

Minnesota Housing Finance Agency
2008 Housing Tax Credit Program, QAP and Procedural Manual
Proposed Revisions

Statutory

No statutory changes are proposed.

Qualified Allocation Plan and/or Procedural Manual

The following items are proposed to align with the proposed RFP and Economic Development and Housing Challenge (Challenge) priorities changes:

1. Delete Cooperatively Developed Plan selection criteria

Modify the Self-Scoring Worksheet and Manual sections relating to the deletion of Cooperatively Developed Plan. Cooperatively Developed Plan was intended to encourage cooperation with local units of government and community groups. It was also intended to encourage developments that are part of a larger plan for a community and that make the connections between housing and transportation, economic development activities and other elements of good community planning. Experience has shown that the results of a good comprehensive plan are evident in how proposals meet other priorities (e.g. Local Contributions, Cost Avoidance/Cost Reduction, Strategically Targeted Resources, Rental Assistance) so a separate priority is not necessary.

2. Delete Green Design selection criteria

Delete the Green Design section of the Self-Scoring Worksheet. The current QAP provides points for electing to incorporate at least 8 out of 15 "Green Criteria" elements into the proposed housing development. Rather than having some green design elements be optional and therefore only included in some of the rental housing projects, staff is proposing to incorporate into the MHFA Multifamily Design Standards for new construction developments most of the design criteria designated by the "Green Communities" as mandatory, with a Minnesota overlay. These criteria would be required in new construction rental developments with RFP funding. "Green Communities" is an initiative of the American Planning Association, the Enterprise Foundation, the Natural Resources Defense Council, AIA, and other organizations to promote and build environmentally friendly, affordable housing. The criteria have been developed by a panel of experts.

The tax credit program is fairly inflexible once selections are made, making it difficult to revise key elements of the proposal based on new information. The design standards, in contrast, allows for flexibility to respond to new information. Staff and our funding partners have agreed that we can effectively impact tax credits projects through implementing the Minnesota Overlay to the Green Communities Criteria for new construction developments and that the criteria will have more widespread impact on Minnesota housing developments than was achieved through the QAP.

3. Revise Cost Avoidance/Cost Reduction selection criteria

Rename the Cost Avoidance/Cost Reduction section of the Self-Scoring Worksheet to Regulatory Cost Avoidance/Cost Reduction. This is consistent with the forthcoming changes to the Challenge rule. This selection criteria will focus on actions local units of government can take to reduce the costs of developing affordable housing. The following items were deleted because they are duplicative or taken into account in other selection criteria.

Contained within the Local Contributions Category:

- Land Donation of the development site
- Monetary/in-kind work and material donations

Flexibility in Zoning Code Requirements is an eligible item under the Regulatory Cost Avoidance/Cost Reduction Category and the following items are examples of items eligible for points under Flexibility in Zoning Code, therefore duplicative:

- Reduced set-backs
- Reduced parking requirements
- Decreased road widths
- Flexibility in site development standards

Innovative building techniques or materials is not a Regulatory Cost Avoidance/Cost reduction item and a review of previous submissions showed that this item was too subjective and items identified were not considered innovative and/or did not provide cost reductions:

- Innovative building techniques or materials

One new item was added because it is not currently captured:

- Donation or waiver of development specific local government development fees

The following are additional proposed changes:

4. Revise Single Room Occupancy Housing (SRO) selection criteria

- a. The current criteria requires that at least 50% of the one bedroom or less tax credit units have rents affordable to households whose incomes do not exceed 30% of AMI before rental assistance. The proposed revision will allow units with rental assistance or operating subsidy to qualify where the tenant's portion of the rent does not exceed

30% AMI, thereby maximizing the use of scarce subsidies. The units will continue to be affordable to households with incomes at or below 30% of AMI.

5. Revise Local Contributions selection criteria

- a. Delete 'Historic Tax Credits' from the local municipality examples. Although Historic Tax Credits bring in more syndication proceeds, they are not a local municipality contribution.
- b. Add 'Reservation land with long-term low cost leases' to the local municipality examples list.
- c. Add a contribution floor and a range of points to promote larger contributions. Past contributions will be assessed and a recommendation will be made to the Board at the March Board meeting.

6. Revise Leverage selection criteria

- a. Review of proposals showed that almost all developments were eligible for the maximum points allowed under this category and a revision to the range of points was needed to promote leveraging of deferred RFP funding with other resources.

Current: 0 - 20%, = 10 points
 21 - 30% = 8 points
 31 - 40% = 6 points
 41 - 50% = 4 points
 51 - 60% = 2 points
 61 and above = 0 points

Proposed: 0 - 5%, = 10 points
 5.1 - 10% = 8 points
 10.1 - 15% = 6 points
 15.1 - 20% = 4 points
 20.1 - 30% = 2 points
 30.1 & above = 0 points

7. Revise Permanent Housing for Individuals Experiencing Long-Term Homelessness selection criteria:

- a. The current criteria require a minimum of 4 units set aside and rented to households experiencing long-term homelessness. Revise the criteria to add a minimum requirement of 5% of the total units, but no fewer than 4 units. This allows for larger developments to achieve more units while equalizing the opportunity to provide long-term homelessness housing in smaller developments.
- b. Revise the % for the non-bonus points to close the gap so that developments meeting the minimum number and % of long-term homelessness units will be eligible for the 5 or 10 points and will be required to provide long-term homelessness housing for the term of the extended use agreement.

Current: 5% to 10%, but no fewer than 4 units = 5 points
 50% to 100%, but no fewer than 20 units = 10 points

Proposed: 5% to 49.99%, but no fewer than 4 units = 5 points
50% to 100%, but no fewer than 20 units = 10 points

Scoring Criteria Impact:

1. Cooperatively Developed Plan:
Deletion of 10 point value.
2. Green Design:
Deletion of 2 point value.
3. Cost Avoidance/Cost Reduction:
Reduction of maximum point value from 10 to 6 points.
4. Local Contributions:
Maximum 10 point value will remain unchanged. A proposed range of points based on amount of contribution will be recommended to the Board.
5. Leverage:
Maximum 10 point value will remain unchanged. The proposed revised range of points for eligibility is detailed above.

General Administrative and Clarifications:

Perform various administrative check for spelling, formatting, text and instruction corrections and clarifications within QAP, Manual, Self-Scoring Worksheet, and other 2008 tax credit program related documents.