989,035
Washington County	$510,470
Dakota County	$942,806
Minnesota Housing Administered	$2,741,826
Subtotal	**$6,511,098**
SUBTOTAL	**$10,501,772**
NONPROFIT SET ASIDE ADMINISTERED BY MINNESOTA HOUSING*	
Metropolitan Area	$723,455
Greater Minnesota Area	$443,408
Subtotal	**$1,166,863**
TOTAL TAX CREDITS FOR STATE	**$11,668,635**

* *Subject to final publication of population figures by the IRS.*