MEETINGS SCHEDULED FOR MAY

Location:

Minnesota Housing
400 Sibley Street, Suite 300
St. Paul, MN 55101

THURSDAY, MAY 26, 2016

Finance and Audit Committee Meeting
State Street Conference Room – First Floor
11:00 a.m.

Regular Board Meeting
State Street Conference Room – First Floor
1:00 p.m.

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, May 26, 2016.

Items requiring approval are neither effective nor final until voted on and approved by the Minnesota Housing Board.

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 are met. In accordance with Minn. Stat. §462A.041, the Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.

This page intentionally blank.

400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

AGENDA

Minnesota Housing Board Meeting

Thursday, May 26, 2016

1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   A. Regular Meeting of April 28, 2016
5. **Reports**
   A. Chair
   B. Commissioner
   C. Finance and Audit Committee of May 26, 2016
6. **Consent Agenda**
   A. Initiative Renewal, Community Fix Up Loan Program, Greater Metropolitan Housing Corporation
   B. Approval, Section 811 (Round 1) Program Rental Assistance Contracts
   C. Selection/Commitment, Bridges Regional Treatment Center (RTC) Rental Assistance
   D. Reallocation of Family Homeless Prevention and Assistance Program (FHPAP) Initiative Funds and Extension of Commitment for Administrative Capacity Initiative
   E. Commitment, Low and Moderate Income Rental (LMIR) Program
      – The Meadows Townhomes, Perham, D7859
   F. Modification, Housing Infrastructure Bond (HIB) Program
      – 66 West, Edina, D7720
   G. Amendments to 2014 and 2015 Community Homeownership Impact Fund Agreements between Minnesota Housing and Habitat for Humanity of Minnesota
7. **Action Items**
   A. Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, 2016 Series B
      - Meadows Townhomes, Perham
   B. Approval, Qualified Allocation Plan (QAP) and Procedural Manual, 2018 Housing Tax Credit (HTC) Program
   C. Approval of Participants for the Minnesota City Participation Program
8. **Discussion Items**
   A. Summary of Legislative Session
   B. Twin Cities Habitat for Humanity (TCHFH) Structured Finance Fund
9. **Informational Items**
   A. 2016 Affordable Housing Plan and 2016-19 Strategic Plan: Second Quarter Progress Report
   B. Report of Complaints Received by Agency or Chief Risk Officer
10. **Other Business**
    None
11. **Adjournment**

This page intentionally blank.

DRAFT MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, April 28, 2016
1:00 p.m.
State Street Conference Room – 1st Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
   Chair John DeCramer called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:01 p.m.
2. **Roll Call.**
   Members present: John DeCramer, Joe Johnson, Craig Klausing, Stephanie Klinzing, Rebecca Otto, and Terri Thao. George Garnett was absent.
   Minnesota Housing staff present: Dan Boomhower, Stacie Brooks, Wes Butler, Kevin Carpenter, Kristi Ceronsky, Jessica Deegan, Tresa Engel, Earl Erlendsson, Lori Gooden, Anne Heitlinger, Darryl Henchen, Summer Jefferson, Mary Beth Kehrwald, Debbi Larson, Diana Lund, Paul Marzynski, Shannon Myers, Tom O'Hern, John Patterson, William Price, Paula Rindels, John Rocker, Megan Sanders, Kayla Schuchman, Terry Schwartz, Lori Speckmeier, Anne Smetak, Barb Sporlein, Julie Tarlizzo, Will Thompson, Ted Tulashie.
   Others present: Chip Halbach, Minnesota Housing Partnership; Paul Rebholz, Wells Fargo; Gene Slater, CSG Advisors, Dave Amsden, Kutak Rock.
3. **Agenda Review**
   There were no changes to the agenda.
4. **Approval of the Minutes.**
   A. Regular Meeting of March 24, 2016
   Chair DeCramer announced a correction to the minutes. The phrase "Blue Ribbon Communities" had been corrected to read "Yellow Ribbon communities." Auditor Otto moved approval of the minutes as corrected. Ms. Thao seconded the motion. Motion carries 6-0.
5. **Reports**
   A. Chair
   Chair DeCramer requested Auditor Otto introduce her new designee. Auditor Otto introduced Ramona Advani, Deputy State Auditor and General Counsel. Auditor Otto stated Ms. Advani has been with the Office of the State Auditor for weeks and has been a tremendous member of the team and the office. Auditor Otto stated that Ms. Advani is her official designee and may vote in her absence.
   B. Commissioner
   Commissioner Tingerthal stated the legislature is in session and while there hasn't been a lot of visibility, the following things of note have occurred:
   - The Agency was surprised and disappointed that the house budget called for moving $5 million of the previous year's Challenge appropriation to the workforce housing program at DEED, which may not be combined with any income restricted affordable resources. Representative Gunther had offered a floor motion to return $4.5 million of the funding back to the Challenge fund, leaving a $500,000 transfer to the DEED program. Commissioner Tingerthal stated the Agency hoped to get that money back as well once the bill goes to conference committee. Representative Gunther's amendment was accepted without debate and the work of the housing advocates helped make it happen. Commissioner Tingerthal added that the housing advocates have done a great job of telling the story of how the Agency provides workforce housing throughout the state.

- There has been activity with the equity initiatives. The pilot program for a risk mitigation fund for landlords who are willing to rent to tenants who may have a less than pristine history has captured the imagination of the governor, the house, and the senate. A new appropriation of $250,000 may be made available for a pilot program that would likely be done on a competitive basis for communities that are interested in running such a program.
- The budget includes $5 million in additional down payment assistance program. The program underwent deep cuts during the mid-2000s and is now included in the Governor's budget at $5 million and at $3 million in the senate budget. It has not been included in the house budget.
- Additional funding for the continuance of the enhanced financial capacity homeownership initiative has been included in the senate budget for $5 million and $1 million in the Governor's budget. There is no additional funding for the program in the house budget.

Commissioner Tingerthal stated there has been a lot of positive response at the committees where all three initiatives have been presented and she is hopeful that funding for the initiatives will be seen if there is a supplemental budget.

Commissioner Tingerthal stated that neither the house nor senate has released a bonding package. The house has included in their budget enough debt service to support a bonding bill, but of a different amount than the Governor's bill. It is expected that the amount of the senate bill will be between those of the house and the Governor.

The Agency hosted the first two housing and committee dialogues of the season over the past two weeks. The first was in Marshall and Chair DeCramer played a leading role in giving the welcome, encouraging attendance and participating in the workshops. The Marshall dialogue was a great meeting and was attended by more than 80 people. Chair DeCramer added that he believed it was the first dialogue that both he and the Commissioner attended. Chair DeCramer encouraged board members to attend future Housing and Community dialogues if they are able, stating staff does a great job with the events, facilitating discussions and keeping things on track and thanked staff for their great Job.

The other dialogue was held in Moorhead, where participants saw an interesting dynamic with students and being a border community. Participants heard a lot about the flood diversion project, student and workforce housing, and homelessness. Commissioner Tingerthal stated Agency staff does an amazing job in working with locals to get the right people in the room and ensuring that people can walk out with a set of ideas for moving forward.

Commissioner Tingerthal shared that she had been asked by the Federal Housing Finance Agency, the regulatory body and conservator of Fannie Mae and Freddie Mac, to participate on a panel to elaborate on written comments submitted regarding the Duty to Serve Rule. Commissioner Tingerthal stated that Fannie Mae and Freddie Mac must create a duty to serve plan that will show how they would fulfill their requirement to serve particular households and communities. Federal Liaison Jessica Deegan prepared her for the event and she believes the comments were well received. Commissioner Tingerthal stated that the hope is that there will be more transparency about what the GSAs are going to do in low income communities.

Commissioner Tingerthal stated that prior to the board meeting, the Agency hosted a lunch and learning session on fair housing. Guest speaker Tim Thompson from the Housing Justice Center gave a brief background on some of the various court decisions and HUD actions and the underlying legal background of what comprises fair housing law today. Commissioner Tingerthal stated it was a good discussion that included presentations from staff on what Minnesota housing does every day to ensure that we are complying and that our partners, including developers and lenders, are taking action to comply with fair housing laws.

The Agency held its annual employee appreciation event earlier in the week. The event was held in the Securian Club at CHS Field. The event had a recognition component, but was primarily a time for people to relax, have fun and get to know each other. It was a great event and the vast majority of employees attended.

Commissioner Tingerthal shared that she and other senior staff would travel to New York the following week to have annual presentations with the rating agencies. She stated she anticipated the meetings would go well because the Agency is doing well financially.

The following employee introductions were made:

- Tom O'Hern introduced Anne Smetak, who joined the legal team in the beginning of April as a staff attorney. Mr. O'Hern stated that for the first time, the Agency now has four attorneys representing it full time. Ms. Smetak received her Masters of Law degree from George Washington law school in 2013 and previously served as a managing attorney at a Washington DC pro bono law center. Ms. Smetak also has experience with a legal clinic whose focus was to preserve affordable housing in Washington DC.

- Diana Lund introduced Paul Marzynski, an underwriter with a Masters in Finance and Real Estate and 20 years of experience in housing.

- Ms. Lund also introduced Megan Sanders, a loan processor with a double major in communications and marketing and journalism. Ms. Sanders was formerly a legal assistant working with foreclosures at US Bank.

- Julie Tarlizzo introduced Stacie Brooks, a multifamily legal technician. Ms. Brooks has a Bachelors in Criminal Justice with an emphasis on corrections, as well as a paralegal certificate. Ms. Brooks' previous experience includes working in a domestic violence shelter and crisis nursey, a pet hospital, and interning at a law firm.

- Ms. Tarlizzo also introduced Kristi Ceronsky, who joined the Agency has a loan closer on the multifamily team. Ms. Ceronsky has studied business management and administration at Normandale Community College and was previously employed with closings at Wells Fargo and US Bank.

C. Committee.

None.

6. Consent Agenda

A. HOME Investment Partnerships (HOME) and National Housing Trust Fund (NHTF) Combined Program Guide

MOTION: Mr. Johnson moved approval of the renewal. Ms. Klinzing seconded the motion. Motion carries 6-0.

7. Action Items

A. Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Residential Housing Finance Bonds, 2016 Series ABCD

Mr. Kevin Carpenter requested approval of a series resolution to authorize additional debt under the residential housing finance bond indenture. Mr. Carpenter stated staff is currently working towards a May offering of $150 million that would be used to finance new production and to refinance higher coupon debt.

Mr. Dave Amsden of Kutak Rock described the resolution stating it was very similar in form to what the board had seen in the past. Mr. Amsden stated the resolution authorizes up to $300 million in the Residential Housing Finance Bond indenture in multiple series, the execution of a purchase contract, and the form of the offering document. Mr. Amsden stated the resolution also sets forth the general terms and covenants to render the tax exempt opinion. Mr. Amsden stated the resolution is a parameters resolution that authorizes the issuance on a not-to-exceed basis of $300 million in principal, a maturity not-to-exceed 32 years, a combined yield of not-to-exceed 5%, and compensation to the underwriters not-to-exceed 5%.

Mr. Gene Slater added that the bonds are typically issued under the RFHB indenture twice a year to fund new production and to refund higher coupon debt. Mr. Slater stated it is an efficient execution and allows full spread throughout the year.

Mr. DeCramer asked for clarification regarding the maturity and Mr. Amsden stated the maturity was not-to-exceed 32 years. **MOTION:** Auditor Otto moved approval and adoption of Resolution No. MHFA 16-017. Ms. Thao seconded the motion. Motion carries 6-0.

B. Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Direct Purchase SIFMA Index Flexible Drawdown Bonds

Mr. Carpenter requested approval to authorize the issuance of a direct purchase index flexible drawdown bond. Mr. Carpenter provide the context for the request, stating that changes in the tax code in 1986 created limitations on the issuance of municipal bonds because of an opinion that private parties were being benefited by their issuance. This led to a limit on the use of private activity bonds, including the implementation of a tax-exempt volume cap that acts like an actual cap on an annual basis of private activity bonds for each state. Mr. Carpenter stated that almost all of the Agency's bond issuances need to fit within the cap of the state, including conduit issuances and local issues. It is anticipated that volume cap is going to become scarcer and staff are now seeking to issue drawdown bonds because the facility, which is effectively a revolving credit facility, can be drawn upon to redeem outstanding bonds. Mr. Carpenter stated that without the facility, the Agency would use incoming principal repayments to make those redemptions, but will instead use the proceeds of the drawdown bonds for redemption and repay the drawdown facility with the proceeds of a future tax-exempt issue. These actions will allow the Agency to accumulate cash and finance new production without being subject to the volume cap.

Mr. Carpenter stated that staff engaged RBC Capital Markets and Wells Fargo to create term sheets for the credit facilities and staff is requesting permission to enter into the facility with RBC. The cost of the facility is about $50,000 for set up and the rate paid will be indexed to SIFMA, which is comparable to LIBOR. The estimated annual cost of the facility is $250,000, but cost is dependent upon the size and duration of the draw.

Mr. Slater added that the cost is 15 basis points for the undrawn balance. Mr. Slater stated the drawdown bonds are a necessary action because so much production has been financed that the Agency is at risk of running out of volume cap.

Mr. Amsden added that this is a program and a structure that was developed in the late 1990s and was utilized quite a bit leading up to the crash because private activity volume cap was such a scarce resource in many states. Mr. Amsden stated that the Agency is in the current situation because it has been very successful in having its programs work under the old fashioned way with bonds, and many states have not had sufficient production to risk running out of volume cap. Mr. Amsden then described the terms of the resolution, which authorized up to $300 million of drawdown bonds, carries an interest rate not-to-exceed SIFMA plus 100 basis points with an increase in spread in the event that Minnesota Housing's issuer rating is downgraded significantly. Mr. Amsden stated the basic documentation is done via a trust indenture between Minnesota Housing and Wells Fargo as trustee, which will provide for the basic operations of the funds flow and a purchase agreement between RBC Capital Markets and Minnesota Housing. The bonds have a maturity date of not-to-exceed 35 years from the time of the first draw.

Auditor Otto acknowledged the Agency does a great job and has great consultants and asked about the risk of this vehicle and asked if there was any scenario under which the risk or benefit to the Agency is increased. Mr. Slater responded that the facility can be terminated on three day's notice. Mr. Amsden responded that the facility is fully cash collateralized and the only obligation above the principal is a de minimis amount. Mr. Carpenter stated that the facility is not a general obligation pledge of the Agency and reiterated that it is secured with cash. **MOTION:** Ms. Klinzing moved approval of this request and the adoption of Resolution No. MHFA 16-018. Mr. Johnson seconded the motion. Motion carries 6-0.

C. Selection and Commitment of Preservation Affordable Rental Investment Fund (PARIF) Loan – Crossroads of Edina, D3286, Edina.

Mr. John Rocker requested the approval of the selection and commitment of the Crossroads of Edina project to receive $3 million in deferred resources from the Preservation Affordable Rental Investment Fund Program. Mr. Rocker stated Crossroads of Edina is a 64-unit development with 40% affordable units and the remaining 60% of units at market rents. Mr. Rocker added that the board had approved the issuance of conduit bonds for the project at its February meeting. Approval of the funding will result in a new 30-year HAP contract and preserve 26 units at risk of market conversion.

Chair DeCramer commented that the rents appeared to be quite high. Mr. Rocker acknowledged that the rents are high, but a market study indicated they are the rents in the area. Commissioner Tingerthal stated that those living in the assisted units will continue to receive federal rent assistance and pay only 30% of their income for rent, which is part of why this is such an important preservation opportunity. **MOTION:** Auditor Otto moved approval the selection and commitment and the adoption of Resolutions No. 16-020. Ms. Thao seconded the motion. Motion carries 6-0.

D. Housing Tax Credit (HTC) Program – 2016 Round 2 Selections and Waiting List

Ms. Summer Jefferson requested approval of a resolution authorizing the selection and reservation of Low Income Housing tax Credits for Round 2 of the 2016 program. Ms. Jefferson stated nine applications had been received requesting $3.2 million in credits. Each application was scored and ranked against the Agency's qualified allocation plan. Ms. Jefferson added that Round 2 has a unified pool and selections are made without regard to geographic location and projects within suballocator jurisdictions may apply directly to the Agency. Ms. Jefferson stated that projects that previously received credits and have a shortfall have priority for selection.

Ms. Jefferson stated that, based on the remaining balance from Round 1, annual formula increases, and returned credits, total availability was just under $900,000. Staff recommended the selection of five developments, four of which previously received credits from Minnesota Housing or from a suballocator and qualified for the supplemental credit priority scoring. Boise Forte was the highest competitive non-supplemental proposal and will receive a partial allocation. The remaining applications and unfunded portion for Boise Forte will go on the waiting list for the future and will undergo a full underwriting analysis prior to the award of any credits. **MOTION:** Mr. Klausing moved to approve the selections and waiting list and adopt Resolution No. MHFA 16-019. Auditor Otto seconded the motion. Motion carries 6-0.

8. Discussion Items

A. 2016 Key Trends for Affordable Housing

Mr. John Patterson presented the Key Trends for Affordable Housing report to the board. Mr. Patterson stated the report kicks off the planning process for the Affordable Housing Plan and provides insights into the driving forces in the markets. Mr. Patterson provided an overview of the planning process to the board.

Commissioner Tingerthal stated she had testified at the legislature about the fact that mortgage payments are cheaper now than they were in 2006. Mr. Patterson stated that if you can get a mortgage, it is a good time to buy.

Highlights from the report included:

- More than 4,500 new units are needed in workforce housing communities to meet the need.
- The Agency does well in addressing homeownership disparity, but comprise only 3% of the overall market. There is a need to get other lenders to improve their reach to communities of color. In response to a question from Ms. Thao, Mr. Patterson stated that year-to-date, 32% of households served have been households of color.
- The senior population will double in the next 20 years. People generally remain homeowners until 80 to 85 years old. The Agency is conducting a senior housing pilot that will help to make sure there is a workable model for senior housing with services.
- There is a need to provide senior homeownership rehab funding.

Accomplishments from the previous year were highlighted as well.

Commissioner Tingerthal stated the issue of naturally occurring affordable housing is coming to the forefront. The acquisition of garden style apartments, often in the first ring suburbs, is starting to hit the market in a big way. During the Fair Housing Lunch and Learn, Tim Thompson had talked about the Crossroads at Penn in Richfield, a property that has been refinanced and repositioned and the owners have indicated they are raising rents and will no longer accept any type of housing voucher. These types of situations occur in larger complexes where there is not a lot of money needed on a per unit basis to reposition those projects, and they are being seen more frequently. Oftentimes they will be well located respective to transit corridors. We have taken for granted that we've had a healthy supply of voucher programs to allow people to have housing choices and we have taken for granted that people who have vouchers can find a place to live. As these naturally affordable housing options are repositioned, less of that stock will be available. Commissioner Tingerthal stated she has talked to colleagues nationally and they are seeing the same thing in other parts of the country, and it is a topic she wanted the board to be aware of as the Agency begins discussions about if and how resources should be brought to the table to address these situations. Commissioner Tingerthal shared that Greater Minnesota Housing Fund is looking to establish an investment fund that would allow investors to access equity and debt capital in these properties in exchange for an agreement that they would continue to accept vouchers, and perhaps adopt more liberal tenant screening criteria. Commissioner Tingerthal stated she expected Greater Minnesota Housing Fund (GMHF) would approach Minnesota Housing to participate in the investment fund.

Commissioner Tingerthal added that another emerging issue is the scarcity of properties that are affordable to homebuyers at the lower end of the income spectrum. A study from St. Thomas has shown the market getting very tight for properties under $200,000 and only a little less tight for properties under $300,000.

Ms. Thao inquired if other cities have started to put together solutions to the lack of naturally affordable housing. Commissioner Tingerthal responded that there are investment funds around the country, such as Enterprise Community Partners and the National Housing Trust, that are starting to make investments in those types of properties. Non-profit developers are also starting to realize they need to continue to do work in the traditional affordable housing space, but the units added through new construction will be overwhelmed by the units lost in the naturally affordable space. Commissioner Tingerthal added that the Agency is co-sponsoring a Housing Summit on May 19 where Chris Estes, the head of the National Housing Conference, will provide the keynote. The National Housing Conference has received some funding from the Open Society Foundation, funded by George Soros, to study inclusive communities and strategies for fending off the negative impacts of gentrification and hot housing markets. The group will meet in Minnesota in July and both Commissioner Tingerthal and Margaret Kaplan, Community Development Director will participate in those meetings to learn from colleagues who have gone through Minnesota's current market conditions.

Commissioner Tingerthal also pointed out that, as shown in the Key Trends document, after adjusting for inflation, the incomes of renters fell by 12% while their housing costs went up by 7%.

Auditor Otto commented on the tiny house movement, stating millennials, with their student debt burdens, seem very attracted to the affordability of tiny houses. Auditor Otto stated she would like to hear more about the efficiency and viability of tiny houses, adding that Minnesota has an aging housing stock and resources are being stretched and questioned how tiny houses may fit within that landscape. Commissioner Tingerthal responded that the Agency could put the issue of tiny houses on the docket for more research and a future presentation. Commissioner Tingerthal added that tiny houses remind her of the post-war garage houses, where you got enough money to build a garage that you decked out as a house with the idea that you could in the future turn the first building into a garage.

Ms. Thao stated that the Saint Paul Planning Commission would be considering an accessory dwelling ordinance. The City of Minneapolis has done a lot of research on the matter and found that accessory dwelling units cost about $160,000, not very affordable, but does provide options for increasing the housing stock in the city. It is anticipated that Saint Paul will pass the accessory dwelling unit ordinance for the Central Corridor and that ordinance may someday be citywide.

Ms. Klinzing commented that another term for tiny houses that can move is mobile homes, and mobile homes are still around. Ms. Klinzing stated there are a few counties that have a great many mobile home parks and inquired what the Agency's position is regarding mobile home parks. She acknowledged that there have been Agency initiatives for resident owned communities and stated if we are talking about tiny houses, we should also be talking about mobile home parks. Ms. Klinzing added that she was unsure how the Agency feels about mobile homes as permanent housing, but it is a discussion that needs to occur, adding that many people live in mobile homes. John Patterson responded that there were discussions during the previous year's planning process for the Affordable Housing Plan and he thought the matter should be revisited. Mr. Patterson added that manufactured housing was on the shortlist of intern projects and the matter has come up twice in the past week. Ms. Klinzing stated that there is a foundational discussion needed to determine how the Agency feels about this type of housing and where does it fit in the scheme of housing options in Minnesota.

Mr. Joe Johnson shared that, in Duluth and nearby rural areas, there are people who want to buy a mobile home, put it on a foundation, and connect to utilities, but there are no lenders in the market for this activity. Mr. Johnson also stated that, in Duluth, there are over 600 approved loan applications for people looking to purchase homes and the construction costs of any new housing is far more than purchasing existing.

Commissioner Tingerthal commented that one of the things heard at the Moorhead Community and Housing Dialogue was that a recent code change requiring automatic sprinklers in many types of housing. That additional cost related to the sprinkler requirement has meant that almost no twin homes or townhomes are being built. If you are an area resident trading up, with the added cost of sprinklers, you may as well buy a single family home where sprinklers are not required.

Commissioner Tingerthal thanked Ms. Klinzing for bringing up manufactured housing and the Agency's policies surrounding those communities. Commissioner Tingerthal added that the Agency is required by statute to manage a fund that helps people who are displaced when a park is taken out of service, and we are anticipating an increasing number of park closings. Commissioner Tingerthal added that the work the Agency has done with resident owned communities has shown that it can be very challenging because many of them need major investments in infrastructure. Discussion item, no action taken. No action needed.

9. **Informational Items**
   None.
10. **Other Business**
   None.
11. **Adjournment.**
   The meeting was adjourned at 2:28 p.m.

Board Agenda Item: 6.A
Date: 5/26/2016

Item: Initiative Renewal, Community Fix Up Loan Program, Greater Metropolitan Housing Corporation

Staff Contact(s):
Shannon Gerving 651.296.3724, shannon.gerving@state.mn.us
Cal Greening 651.296.8843, cal.greening@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☐ Resolution	☐ Information

Summary of Request:
Staff requests board approval for the Community Fix Up Loan Program recommendations described in the attached Initiative Detail. The Community Fix Up Loan Program accepts initiative proposals from participating Fix Up loan lenders and their community partners on an ongoing basis. The activities must address home improvement needs with a resulting community impact.

Fiscal Impact:
The program uses Pool 2 funds budgeted in the current 2016 Affordable Housing Plan. Action requested in this report is consistent with the program terms described in the plan.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Initiative Detail

Background:
The following recommendation for a Community Fix Up Initiative meets the guidelines for participation contained within the Program Concept. Staff applies threshold indicators and considers compensating factors when determining whether to recommend a specific proposal to access funds under Community Fix Up Loan Program. The threshold indicators include:

- Confirmation that the initiative fits within the Program Concept;
- The strength of partnership;
- Leverage and/or value-added features;
- A focused marketing plan; and
- Budget counseling, if required.

Initiative Detail:
The Greater Metropolitan Housing Corporation (GMHC) partners with two community land trust organizations that serve households who, without the land trust, would not be able to afford homeownership. This initiative allows the land trust homeowners access to affordable financing for home maintenance and upgrades. GMHC will provide a Construction Manager to work with each land trust homeowner who applies for the program. Applicant partners will offer value added services as described below. Since the initiative's inception, three loans have closed for a total loan volume of $60,046.65. Though loan production has been modest, the partners believe this initiative is an important resource for their homeowners, especially as the housing stock ages and the number of land trust households increases.

Region	**Estimated Demand**	
	# Loans	**Loan Volume**
Metro	5	$ 90,000

Applicant Partners	**Partner Contribution**
City of Lakes Community Land Trust	Marketing; review of projects to determine affordability per financial model; makes referrals to GMHC; signs-off on project; executes a Capital Improvement Amendment to the Ground Lease, if applicable
West Hennepin Affordable Housing Land Trust	Marketing; review of projects to determine affordability per financial model; makes referrals to GMHC; signs-off on project; executes a Capital Improvement Amendment to the Ground Lease, if applicable

Minnesota Housing Finance Agency

Board Agenda Item: 6.B
Date: 5/26/2016

Item: Section 811 Round 1 Program Rental Assistance Contracts
D3925 Hamline Park
D1563 Ramsey Hill

Staff Contact(s):
Vicki Farden, 651.296.8125, vicki.farden@state.mn.us
Joel Salzer, 651.296.9828, joel.salzer@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☒ Resolution	☐ Information

SUMMARY REQUEST:
Adoption of the attached Resolution authorizing up to $395,482 for two Section 811 Rental Assistance Contracts (RAC) for a period of five years. This action will provide initial funding for a five year RAC for eight new supportive housing units for people with disabilities.

FISCAL IMPACT:
The Section 811 Project-based Rental Assistance (PRA) Program is funded by the Department of Housing and Urban Development (HUD) for a five year term, with subsequent annual renewals. Funding for the program was allocated in the 2016 Affordable Housing Plan (AHP) and has not been identified for any other purpose.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Resolution

Section 811 is a Project Based Rental Assistance (PRA) Program funded by HUD. Minnesota Housing, in partnership with the Department of Human Services (DHS), was selected for two rounds of Section 811 PRA funding. In round one, the Agency was awarded $3,085,500 for up to 85 PRA units. In round two, the Agency was awarded $3 million for up to 75 PRA units. The term of each Cooperative Agreement with HUD is 20 years, with initial funding provided for five years and annual renewals subject to appropriations for the remainder of the term.

The purpose of the Section 811 PRA Program is to expand the supply of supportive housing that promotes and facilitates community integration for people with significant and long-term disabilities. The program advances key Minnesota initiatives to prevent and end homelessness and move people from institutional settings to the most inclusive community setting possible, which directly addresses crucial action steps of the state's Olmstead plan.

Section 811 PRA provides a project-based rent assistance subsidy for extremely low-income persons with disabilities between the ages of 18 and 62. In Minnesota, we chose to further target the eligible population to persons who are either exiting institutions through the DHS Money Follows the Person Program or to persons who are experiencing long-term homelessness and working with Projects for Assistance in Transition from Homelessness (PATH).

Section 811 PRA units from the first round of funding must be committed by the end of 2016, so the Agency has been marketing the program to existing multifamily properties that have been financed by Minnesota Housing or are in Minnesota Housing's Low Income Housing Tax Credit or Project Based Section 8 Portfolio of developments with existing unsubsidized units.

Section 811 PRA units for the second round of funding must be leased by the end of 2019. A portion of the PRA units were awarded through the Consolidated Multifamily RFP process in 2015, with the remaining balance expected to be awarded though the RFP's in 2016 and 2017.

Minnesota Housing is accepting applications for the first round of Section 811 PRA on a pipeline basis. On April 13, 2016, Community Housing Development Corporation (CHDC) submitted applications for four PRA units at Ramsey Hill and four PRA units at Hamline Park. These properties meet all of the program selection criteria, including proximity to services and transportation, and are recommended for selection.

D#	Property Name	Location	Owner	# of units	5 year RAC funding
3925	Hamline Park	St Paul	CHDC	4	$ 216,181
1563	Ramsey Hill	St Paul	CHDC	4	$ 179,301

With the addition of these eight units, the Agency has a total of 79 units committed for Section 811 PRA. Applications will continue to be accepted on a pipeline basis until 85 units or all Section 811 PRA funds are committed. We anticipate one more property to submit an application this month for four units, which will bring the total number of committed Section 811 PRA units to 83. In the coming months we will evaluate whether there are sufficient funds remaining in the contract to fund the full 85 units that we estimated would be served under this contract.

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 16-

RESOLUTION APPROVING SELECTION/COMMITMENT SECTION 811 PROJECT-BASED RENTAL ASSISTANCE CONTRACTS

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to provide a Section 811 Rental Assistance Contract for two properties serving individuals who are extremely low income and disabled.

WHEREAS, Agency staff has reviewed the applications and determined that they are in compliance with the Agency's rules, regulations and policies; that such grants are not otherwise available, wholly or in part, from private lenders or other agencies upon equivalent terms and conditions; and that the applications will assist in fulfilling the purpose of Minn. Stat. Ch. 462A.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into Rental Assistance Contracts using federal resources as set forth below, subject to changes allowable under the HUD Section 811 Program, upon the following conditions:

1. Agency staff shall review and approve the recommended Rental Assistance Contracts (RAC) for up to the total recommended amount for five years;

D#	Property Name	Location	Owner	# of units	5 year RAC funding
3925	Hamline Park	St Paul	CHDC	4	$ 216,181
1563	Ramsey Hill	St Paul	CHDC	4	$ 179,301

2. The issuance of the RAC in form and substance acceptable to the Agency staff and the closing of the contract shall occur no later than twelve months from the adoption date of this Resolution; and

3. The sponsors and such other parties shall execute all such documents relating to said contract, to the security therefore, as the Agency, in its sole discretion, deems necessary.

Adopted this 26th day of May, 2016.

____
CHAIRMAN

This page intentionally blank.

Item: Selection/Commitment, Bridges Regional Treatment Center Rental Assistance

Staff Contact(s):
Carrie Marsh, 651.215.6236, carrie.marsh@state.mn.us
Elaine Vollbrecht, 651.296.9953 , elaine.vollbrecht@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests the adoption of the attached Resolution authorizing awards of $1,500,000 in funding administered through the Bridges Regional Treatment Center Rental Assistance program (Bridges RTC). This will fund seven existing grant administrators with new terms from July 1, 2016 through June 30, 2019 and will serve approximately 79 households each month.

Fiscal Impact:
The funds that will be committed for Bridges RTC grants are a combination of Minnesota Department of Human Services (DHS) funds, state appropriated resources designated for Bridges and unspent funds previously transferred by DHS and awarded to Bridges RTC grantees. Committing these funds does not have an adverse impact on the Agency's financial position.

Type of Funding	**Amount**
DHS Bridges RTC uncommitted balance	$ 760,000
DHS Transitions FY17 transfer	$ 192,000
Anticipated unspent Bridges RTC	$ 180,000
Bridges appropriation	$ 368,000
Total Sources	$ 1,500,000

The Bridges appropriation for state fiscal years 2016 and 2017was approved by the Minnesota Legislature in June, 2015 and included a $2.5 million increase to the base level of funding. $368,000 of the increase was reserved and will be used to continue funding the Bridges RTC program. Additionally, about $230,000 of the appropriation will remain after this commitment, with the intent, later in 2016, to solicit new Bridges grantees to serve currently unserved areas.

Meeting Agency Priorities:
- ☐ Address Specific and Critical Local Housing Needs
- ☐ Finance Housing Responsive to Minnesota's Changing Demographics
- ☐ Preserve Housing with Federal Project-Based Rent Assistance
- ☒ Prevent and End Homelessness
- ☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background & Resolution

BACKGROUND
The Minnesota Department of Human Services, Mental Health Division (DHS-MHD), has been a long-time partner in the implementation of the Bridges program, which provides rental assistance for persons with a serious mental illness, with the goal that they achieve permanent housing stability by transitioning to Section 8 Housing Choice Vouchers or another stable housing option.

In 2011, DHS-MHD approached Minnesota Housing and together the agencies began planning the Bridges RTC pilot program to assist individuals at the Anoka Metro Regional Treatment Center (AMRTC) who no longer need to be at the facility but lack housing options and would be homeless upon exit. AMRTC is a psychiatric hospital serving adults with serious mental illnesses and co-occurring conditions—including substance use disorders, intellectual disabilities, chronic physical illnesses and aging-related dementia—that complicate their recoveries.

According to the legislative report dated 2/18/14, "AMRTC is experiencing severe patient flow problems: 1) a long waiting list for admission; 2) frequent treatment episodes for some patients; and 3) patients "stuck" at AMRTC after they no longer meet criteria for a hospital level of care because appropriate community settings and/or services are not available in their home communities."

The Bridges RTC program is one of several strategies targeted at addressing these issues. In 2012, the Bridges RTC pilot program awarded $1.2 million to seven grantees across the state to serve up to 87 households per month. Allocations were based on historical intakes to AMRTC.

A monthly tenant advocacy service fee was allocated from the Bridges RTC budget during the pilot to provide tenant navigation services such as landlord recruitment, housing advocacy services, tenant education and service coordination. The amount of this fee increased from $70 to $210 per person over the course of the grant term in response to provider input regarding the actual cost and amount of services provided. With the start of the new grant term in 2016, the tenant navigation service fee will no longer be paid from the Bridges RTC budget. DHS-MHD has created a priority for Bridges RTC grantees in the Housing with Supports for Adults with Serious Mental Illness (HSASMI) RFP that is currently underway, in order to provide funding for these types of tenant advocacy services. A housing administration fee, paid from the Bridges RTC funding, will remain to assist grantees with costs of processing rental applications, income verifications and housing inspections. The transition of payment for services to HSASMI creates an opportunity to strengthen the housing access and tenancy sustaining services for Bridges RTC tenants. The change also allows the services to continue when a tenant transitions off of the Bridges RTC subsidy.

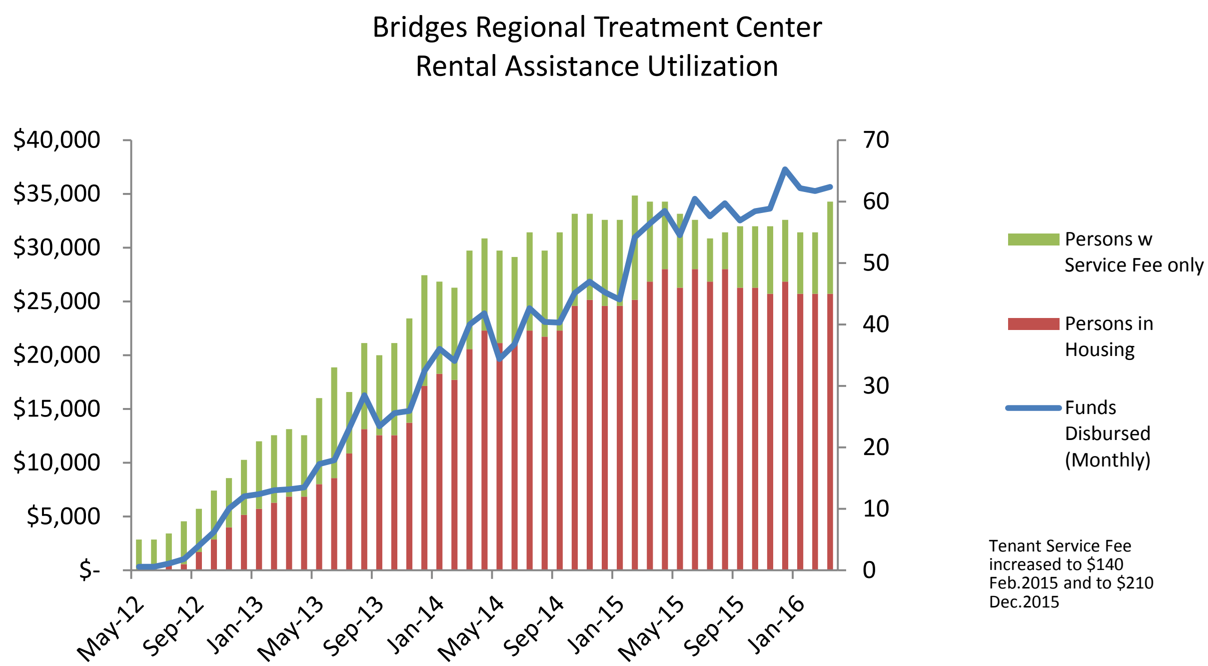
Bridges RTC targets people leaving institutional care at AMRTC or those who are on the waiting list for AMRTC and unable to gain access to AMRTC due to capacity issues. With the new grant terms, eligibility will expand to include individuals at St. Peter Regional Treatment Center (SPRTC). Staff at SPRTC will refer individuals who have progressed through treatment at the Minnesota Security Hospital and who have been approved for a reduction in custody status from the Special Review Board, the Commissioner of Human Services or the Supreme Court Appeal Panel. Staff anticipates a low number of referrals from SPRTC due to the more restrictive discharge criteria.

A state-funded DHS initiative, Transitions to Community, provides assistance to individuals transitioning from both AMRTC and SPRTC, and it will continue to support community-based placements, including a strong linkage with Bridges RTC rental assistance. DHS staff work with county case managers and facility release planners to identify housing and service resources and a transition plan.

OUTCOMES

Utilization of all phases of the Bridges RTC program started slowly. Of the 89 individuals participating in Bridges RTC over the last two years, forty-five are currently leasing units, and fifteen are searching for housing. Those who have exited the program include three individuals who transitioned to Section 8 or unsubsidized housing, five who were re-hospitalized or incarcerated, four who left the program without notice and one who died. The remaining sixteen households (shown in the chart below as Persons with Service Fee only) accessed the tenant advocacy service fee in order to assess housing options and search for housing in the community, but they did not lease a unit through the Bridges RTC program.

Many of the individuals who leased a unit through the Bridges RTC program have maintained housing stability. Forty-one individuals leased an apartment for one year or more, including thirty-one people who leased their housing for two years or more.



BRIDGES RTC FUNDING RECOMMENDATIONS

Potential participants are limited for each administrator by the number of people who are hospitalized at AMRTC or are projected to be discharged from SPRTC. Typically, an individual will return to the county of financial responsibility where the individual was residing previous to entering hospitalization or commitment. The funding recommendations were made taking into consideration historical performance and use of the funds, the number of households currently in housing and a desire to have Bridges RTC available in various areas across the state. We recognize each of the applicants for their significant efforts thus far to create pathways to community-based housing for individuals leaving hospitalization.

Applicant	Bridges Request	Recommended Bridges	Current Target HH	Requested Target HH	Recommend HH Served
St Cloud HRA	$ 87,840	$ 42,000	6	4	4
Owatonna HRA	$ 80,530	$ 24,000	11	5	3
Washington HRA	$ 52,280	$ 24,000	2	2	2
Mental Health Resources	$ 995,427	$ 990,000	50	50	50
Southwestern Minnesota Adult Mental Health Consortium	$ 63,560	$ 55,000	4	4	4
Guild Incorporated	$ 300,120	$ 270,000	10	12	12
Scott CDA/Carver CDA	$ 194,080	$ 95,000	4	8	4
Total	$ 1,773,837	$ 1,500,000	**87**	**85**	**79**

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, MN 55101

Resolution No. MHFA 16-

RESOLUTION APPROVING SELECTION/COMMITMENT BRIDGES RTC

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to provide rental assistance for persons with mental illnesses who are exiting or diverting from institutions.

WHEREAS, Agency staff has reviewed the applications and determined that they are in compliance under the Agency's rules, regulations and policies; that such grants are not otherwise available, wholly or in part, from private lenders or other agencies upon equivalent terms and conditions; and that the applications will assist in fulfilling the purpose of Minn. Stat. Ch. 462A.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into grant agreements using state resources as set forth below, subject to the availability of state appropriations and also subject to changes allowable under the multifamily funding modification policy, upon the following conditions:

1. The Agency staff shall review and approve the Grantees the total recommended as indicated;

Bridges RTC Grantee	**D Number**	**Award**	**Target Number of Households**
St Cloud HRA	D3745	$ 42,000	4
Owatonna HRA	D4265	$ 24,000	3
Washington HRA	D1968	$ 24,000	2
Mental Health Resources	D6280	$ 990,000	50
Southwestern Minnesota Adult Mental Health Consortium	D7680	$ 55,000	4
Guild Incorporated	D7564	$ 270,000	12
Scott CDA/Carver CDA	D3534	$ 95,000	4

2. The issuance of grant agreements in form and substance acceptable to the Agency staff and the closing of the individual grants shall occur no later than six months from the adoption date of this Resolution; and

3. The sponsors and such other parties shall execute all such documents relating to said grant, to the security therefore, as the Agency, in its sole discretion, deems necessary.

Adopted this 26th day of May, 2016

____
CHAIRMAN

This page intentionally blank.

Minnesota Housing Finance Agency

Board Agenda Item: 6.D
Date: 5/26/2016

Item: Reallocation of Family Homeless Prevention and Assistance Program (FHPAP) Initiative Funds and Extension of Commitment for Administrative Capacity Initiative

Staff Contact(s):
Diane Elias, 651.284.3176, diane.elias@state.mn.us
Kim Bailey, 651.296.9833 kim.bailey@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☒ Resolution	☐ Information

Summary of Request:
Staff requests the board approve funds from the FHPAP Leverage Incentive Initiative be reallocated to the FHPAP Administrative Capacity Initiative. Staff also requests an extension to the deadline to issue grant agreements and close loans in order to allow sufficient time to execute the Administrative Capacity Initiative.

Fiscal Impact:
None

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Resolution

Background

At the May 28, 2015 Minnesota Housing board meeting, board members adopted Resolution No. MHFA 15-017 approving the funding recommendations for the Family Homeless Prevention and Assistance Program (FHPAP). The original resolution authorized staff to execute contracts with twenty grantees to provide support services and direct assistance throughout the state. It also authorized use of funds for three initiatives that would: 1) incentivize communities to leverage mainstream resources (known as the Leverage Incentive Initiative); 2) improve grantee administrative capacity (known as the Administrative Capacity Initiative); and 3) pay for Homeless Management Information System (HMIS) related expenses (known as the Wilder HMIS Initiative). The resolution stated, "The issuance of grant agreements in form and substance acceptable to the Agency staff and the closing of the individual grants shall occur no later than six months from the adoption date of this Resolution."

An amendment to the resolution was approved by the board on January 28, 2016 to extend the deadline for the issuance of grant agreements and initiatives by six months to July 28, 2016. Since that time, staff executed the agreements with all twenty grantees as well as for the Wilder HMIS Initiative. However, staff has not yet executed the agreement for the Leverage Incentive Initiative or the Administrative Capacity Initiative. Staff discussed both initiatives and determined that the $63,114 in funding for the Leverage Incentive Initiative was inadequate to move forward with that project and therefore should be reallocated to the Administrative Capacity Initiative, which is currently funded at $149,500. Staff further requests that the allowable time period for the issuance of grant agreements for the Administrative Capacity Initiative be extended to January 31, 2017.

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street - Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 16-

MODIFYING RESOLUTIONS NO. MHFA 15-017 AND 16-005

RESOLUTION TO REALLOCATE INITIATIVE FUNDS AND EXTEND COMMITMENT
FAMILY HOMELESS PREVENTION AND ASSISTANCE PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has heretofore adopted Resolutions No. MHFA 15-017 and MHFA 16-005 authorizing and modifying selections and commitments for initiative funding under the Family Homeless Prevention and Assistance Program (FHPAP); and

WHEREAS, the Leverage Incentive Initiative was identified as an activity for the period of July 1, 2015 through June 30, 2017; and

WHEREAS, funding for the Leverage Incentive Initiative remains uncommitted; and

WHEREAS, staff determined funds from the Leverage Incentive Initiative should be reallocated to the Administrative Capacity Initiative activity; and

WHEREAS, it is the desire of the Board to ensure FHPAP funds be committed for programs and initiatives to prevent and end homelessness; and

WHEREAS, the reallocation continues to be in compliance with Minnesota Statutes Chapter 462A and the Minnesota Housing Finance Agency's rules, regulations, and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT the Board hereby reallocates Leverage Incentive Initiative FHPAP funds as shown below; and

	Original 2016-17 Award	Revised 2016-17 Award
Leverage Incentive Initiative	$ 63,114	$ 0
Administrative Capacity	$ 149,500	$ 212,614

THAT, the closing of individual grant agreements in form and substance acceptable to the Agency staff shall occur no later than January 31, 2017; and

THAT all other terms of Resolutions No. MHFA 15-017 and MHFA 16-005 remain in effect.

Adopted this 26th day of May, 2016.

____
CHAIR

This page intentionally blank.

Minnesota Housing Finance Agency

Board Agenda Item: 6.E.
Date: 5/26/2016

Item: The Meadows Townhomes, Perham, D7859

Staff Contact(s):
Karin Todd, 651.296.6529, karin.todd@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Agency staff completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of $650,000 and a Low and Moderate Income Rental Bridge Loan (LMIRBL) program commitment not to exceed $2,650,000 and a deferred funding commitment in the amount of $400,000 under the Flexible Financing for Capital Costs (FFCC) program, subject to the terms and conditions of the Agency mortgage loan commitment.

Fiscal Impact:
In the 2016 Affordable Housing Plan (AHP), Minnesota Housing board members allocated $70 million in new activity for the LMIR program, which includes $30 million from the Housing Investment Fund (Pool 2) and $40 million for LMIR and LMIR Bridge Loan activity through tax-exempt bonding. The AHP also allocated $3.5 million in new activity under the FFCC program (funded through the Housing Affordability Fund – Pool 3). Funding for these loans fall within the approved budget and the loans will be made at interest rates and terms consistent with what is described in the AHP. Additionally, the LMIR loan should generate $34,600 in fee income (origination fee and construction oversight fee) as well as interest earnings that will help offset Agency operating costs.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Development Summary
- Resolution

Background
At its October 22, 2015 meeting, Minnesota Housing board approved this development for processing under the Low and Moderate Income Rental (LMIR) and Flexible Financing Capital Cost (FFCC) programs, and approved the commitment of Economic Development Housing Challenge funds. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION:	**SELECTION**		**COMMITMENT**		**VARIANCE**	
Total Development Cost	$ 5,185,903		$ 5,265,662		$ 79,759	
Gross Construction Cost	$ 3,993,600		$ 4,018,058		$ 24,458	
Agency Sources:						
LMIR	$ 615,000		$ 650,000		$ 35,000	
FFCC	$ 400,000		$ 400,000		$ 0	
EDHC MF	$ 2,003,140		$ 2,003,140		$ 0	
EDHC Workforce MF	$ 500,000		$ 500,000		$ 0	
Total Agency Sources	$ 3,518,140		$ 3,553,140		$ 35,000	
Other Non-Agency Sources:						
Tax Credit Equity	$ 1,466,763		$ 1,499,011		$ 32,248	
Greater Minnesota Housing	$ 200,000		$ 200,000		$ 0	
Energy Rebate	$ 1,000		$ 1,000		$ 0	
Employer Contribution	$ 0		$ 500		$0	
Deferred Developer Fee	$ 0		$ 12,011		$ 12,011	
Gross Rents:						
Unit Type	**# of DU**	**Rent**	**# of**	**Rent**	**# of**	**Rent**
2 BR	12	$ 718	12	$ 718	0	$ 0
3 BR	12	$ 830	12	$ 830	0	$ 0
Total Number of Units	**24**		**24**		**0**	
LTH Units	**0**		**0**		**0**	

Factors Contributing to Variances:

1. **Total Development Costs**
   Total Development Cost (TDC) has increased by 2 percent since selection due to rising construction costs, increased syndicator-required reserves and increased financing fees related to the tax-exempt bond financing structure. The developer was able to realize some cost savings elsewhere, but not enough to offset the increased costs. Syndication proceeds increased by 2 percent due to higher than anticipated investor pricing, and the Agency first mortgage was increased. A portion of the developer fee will be deferred through cash flow to fund the increased costs.

   The development cost per unit remains within the Agency's predictive model. Development costs that exceed the predictive model estimate by 25 percent or more require board approval.

At the time of selection, the budgeted TDC per unit of $216,079 was 5.26 percent above the $205,277 predictive model estimate. At the time of commitment, the budgeted TDC per unit of $219,403 is 6.88 percent above the predictive model estimate.

2. **First Mortgage Underwriting**
   The Agency first mortgage has increased by $35,000. Since selection, the Mortgage Insurance Payment required by the Department of Housing and Urban Development (HUD) was reduced from 0.25 percent to 0.125 percent, allowing the property to support a slightly larger mortgage. After further analysis of the proposed property maintenance and operating costs, it was determined operating costs would be slightly less than anticipated at selection. This change also contributed to an increased first mortgage.

3. **Employer and Local Contributions**
   The developer secured a $500 employer contribution from Shearer's Snacks. Shearer's Snacks recently acquired Barrel O' Fun Snack Foods, formerly owned by the local employer KLN Family Foods.

   Arvig Communications, another local employer, will provide free cable installation for all units valued at $65 per unit, for a total in-kind donation of $1,560.

   The City of Perham has also agreed to reduce special assessment fees by $13,384.

Other Significant Events since Board Selection:
None.

DEVELOPMENT SUMMARY
DEVELOPMENT:

					D7859
Name:	The Meadows Townhomes			App#:	M17269
Address:	920 Coney St W				
City:	Perham	County:	Otter Tail	Region:	WCMIF

MORTGAGOR:

Ownership Entity:	Meadows Housing LLLP
General Partner/Principals:	Meadows Housing LLC/D.W. Jones, Inc.

DEVELOPMENT TEAM:

General Contractor:	Voronyak Builders Inc., Burtrum
Architect:	Ringdahl Architects PA, Alexandria
Attorney:	Winthrop & Weinstine, PA, Minneapolis
Management Company:	D.W. Jones Management Inc., Walker
Service Provider:	N/A

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 650,000	LMIR First Mortgage	
	Funding Source:	Hsg Investment Fund (Pool 2)
	Interest Rate:	4.75%
	MIP Rate:	0.125%
	Term (Years):	30
	Amortization (Years):	30
$ 400,000	Flexible Financing Cap Cost	
	Funding Source:	Hsg Affordability Fund (Pool 3)
	Interest Rate:	1.00% (Up to)
	Term (Years):	30
$ 500,000	EDHC Workforce MF	
	Funding Source:	Econ Dev & Hsg Chall
	Interest Rate:	1.00% (Up to)
	Term (Years):	30
$ 2,650,000	LMIR Bridge Loan	
	Funding Source:	Tax Exempt Future Bond Sale
	Interest Rate:	2.00% estimated
	Term (Months):	18
$ 2,003,140	EDHC MF	
	Funding Source:	Econ Dev & Hsg Chall
	Interest Rate:	1.00% (Up to)
	Term (Years):	30

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ FT)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY
2BR	9	1,328	$ 718	$ 862	$ 28,720
2BR	2	1,084	$ 718	$ 862	$ 28,720
2BR	1	1,093	$ 718	$ 862	$ 28,720
3BR	12	1,489	$ 830	$ 996	$ 33,200
TOTAL	24				

Purpose:
The Meadows Townhomes is a new construction, workforce housing development located in Perham, Minnesota. The 24-unit, two-story townhome development includes a mix of two and three bedroom units. The development meets the Addresses Specific and Critical Local Housing Needs Agency priority. The development serves an important policy goal of creating workforce housing and economic integration.

Target Population:
The development will provide housing for working families, targeting individuals and households of color, single head of households with minor children and disabled individuals.

Households will have incomes at or below 60% AMI, with the exception of one employee unit that will be unrestricted.

Project Feasibility:
The project is feasible as proposed. Minnesota Housing will issue short-term tax-exempt bonds to meet the 50 percent test, qualifying the development for an annual 4% tax credit allocation of approximately $156,228. The Limited Partner will contribute $1,499,011 in tax credit equity based on a $0.96/credit price. Greater Minnesota Housing Fund is contributing a deferred loan for $200,000. The first mortgage amount is supported by Minnesota Housing underwriting standards. The developer has committed a deferred developer fee of $12,011.

Development Team Capacity:
An affiliate of D.W. Jones, Inc. will develop the property and act as the general partner. D.W. Jones has developed 1,037 units of affordable housing, including workforce housing developments that are of a similar size and scope as the proposed development. The developer has utilized Agency first mortgages, deferred loans and tax credits with proven success.

The property will be managed by D.W. Jones Management. D. W. Jones Management was established in 1989 and currently manages 111 developments that consist of HTC, Section 8, HOME and supportive housing.

Physical and Technical Review:
The applicant is proposing to construct a new 24-unit, four building townhome development with attached garages. Minnesota Housing's staff architect reviewed and approved the construction plans

and specifications. The general contractor, Voronyak Builders, and the architect, Ringdahl Architects, have capacity and have successfully utilized a similar building design in other nearby communities.

Market Feasibility:
The market study prepared by AdMark Resources reports low vacancy rates in Perham, with a projected increase in households through 2020. The property is located in close proximity to major employers, including a nearby hospital and food processing companies. The proposed rents are affordable to the local workforce.

DEVELOPMENT COST SUMMARY:

	Total		Per Unit
Total Development Cost	$5,265,662		$219,403
Acquisition or Refinance Cost	$205,633		$8,568
Gross Construction Cost	$4,018,058		$167,419
Soft Costs (excluding Reserves)	$946,605		$39,442
Non-Mortgageable Costs (excluding Reserves)	$95,366		$3,974
Reserves			
Total LMIR Mortgage	$650,000		$27,083
First Mortgage Loan-to-Cost Ratio		12%	
Agency Deferred Loan Sources			
Flexible Financing Cap Cost	$400,000		$16,667
EDHC Workforce MF	$500,000		$20,833
Bridge Loan	$2,650,000		$110,417
EDHC MF	$2,003,140		$83,464
Total Agency Sources	$6,203,140		$258,464
Total Loan-to-Cost Ratio		118%	
Other Non-Agency Sources			
GMHF	$200,000		$8,333
Deferred Developer Fee	$12,011		$500
Energy Rebates	$1,000		$42
Syndication Proceeds	$1,499,011		$62,459
Employer Contribution	$500		$21
Total Non-Agency Sources	$1,712,522		$71,355

Agenda Item: 6.E.
Resolution

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 16-

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM
LOW AND MODERATE INCOME RENTAL BRIDGE LOAN (LMIRBL) PROGRAM
AND FLEXIBLE FINANCING FOR CAPITAL COSTS (FFCC) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide construction and permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development:	The Meadows Townhomes
Sponsors:	Meadows Housing LLLP
Guarantors:	D.W. Jones, Inc.
Location of Development:	Perham
Number of Units:	24
Amount of Development Cost:	$5,265,662
Amount of LMIR Mortgage:	$650,000
Amount of LMIR Bridge loan (BL) (not to exceed)	$2,650,000
Amount of FFCC Loan:	$400,000

WHEREAS, Agency staff has determined that such applicant is an eligible sponsor under the Agency's rules; that such permanent mortgage loan is not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the construction of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, Agency staff has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide construction and permanent mortgage loans to said applicant from the Housing Investment Fund (Pool 2 under the LMIR Program), the sale of new tax-exempt bonds (under the LMIRBL program) and from the Housing Affordability Fund (Pool 3 under the FFCC Program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed $650,000; and

2. The interest rate on the LMIR amortizing loan shall be 4.75 percent per annum plus 0.125 percent per annum HUD Risk Share Mortgage Insurance Premium, with monthly payments based on a 30 year amortization; and

3. The term of the LMIR amortizing loan shall be 30 years; and

4. The amount of the FFCC deferred loan shall be $400,000; and

5. Repayment of the FFCC loan shall be deferred, with interest up to 1 percent, and the loan term shall be co-terminus with the LMIR amortizing loan; and

6. The combined LMIR and FFCC End Loan Commitment shall be entered into on or before November 26, 2016 and shall have an 18 month term (which shall also be the LMIR and FFCC Commitment Expiration Date); and

7. The amount of the LMIR Bridge Loan shall not exceed $2,650,000; and

8. The LMIR Bridge Loan transaction will be financed with the proceeds of tax-exempt bonds of the Agency, and the commitment is subject to the ability of the Agency to sell bonds on terms and conditions, and in a time and manner acceptable to the Agency; and

9. The interest rate on the Bridge Loan will be based on the interest rate on the series of bonds issued to finance the Bridge Loan plus up to the maximum allowable spread, and is estimated to be 2.0 percent per annum payable monthly with the principal due in a balloon payment no more than 18 months after closing; and

10. Agency staff shall review and approve the Mortgagor; and

11. The Mortgagor shall execute an Agency Mortgage Loan Commitment with terms and conditions embodying the above in form and substance acceptable to Agency staff; and

12. D.W. Jones, Inc. shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.15 debt service coverage ratio (assuming stabilized expenses) for three successive months; and

13. D.W. Jones, Inc. shall guarantee the mortgagor's payment under LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

14. The sponsor, the builder, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deem necessary shall execute all such documents relating to said loan, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deem necessary.

Adopted this 26th day of May, 2016.

____

CHAIRMAN

This page intentionally blank.

Board Agenda Item: 6.F
Date: 5/26/2016

Item: 66 West, Edina, D7720

Staff Contact:
Karin Todd, 651.296.6529, karin.todd@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☒ Resolution	☐ Information

Summary of Request:
Agency staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing a modification to increase the Housing Infrastructure Bond (HIB) bridge loan commitment under the Economic Development and Housing Challenge (EDHC) program to an amount not to exceed $1,000,000. The proposed modification to the HIB bridge loan will allow the property to meet the 50% test, making the development eligible to receive 4% tax credits. The commitment of up to $5,008,303 in permanent financing funded through the HIB-EDHC program will remain unchanged.

Fiscal Impact:
In its 2016 Affordable Housing Plan (AHP), Minnesota Housing allocated $9,480,800 in new activity for Housing Infrastructure Bonds under the Economic Development and Housing Challenge Program. Funding for this loan falls within the approved budget, and the loan will be made at interest rates and terms consistent with what is described in the AHP. The loan will generate $15,249 in fee income (construction oversight fee) to help offset Agency operating costs.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Resolution

Background
On October 22, 2015, Minnesota Housing board members selected the proposed development for a $5,008,303 Housing Infrastructure Bond (HIB) loan under the Economic Development Housing Challenge (EDHC) program and a HIB Bridge loan not to exceed $500,000.

The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION:	Selection		Current		Variance	
Total Development Cost	$ 11,205,067		$ 11,420,523		$ 215,456	
Gross Construction Cost	$ 6,056,000		$ 6,526,716		$ 470,716	
Agency Permanent Sources:						
HIB-EDHC	$ 5,008,303		$ 5,008,303		$ 0	
Other Non-Agency Permanent Sources:						
4% Housing Tax Credit Proceeds from MEF ($1.00 equity factor)	$ 2,679,764		$ 2,993,320		$ 313,556	
Metropolitan Council LCDA	$ 900,000		$ 900,000		$ 0	
Hennepin County AHIF & TOD	$ 500,000		$ 500,000		$ 0	
Met Council LHIA	$ 400,000		$ 400,000		$ 0	
Hennepin County HOME	$ 300,000		$ 300,000		$ 0	
Family Housing Fund	$ 227,000		$ 227,000		$ 0	
City of Edina TIF	$ 550,000		$ 550,000		$ 0	
Federal Home Loan Bank (FHLB)	$ 273,000		$ 273,000		$ 0	
Private Fundraising*	$ 202,000		$ 118,400		($ 83,600)	
Sales Tax Rebate	$ 140,000		$ 140,000		$ 0	
Energy Rebate	$ 25,000		$ 10,500		($ 14,500)	
Total Permanent Sources	$ 11,205,067		$ 11,420,523		$ 215,456	
Agency Bridge Loan:						
HIB Bridge	$ 500,000		$ 1,000,000		$ 500,000	
Gross Rents:						
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
O BR / SRO	39	$ 675	39	$ 700	0	$ 25
Total Number of Units	39		39		0	
Predictive Cost Model	16.5% greater than predicted		18.8% greater than predicted		2.3% increase	

*A portion of the private fundraising will be used for supportive services at the property instead of development costs.

In order to access 4% tax credits, a development must use bond proceeds to pay for at least 50% of total basis (as defined in Section 42 of the Internal Revenue Code for the Low Income Housing Tax Credit Program) plus land. The proposed modification increases the HIB bridge loan from $500,000 to $1,000,000 to allow the property to meet the 50% bond test. The amount of bond proceeds needed to meet the 50% test has increased since selection due to:

- Higher construction costs resulting in additional basis.
- Some acquisition-related costs that were previously not included in basis must be included in basis when calculating the amount of bond proceeds needed.
- When calculating the 50% bond test, the portion of the issuance fee paid by the Agency for the HIB issuance needs to be allocated to the project even if the project does not actually incur the cost. The issuance fees were not originally included in the 50% bond test calculation.

The $1,000,000 HIB bridge loan will be repaid upon completion of construction.

Providing additional bond proceeds through an HIB bridge loan appears to be the most cost effective and efficient way to meet the 50% bond test. The alternatives would be reducing eligible development costs, which is not feasible, or issuing separate short term tax exempt bonds, which adds costs and complexity. Upon repayment of the HIB bridge, the HIB funds will go into a state appropriation account to be reallocated to other developments meeting HIB strategic priorities.

The permanent HIB-EDHC loan of up to $5,008,303 will remain unchanged.

Board Agenda Item: 6.F
Attachment: Resolution

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 16-
Modifying Resolution No. MHFA 15-052

RESOLUTION APPROVING MORTGAGE COMMITMENT MODIFICATION
HOUSING INFRASTRUCTURE BONDS

WHEREAS, the Board, at its October 23, 2014, meeting authorized a commitment for the development hereinafter under Resolution No. 15-052; and

WHEREAS, the application continues to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

1. The Board increases the Housing Infrastructure Bond Bridge funding commitment for the development 66 West, D7720 from $500,000 to up to $1,000,000.

2. THAT all other terms of Resolutions No. MHFA 15-052 remain in effect.

Adopted this 26th day of May 2016.

____
CHAIRMAN

Board Agenda Item: 6.G
Date: 5/26/2016

Item: Amendments to 2014 and 2015 Community Homeownership Impact Fund Agreements between Minnesota Housing and Habitat for Humanity of Minnesota

Staff Contact(s):
Nick Boettcher 651.296.9567, nick.boettcher@state.mn.us

Request Type:

☒ Approval
  ☒ Motion
  ☐ Resolution

☐ No Action Needed
  ☐ Discussion
  ☐ Information

Summary of Request:
Staff requests board approval to amend the 2014 and 2015 Community Homeownership Impact Fund agreements with Habitat for Humanity of Minnesota to permit use of funds for Affordability Gap in addition to Value Gap, and to raise the income eligibility threshold from 50% of area median income to 60% of area median income.

Fiscal Impact:
None.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background

Background:
Minnesota Housing awarded Habitat for Humanity of Minnesota $345,000 in Grant funds through the 2015 Community Homeownership Impact Fund (Impact Fund) Single Family Request for Proposals (RFP) and $405,000 in Grant Funds through the 2014 Impact Fund Single Family RFP to help cover Value Gap in the development of 50 single family homes.

Minnesota Housing and Habitat for Humanity of Minnesota have since recognized a need to categorize this support in most cases as Affordability Gap, rather than as Value Gap, to ensure consistency in reporting and administration. In addition, Habitat for Humanity of Minnesota has indicated it is considering a revision to its program to permit households earning up to 60% of area median income (or $46,500 per year in Greater Minnesota, exclusive of Rochester, under the 2015 Impact Fund Income Limits). Their current Impact Fund agreements cap household income eligibility at 50 percent of area median income ($38,700 in Greater Minnesota, exclusive of Rochester). Expanding eligibility to 60 percent of area median income under their two active Impact Fund agreements will permit Habitat for Humanity of Minnesota to expand income eligibility if they so choose, while still limiting eligibility to some of the lowest-income households served by the Impact Fund. (Only about one in ten Impact Fund agreements set income limits lower than 80 percent of area median.)

The chart below provides additional detail on award production to date under the above-referenced agreements.

Award Year	2014	2015
Award ID	10-2014-14	10-2015-11
Amount Awarded	$ 405,000.00	$ 345,000.00
Award Unit Goal	27	23
Closings Reported to Date (Number)	10	0
Closings Reported to Date (Amount Used)	$ 143,000.00	$ 0.00
Median Income Served	$ 24,810.00	NA
Underserved Households (Share of Total)	80%	NA

Minnesota Housing Finance Agency

Board Agenda Item: 7.A
Date: 5/26/2016

Item: Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, 2016 Series B, for a Multifamily Housing Development in Perham, Minnesota

Staff Contact(s):

Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us
Paula Rindels, 651.296.2293, paula.rindels@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:

Staff is requesting authorization to issue short-term fixed rate tax-exempt bonds, in an amount not to exceed approximately $3 million, to finance a first lien mortgage loan, to a private owner, for a portion of the costs of a project to acquire and construct a workforce housing development in Perham, Minnesota. In addition to the short-term bridge loan financed by this issuance of bonds, the Agency is also contributing to the permanent financing through the issuance of a LMIR loan, an FFCC loan and an EDHC loan. The project has also received an allocation of 4% Housing Tax Credits.

Fiscal Impact:

The Agency will earn a spread (estimated at approximately 1%) while these bonds are outstanding.

Meeting Agency Priorities:

☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- Resolution (provided under separate cover)
- Preliminary Official Statement (provided under separate cover)

This page intentionally blank.

Board Agenda Item: 7.B
Date: 5/26/2016

Item: Qualified Allocation Plan (QAP) and Procedural Manual, 2018 Housing Tax Credit (HTC) Program

Staff Contact(s):
Kayla Schuchman, 651.296.3705, kayla.schuchman@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☐ Resolution	☐ Information

Summary of Request:
Staff requests approval of the 2018 Housing Tax Credit Qualified Allocation Plan (QAP), Procedural Manual, and Self-Scoring Worksheet.

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

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness`
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Suballocator Participation
- Timeline
- Summary of Proposed Revisions
- Public Hearing Written Comments
- 2018 Housing Tax Credit Program Self-Scoring Worksheet (changes made since February are tracked)
- Methodologies
- Continuum of Care (CoC) Priorities

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 a Qualified Allocation Plan (QAP) 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.

Minnesota Housing's Housing Tax Credit (HTC) Program administration includes use of the following documents: a Qualified Allocation Plan (described above); a procedural manual that includes detailed definitions and procedures for implementation of the QAP, and; a self-scoring worksheet that assigns points for how well a project meets the funding priorities of Minnesota Housing's HTC Program. The HTC Program is generally reviewed and revised each year to ensure it meets IRS requirements as well as Minnesota Housing's strategic priorities.

Copies of the current QAP and Procedural Manual are available on the Agency's website at ww.mnhousing.gov (Home -> Multifamily Rental Partners -> Funding -> Tax Credits -> 2017 Procedural Manual and Documents).

A summary of the proposed changes to the 2018 Housing Tax Credit Program in the form of a blackline version of the Self-Scoring Worksheet was approved by the board at its February 26, 2016 meeting. In accordance with Section 42, on February 25, 2016, the Agency published a notice soliciting public comment on the proposed changes. A summary of the proposed changes was made available to the public in advance of the March 24, 2016 public hearing. One member of the general public attended the hearing and eleven written comments were submitted. Copies of the written comments are attached.

This report includes a blackline of the Self-Scoring Worksheet reflecting the proposed revisions to the version approved by the board in February. A summary of these revisions, the rationale for them, public comments, and staff responses is also attached. Following board approval, these revisions will be incorporated into the QAP and Procedural Manual documents. The QAP, Procedural Manual and Self-Scoring Worksheet may be further revised by staff for changes in formatting, spelling, grammar, and other readability improvements.

SUBALLOCATOR PARTICIPATION

Minneapolis, St. Paul, Dakota County, Washington County, Duluth, St. Cloud and Rochester are suballocators in the State of Minnesota. For the 2017 program year, the cities of Duluth, St. Cloud and Rochester have participated as Joint Powers suballocators through Joint Powers Agreements under which the Agency will perform certain allocation and compliance functions on behalf of the suballocating agency. It is unknown at this time whether these suballocators will enter into Joint Powers Agreements for the 2018 program year.

TIMELINE:

2018 HTC PROGRAM SCHEDULE

March 24, 2016	Minnesota Housing 2018 QAP Public Hearing
May 26, 2016	Agency Board asked to approve final 2018 QAP and Manual
April 2017 (tentative)	Publish RFP for HTC 2018 Rounds 1 and 2
June 2017 (tentative)	HTC 2018 Round 1 and 2017 MF Consolidated RFP application deadline
October 2017 (tentative)	Agency Board asked to approve HTC 2018 Round 1 selection recommendations
January 2018 (tentative)	HTC 2018 Round 2 application deadline
April 2018 (tentative)	Agency Board asked to approve HTC 2018 Round 2 selection recommendations

Summary of Proposed Revisions to the 2018 Tax Credit Program, Qualified Allocation Plan (QAP), and Procedural Manual

Proposed Revisions to the 2018 Tax Credit Program, Qualified Allocation Plan (QAP), and Procedural Manual

At the February, 2016 board meeting, staff presented a proposed 2018 Qualified Allocation Plan (QAP) for the Housing Tax Credit program. Public comments on the proposed 2018 QAP were submitted to the Agency in March 2016. 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 February 2016 report for proposed changes from the 2017 QAP to the 2018 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, Procedural Manual and/or Self-Scoring Worksheet

1. **Revise the Strategic Priority Policy Thresholds defined in the 2017 Housing Tax Credit Qualified Allocation Plan**
   In the 2017 Qualified Allocation Plan (QAP), seven Strategic Priority Policy Thresholds were defined. All proposals must meet at least one of these thresholds in order to compete for 9% tax credits. While all of the selection priorities in the Qualified Allocation Plan are important, the goal of these thresholds is to ensure that all applications for scarce 9% credits meet certain policy goals that will drive outcomes under the Agency's Strategic Plan.

   Staff is proposing direct revisions only to the Supportive Housing Strategic Priority Policy Threshold. However, proposed revisions to the definition of Planned Community Development in the HTC Procedural Manual and to the Preservation Selection Priority, as noted later in this report, will have an impact on the corresponding Strategic Priority Policy Thresholds as noted below.

   The first revision proposed to the Supportive Housing Strategic Priority Policy Threshold is to tie threshold eligibility for homeless households to eligibility under the corresponding Supportive Housing for Households Experiencing Homelessness scoring criterion. Relating the threshold to the scoring categories increases consistency and will ensure that the same requirements contained in the scoring categories related to application submissions and proposal feasibility also apply to the threshold. The proposed QAP also adds proposals targeting people with disabilities (as evidenced by eligibility under the People with Disabilities scoring criterion) as eligible under this Threshold. This will allow projects advancing the goals of Minnesota's Olmstead Plan to compete for 9% credits.

   Proposed revisions to Article 9 of the 2017 Housing Tax Credit Qualified Allocation Plan - **Strategic Priority Policy Thresholds (shown in blackline)**:

   To be eligible for tax credits from the state's volume cap under Minnesota Housing's QAP, a developer must demonstrate that the project meets at least one of the following seven priorities:

   a. **Access to Fixed Transit**: Projects within one-half mile of a completed or existing LRT, BRT or commuter rail station.

b. **Greater Minnesota Workforce Housing**: Projects in Greater Minnesota that document all three of the following:

   1. Demonstration of Need: Projects in communities with low vacancy (typically considered 4 percent and below, documented by a market study or other third party data) and any of the following:
      i. that has experienced net job growth of 100 or more jobs;
      ii. with 15 percent or more of the workforce commuting 30 or more miles to work; or
      iii. with planned job expansion documented by a local employer
   2. Statement of Employer Support
   3. Cooperatively Developed Plan: Projects that are consistent with a community-supported plan that addresses workforce housing needs.

c. **Economic Integration**: Projects located in higher income communities outside of Rural/Tribal Designated Areas with access to low and moderate wage jobs, meeting either First or Second Tier Community Economic Integration as defined in the Areas of Opportunity scoring criterion (Scoring Criterion 2 on the Self-Scoring Worksheet).

d. **Tribal**: Projects sponsored by tribal governments, tribally designated housing entities or tribal corporate entities.

e. **Planned Community Development**: Projects that contribute to Planned Community Development efforts, as defined in section 6.A of the "Housing Tax Credit Program Procedural Manual," to address locally identified needs and priorities, in which local stakeholders are actively engaged.

f. **Preservation**: Existing federally assisted or other critical affordable projects eligible for points under the Preservation scoring criterion (Scoring Criterion 4 on the Self-Scoring Worksheet)

g. **Supportive Housing**: Proposals that will serve people with disabilities or households experiencing homelessness that are eligible for points under Permanent Supportive Housing for Households Experiencing Homelessness (Scoring Criterion 1.B on the Self-Scoring Worksheet) or People with Disabilities (Scoring Criterion 1.C under the Self-Scoring Worksheet). ~~Permanent housing proposals with at least 5 percent of units (rounded up to the next full unit), with a minimum of 4 units either:~~

   ~~1. Set aside and rented to households experiencing long-term homelessness targeted to single adults, or~~
   ~~2. Set aside and rented to households experiencing long-term homelessness, at significant risk of long-term homelessness, or as prioritized for permanent supportive housing by the Coordinated Entry System, targeted to families with children or youth.~~

Public Comments Summary (staff responses italicized):

- No public comments received.

Proposed Change Resulting from Public Comment: No proposed change based on public comments; however Self-Scoring Worksheet references in the Strategic Priority Policy Thresholds have been revised to reflect the reorganization of the Self-Scoring Worksheet, as described in item number 15 of this memo.

2. Revise procedures for the Rural Development/Small Project set-aside described in Article 4.1 of the 2017 Housing Tax Credit Qualified Allocation Plan

The current QAP provides a Rural Development (RD)/Small Project set-aside of $300,000 of tax credits for projects financed by RD or Small Projects containing 12 or fewer units located in a RD service area. Projects that are eligible for the set-aside must determine whether they wish to compete in either the general pool or the RD/Small Project set-aside. If an applicant chooses to compete in the set-aside and is not competitive, they currently are not eligible to compete in the general pool, and would not be selected. In other words, it is possible that a project submitted to the set-aside would not be selected due to the small size of the set-aside, but would have been competitive in the general pool had the applicant chosen to apply this way. Staff recommends in the proposed QAP that applicants to the set-aside first compete in the general pool, and if not competitive, then move to the $300,000 RD/Small Project set-aside for consideration. This may allow for more RD financed or small rural projects to be funded, however only to the extent that the projects satisfy many Agency priorities and are competitive in the general pool.

Public Comments Summary (staff responses italicized):

- **The Agency received one letter in support of the proposed revisions.**

Proposed Change Resulting from Public Comment: No proposed change

3. Revise Household Targeting (Scoring Criterion 1.A) and create a new scoring criterion titled People with Disabilities (Scoring Criterion 1.C) under Greatest Need – Tenant and Affordability Targeting (Scoring Criterion 1 on the Self-Scoring Worksheet)

The Special Populations criterion, which can be claimed for proposals targeting people with disabilities, represents one of three mutually exclusive scoring options under the Household Targeting scoring category, each of which is worth 10 points in the current QAP. Currently applicants may either choose 10 points for proposing Large Family Housing, 10 points for Single Room Occupancy Housing for households with incomes at or below 30 percent of area median income, or 10 points for targeting people with disabilities under Special Populations. Points under the Special Populations option have not often been claimed, as applicants typically choose either Large Family or Single Room Occupancy Housing. Staff proposes removing Special Populations from the Household Targeting category so that it no longer is mutually exclusive of Large Family Housing or Single Room Occupancy Housing. This change will cause the category to function in a manner similar to the Permanent Supportive Housing for Households Experiencing Homelessness category, which has been widely used. This will allow any type of property – whether Large Family or smaller units – to receive priority for setting aside units to serve people with disabilities and it will provide a higher point potential for such units (see page 9 of the Self-Scoring Worksheet). Staff expects this to increase production of units targeted to serve people with disabilities, which is in line with goals under the Olmstead Plan. To clarify the intent of the Special Populations category, staff recommends retitling it "People with Disabilities." Because there is some correlation between households experiencing homelessness and people with disabilities, staff recommends that points cannot be claimed for the same units under both the Permanent Supportive Housing for Households Experiencing Homelessness category and People with Disabilities category. This will likely mean that the revisions to the category will result in an increase in the number of units being built for people with disabilities, above and beyond the units typically being included for homeless households.

Another barrier that may have contributed to having too few applicants choosing to claim the Special Populations points in the past is the targeting percentages that were required. Rather than providing 10 points for projects targeting 10 to 25 percent of units for people with disabilities, staff recommends three tiers for targeting People with Disabilities, similar to points provided in the Permanent Supportive Housing category:

- Five points for 5 - 9.99 percent of total units, with a minimum of four units
- Seven points for projects targeting 10 - 14.99 percent of total units
- Ten points for 15 - 25 percent of total units

This structure will encourage creation of units in integrated settings but will also encourage overall production of available units.

Staff expects that it has also been difficult to produce units under the current Special Populations category because this target population faces other barriers beyond lack of suitable units, including a need for rental assistance or very low rents. The proposed QAP allows points under this category only for proposals that will serve households at or below 30 percent of area median income, with rents underwritten to be affordable using the Agency's Supportive Housing underwriting standards if rental assistance is not available. This also aligns with guidelines for the HUD Section 811 rental assistance, which the Agency anticipates having available to support projects serving this target population. Staff recommends providing two points for projects receiving points under People with Disabilities that have committed rental assistance for at least five percent of total project units, but no fewer than four units, for units that will serve eligible people with disabilities.

The current QAP requires applicants claiming points for serving the People with Disabilities population to provide a letter from the County Human Services Department or designated service provider, but has not required sufficient detail for analyzing the feasibility of the service component. Staff is recommending new language to provide more detailed requirements for what must be covered in an agreement with the county, tribal human services office or service provider. In addition, the proposed QAP requires applicants claiming points in this category to clearly define the target population they are intending to serve.

Staff is also recommending a revision to the Large Family Housing scoring component under Household Targeting. The current criterion provides 10 points for projects in which 75 percent of total tax credit units contain two or more bedrooms. In addition, one of the minimum threshold requirements mandated by state statute requires projects in the Twin Cities Metro area to meet the 75 percent two-bedroom requirement, plus provide at least one-third of the 75 percent as units with three or more bedrooms. The result of this is that most new construction; non-supportive housing projects in the Metro area are meeting this one-third three bedroom requirement, while this is not the case for projects in Greater Minnesota. Developers report that these larger units are more difficult to develop in Greater Minnesota communities because the rent differential that can be collected for these larger units does not compensate for the higher operating and construction costs. Because this difficulty could lead to lower scores in a number of categories, staff recommends adding an additional two point option for Greater Minnesota projects that meet the one-third three bedroom criterion in addition to the 75 percent two-bedroom criterion.

Public Comments Summary (staff responses italicized):

- **The Agency received three letters in support of the proposed revisions related to Large Family Housing.**
- **The Agency should allow units restricted under People with Disabilities to serve households with incomes greater than 30% AMI because some residents on SSI/disability earn over this amount and because this will exclude some multigenerational families.**
  The QAP aims to serve people with the greatest needs, largest barriers and fewest housing choices. Given that the demand for resources heavily outweighs what is available, we prioritize for those households most in need, including People with Disabilities at the lowest income levels.
- **The Agency should not require onsite personnel for projects claiming points under People with Disabilities.**
  On site personnel is not a requirement.
- **The Agency should incentivize larger units in the Metro as well as in Greater Minnesota.**
  Minnesota statutes require as threshold that Metro area new construction tax credit projects competing in Round 1 either provide 75% of tax credit units as one bedroom or less, affordable to households with incomes at 30 percent of area median income, or to provide 75 percent of tax credit units as two bedrooms or larger, with at least one-third of the 75 percent containing three or more bedrooms. As such, nearly all Metro area new construction family/mixed projects funded in 2016 Round 1 met this three-bedroom minimum. In Greater Minnesota, state statute does not contain a threshold requirement for large bedroom sizes, and fewer Greater Minnesota projects are providing this level of three-bedroom units. Developers report that larger units are more difficult to develop in Greater Minnesota communities because the rent differential that can be collected does not compensate for the higher operating and construction costs of larger units. The Agency is interested in incentivizing larger units in Greater Minnesota to offset this barrier.

Proposed Change Resulting from Public Comment: No proposed change

4. **Create a new scoring criterion titled Access to Higher Performing Schools (Scoring Criterion 2.B) under Areas of Opportunity (Scoring Criterion 2 on the Self-Scoring Worksheet)**

   Increase points for the Rural/Tribal (Scoring Criterion 3.C) under Supporting Community and Economic Development (Scoring Criterion 3 on the Self-Scoring Worksheet)

   Revise the definition of Planned Community Development in the HTC Procedural Manual

   In line with the 2016 – 2019 Strategic Plan, staff proposes to add an Access to Higher Performing Schools scoring criterion, providing four points to projects serving families that are located near higher performing schools. This strategy promotes outcomes in both housing and education and is in line with the Strategic Plan's focus on housing as the foundation for success.

   The proposed method for this scoring criterion defines higher performing schools as those that meet or exceed the statewide rate on two or more of three measures: first – the share of third graders who are reading proficient; second – the share of eighth graders who are math proficient; and third – the share of high school students that graduate on time. Staff recommends that this criterion apply in the Twin Cities Metro area and in Greater Minnesota cities with populations over 50,000, consistent with the geographic applicability of the Economic Integration criterion. To balance the increase in points for Metro and larger Greater Minnesota communities, an increase of three points is recommended for the Rural/Tribal category, increasing the total automatic Rural/Tribal points to ten.

The Access to Higher Performing Schools criterion is proposed to apply only for projects serving families – defined as those that include at least 25 percent of total tax credit units, but have a minimum of 15 units, as two or more bedroom units, and for which the owner will market to families with children.

The proposed QAP also acknowledges the importance of community efforts to promote academic achievement among students, regardless of school test scores and graduation rates. Staff recommends providing priority under the Planned Community Development scoring criterion for projects located in an area where stakeholders are actively engaged in a comprehensive plan to improve academic achievement.

Proposed Revisions to the Definition of Planned Community Development (Scoring Criterion 3.A) (shown in blackline):

To be considered Planned Community Development, an applicant must document the following about a community plan or initiative:

- The local community is actively working on implementation steps identified in the plan, or the plan includes a timeline of implementation activities that runs past the date when the Minnesota Housing board would make its initial commitment decision regarding the funding request. Plans that have been superseded by more current plans do not qualify.
- Geographic boundaries of a targeted geographic area are identified by the plan or initiative. Qualifying plans in small communities may encompass the entire geography of the community or region, although the plan's targeted geographic area should be a subset of the community or region.
- The plan or initiative responds to a crisis or opportunity and pursues community, economic, educational, or transit oriented development objectives for the target geography, aimed at creating a more vibrant, livable, sustainable and equitable community or, reversing historic underinvestment or decline in the area.
- The plan or initiative includes the rehabilitation or production of affordable housing as a key strategy to meet identified objectives.
- The plan or initiative identifies specific activities and investments by which the local community is pursuing and implementing the objectives.

A qualifying plan can be created and approved by a wide variety of public and private local community development partners such as cities, counties, private foundations and public housing authorities. Plans that local entities are required to produce, such as comprehensive plans in the Seven County Metropolitan Area, are not by themselves considered evidence of Planned Community Development. In addition to submission of evidence of Planned Community Development, evidence must be provided that a specific project contributes to the goals of the plan. The evidence must come from an appropriate representative of the city or town that represents the geographic area in which the project would be located. The evidence must be in the form of a letter or resolution that identifies the plan and its consistency with local goals.

Public Comments Summary (staff responses italicized):

- **The Access to Higher Performing Schools criterion will push development to suburbs that are less accessible by mass transit.**
  The Access to Higher Performing Schools and Location Efficiency criteria are not mutually exclusive in the proposed QAP and do have overlap in many communities. Through the proposed scoring criteria, Minnesota Housing strives to offer a range of choices in location that provide opportunities most important to unique households. The quality of schools and access to transit are both opportunities that are considered when a household chooses where to live.
- **Magnet and charter schools should be considered in the Access to Higher Performing Schools criterion.**
  The purpose of this criterion is to provide school-age children in a tax credit development with access to higher performing schools for grades K-12. Our assessment is based on test scores for neighborhood schools and their attendance-area boundaries. These are the schools that students attend unless they pursue an alternative, such as a magnet or charter school, where attendance is not confined to specific neighborhoods and is open to students across a broader area. While charter and magnet schools provide an option for students, not all students are eligible or would choose to attend the alternative options.
- **Points for the Rural/Tribal scoring criterion should be increased from 10 to 13 given that projects in more urban areas are eligible to receive 13 points under Economic Integration and Access to Higher Performing Schools.**
  Much of the area in Duluth, St. Cloud, Rochester, and the seven-county Twin Cities Metro area is not eligible for any or all of the points under Economic Integration or Access to Higher Performing Schools, while every project located in the Rural/Tribal areas is eligible for the 10 Rural/Tribal Points. Because these points are guaranteed for every project in Rural/Tribal areas, increasing the points available may make it difficult for Greater Minnesota projects in Duluth, St. Cloud and Rochester, to compete with projects in the Rural/Tribal areas.

Proposed Change Resulting from Public Comment: No proposed change

5. **Combine Economic Integration, Location Efficiency, Workforce Housing Communities, and Access to Higher Performing Schools under an Areas of Opportunity scoring criterion (Scoring Criterion 2 on the Self-Scoring Worksheet)**

   Staff recommends combining the Economic Integration, Location Efficiency, Workforce Housing Communities, and Access to Higher Performing Schools scoring categories into one category titled "Areas of Opportunity." This will call attention to the fact that projects proposed for locations providing access to opportunities are an important priority of the QAP. Providing a clear message to applicants is important to ensure site selection is guided toward the highest priority sites. In addition, grouping these categories that prioritize certain locations streamlines the Self-Scoring Worksheet.

Public Comments Summary (staff responses italicized):

- No public comments received.

Proposed Change Resulting from Public Comment: No proposed change

6. Revise Location Efficiency (Scoring Criterion 2.D) under Areas of Opportunity (Scoring Criterion 2 on the Self-Scoring Worksheet)

In consultation with rural and tribal partners, staff has investigated the types of dial-a-ride service available in various communities and found a wide spectrum of service levels offered. In some communities dial-a-ride operates with limited hours of service, requires significant advance notice, and in some cases requires a minimum level of demand from passengers for service on a given day to ensure service will operate. Other communities however, have dial-a-ride service that offers a benefit to passengers that is similar to that of fixed route transit. Staff is proposing three tiers of points for availability of dial-a-ride service, depending on how much advance notice must be provided for service and whether a minimum number of passengers must request service to secure operation of the service on a given day. This will allow the highest quality dial-a-ride service to compete on par with fixed route transit service. In addition, staff recommends revising the required hours of service for dial-a-ride availability. In the current QAP, service is required from 6:30 a.m. to 7:00 p.m. Monday through Friday. This large span of service is not feasible in most communities that were evaluated, and staff recommends revising this to 7:00 a.m. to 5:30 p.m. Monday through Friday.

Public Comments Summary (staff responses italicized):

- **The Agency received two letters in support of the proposed revisions related to dial-a-ride service and one letter supporting the incentives for proximity to public transportation contained in the QAP.**
- **The Agency should not require tribal areas to meet the jobs threshold for dial-a-ride.** *The intent of the revision to the dial-a-ride criteria was to account for the varying dial-a-ride service types operating throughout the state, including in tribal areas. To avoid excluding the majority of tribal areas from eligibility for points for dial-a-ride service under the Location Efficiency scoring criterion, staff proposes to exempt tribal areas from the low and moderate wage job requirement.*
- **The Agency should place higher weight on investments within a half mile of fixed rail.** *Up to seven points are uniquely available for projects within one-half mile of a fixed rail station area, and up to nine points for projects within one-quarter mile. These points are significant relative to the point potential for other geographic priorities provided in the QAP. Since 2005 Minnesota Housing has awarded 9% tax credits to nearly 900 units located within one-half mile of a light-rail transit, bus rapid transit, or commuter rail station area.*
- **The Walk Score data has been found to be inaccurate, is not resulting in reasonable conclusions in rural areas, and the appeal process takes too long.** *Minnesota Housing has entered into a contract with Walk Score so that applicants who would like to request revisions of a location's Walk Score may contact Walk Score directly with details of the request to mhfa-request@walkscore.com, and Walk Score will, within 45 business days, make any necessary adjustments to scoring. To date, Walk Score has received two requests for review under this contract via Minnesota Housing's Walk Score e-mail address. Both requests have resulted in an increase to the site's Walk Score, with a same day response provided by Walk Score. While Walk Score does have a general process to request review of a site, requests received through this general process are not expedited so it is important to use the Minnesota Housing email address to expedite the request.*

Proposed Change Resulting from Public Comment: Location Efficiency will be revised to allow projects in tribal areas to receive points for eligible dial-a-ride service without regard to the jobs threshold. ***This change is reflected on page 17 of the Self-Scoring Worksheet.***

7. Clarify Federal/Local/Philanthropic Contributions (Scoring Criterion 3.D) under Supporting Community and Economic Development (Scoring Criterion 3 on the Self-Scoring Worksheet)

Staff recommends clarifying that contributions awarded to an owner for housing development activity, if included as a source in the development budget, may be considered for points even if they are not project-specific, provided they meet all other requirements of the scoring criterion.

Public Comments Summary (staff responses italicized):

- **The Agency received one letter in support of the proposed revisions.**

Proposed Change Resulting from Public Comment: No proposed change

8. Clarify Financial Readiness to Proceed (Scoring Criterion 5.A) under Efficient Use of Scarce Resources (Scoring Criterion 5 on the Self-Scoring Worksheet)

Points are awarded in the current QAP for projects with a certain percentage of project sources secured. The percentage is arrived at by calculating total funding committed (excluding first mortgage financing and any anticipated proceeds from the current tax credit request); divided by total development cost (excluding first mortgage financing and any anticipated proceeds from the current tax credit request). Given this formula, projects with a proposed first mortgage that include tax increment financing (TIF) are at a disadvantage compared to those with TIF proceeds separately financed from the first mortgage, though the projects are equally ready to proceed. To equalize the points for TIF regardless of the structure of the financing, staff recommends revising the formula to clarify that the first mortgage, net of the TIF portion is excluded from the numerator and denominator of the formula.

Another revision proposed is to subtract estimated sales tax rebate funds from the amount of funds that need to be committed. In Minnesota, projects sponsored by non-profit organizations are eligible to receive a sales tax rebate on materials purchased for construction. The Agency requires eligible owners to pursue this source; however, it is not possible to receive a commitment for the rebate at the time of application. To avoid putting projects with non-profit sponsors at a disadvantage, staff recommends subtracting an estimate of the amount of sales tax rebate from both the numerator and denominator of the equation.

Lastly, the proposed QAP clarifies that projects with no funding gap, where total development costs are fully funded with proceeds from tax credit and first mortgage financing, are eligible for 14 points though the numerator and denominator are zero.

Public Comments Summary (staff responses italicized):

- **TIF and sales tax rebate are unclear and difficult to calculate.**
  The method for calculating TIF and sales tax rebate was specified in order to ensure the calculation is fair and consistent among all projects that include these resources. Technical assistance is available for any questions on how to perform the calculation.

Proposed Change Resulting from Public Comment: No proposed change

9. Revise Eventual Tenant Ownership (Scoring Criterion 3.B) under Supporting Community and Economic Development (Scoring Criterion 3 on the Self-Scoring Worksheet)

The current QAP provides one point for projects that submit a financially viable plan to transfer ownership of the project to the tenants after the initial 15-year tax credit compliance period. The Self-Scoring Worksheet provides some information about requirements for the homeownership conversion plan, tenant eligibility and required homebuyer services; however, it is not comprehensive. In September 2015, the board approved the Eventual Tenant Homeownership (ETO) Guide for owners nearing the end of their 15-year compliance period that wish to convert their properties to ownership. This guide was developed in consultation with the Tribes, community partners, single family staff, and other housing finance agencies with established conversion programs, with the goal of ensuring the units continue to operate as safe and decent affordable housing post-conversion, and that tenants are set up to be successful. The ETO Guide provides a comprehensive source of information for the Agency's requirements, and staff recommends incorporating this guide into the requirements of the scoring criterion by reference.

In addition, since drafting of the ETO Guide, staff has discovered substantial issues with conversions of attached, non-single family homes. With attached-unit conversions, the owner would control the majority interest in the homeowner's association unless the majority of tenants purchased their homes, which may not occur for several years if at all. In addition, effectively operating a combined rental/ownership building would carry significant challenges. As such, staff recommends allowing conversions under the ETO Guide, along with associated points in the scoring criterion, only for detached single-family units. Staff consulted with the Tribes on this recommendation given that the majority of projects that have claimed this point in the past have been tribally-owned, and no concerns were raised. Staff also consulted with numerous other states that have imposed similar limitations in their QAPs.

Public Comments Summary (staff responses italicized):

- No public comments received.

Proposed Change Resulting from Public Comment: No proposed change

10. Revise the Preservation Scoring Criterion (Scoring Criterion 4 on the Self-Scoring Worksheet)

In the 2016 QAP Minnesota Housing implemented a mandatory pre-application for applicants claiming points under Preservation. While staff and partners found the process valuable, there were some timing issues. To resolve these issues staff recommends clarifying that the pre-application will be due one month prior to the application deadline, and that all required materials must be received by this date or the pre-application will be rejected. In addition, the proposed QAP removes the mandatory technical assistance session from the pre-application requirements.

To receive points under Preservation, projects must meet one of three preservation thresholds – Risk of Loss Due to Market Conversion, Risk of Loss Due to Critical Physical Needs and Risk of Loss Due to Ownership Capacity. For projects meeting one of these thresholds, points are then awarded for units with Existing Federal Assistance, or other Critical Affordable Units at Risk of Loss.

To meet one of the three thresholds, the QAP currently requires that 15 or more years have passed since initial loan closing or the most recent tax credit placed in service date. Because it is unclear what initial loan closing means in the context of a project that may have been recapitalized multiple times, and the timing of a given loan closing may be unrelated to the award of federal assistance, staff recommends revising the requirement to say that 15 or more years has passed since the award of the existing federal assistance (for projects claiming points for Existing Federal Assistance) or since the initial loan that created the rent and income restrictions and the most recent tax credit placed in service date (for projects claiming Critical Affordable Units).

The Market Conversion risk threshold is intended to prioritize marketable properties that are in strong markets that could convert from affordable to market rate housing. Staff recommends several changes to simplify and standardize the information required from applicants to document this risk of loss threshold, and to ensure the threshold effectively prioritizes the projects most at risk. The first proposed revision is to clarify that properties that have received financing that prevents the owner from exiting the program providing the federal assistance or affordability restrictions will not be eligible for Risk of Loss Due to Market Conversion. The proposed QAP will also clarify that the scope of work used in the Conversion Model to analyze the financial feasibility of a conversion to market must be the same scope as proposed in the tax credit application. The Conversion Model will also be simplified to look at the financials for just the current and post-conversion financial models, rather than looking at three years of financial projections.

The Critical Physical Needs Risk threshold is intended to prioritize properties that have physical needs that put the federal assistance or other critical affordable housing resources at risk of being lost. Feedback received from applicants on the current QAP is that even for a property with severe physical issues, it is difficult to document critical physical needs. Staff recommends several changes that will allow projects with physical needs that put the affordable housing resources at risk to more easily demonstrate this. First, staff recommends removing reference to HUD's Uniform Physical Condition Standards (UPCS), and instead using Agency Physical and Capital Needs Assessment Standards. Projects already must provide these Agency assessments with an application for funding, and Agency staff are skilled at evaluating these measures, so using Agency standards rather than UPCS will be more efficient for both staff and applicants. In addition, the applicant tools that support this determination will be streamlined and far simpler given this revision. Further, Agency standards are more comprehensive than UPCS. The proposed criteria will identify certain categories on the Capital Needs Assessment 20-Year Expenditure as critical physical needs categories, and if replacement of any of these items is expected within the next three years, these will count toward the calculation of critical physical needs.

Staff also recommends revisions to the Risk of Loss Due to Ownership Capacity threshold to broaden the types of events that qualify as evidence of ownership capacity issues that put the federal assistance or affordability restrictions at risk. Staff recommends adding triggers such as loan default, current foreclosure action, unpaid taxes and assessments, and on-going lack of compliance with lenders or terms of federal assistance to the list of conditions. Further, the proposed QAP requires evidence that these events put the federal assistance or affordability at risk. Lastly, the revisions clarify that in the event Risk of Loss Due to Ownership Capacity is claimed, a transfer of ownership must occur.

The proposed QAP includes several clarifications regarding what type of projects, including RD projects without rental assistance, public housing, and units financed under the Rental Assistance Demonstration (RAD) program, qualify under Existing Federal Assistance and Critical Affordable Units. In line with the 2016 – 2019 Strategic Plan, the intent of the Existing Federal Assistance scoring category is to preserve units with federal project-based rental assistance. Projects with other types of assistance, including those that reduce the amount of debt payments required, can compete under Critical Affordable Units at Risk of Loss.

For projects meeting one of the above risk of loss thresholds that also have existing federal assistance, it is unclear in the current QAP whether partially assisted projects qualify to compete for points under Existing Federal Assistance, and if so, what portion of a project must be federally assisted in order to compete. Staff recommends tiering the 20 points currently available for this category so that projects with a higher percentage of federally assisted units receive more points. However, in recognition of the importance of partially assisted projects, which are often located in strong markets, staff recommends different percentage tiers for partially assisted projects in Economic Integration areas. The proposed QAP also clarifies that projects with an existing federal rental assistance contract covering a portion of the units that will also receive new federal rental assistance, should claim points for the total of the existing and new rental assistance under the Existing Federal Assistance category rather than under Rental Assistance.

The Critical Affordable Units at Risk of Loss scoring category, also under Preservation, is being revised to be simpler and to eliminate redundancy. The proposed QAP removes the requirement for projects competing in this category to also receive points in at least three location-based categories. Rather than requiring points in these categories, staff recommends reducing the amount of points for the category so that it will become less likely that a project claiming points for Critical Affordable Units could compete without being eligible for points under the locational priorities. Similarly, because much of the language in the Funder Collaboration criterion currently overlaps with the Federal/Local/Philanthropic Contributions criterion, staff recommends eliminating Funder Collaboration and adding anything unique from this category to Federal/Local/Philanthropic Contributions.

Public Comments Summary (staff responses italicized):

- **The Agency received one letter in support of the current Preservation points.**
- **The Agency should provide a higher priority to preserving unsubsidized, naturally affordable housing.**
  Minnesota Housing recognizes the importance of affordable, unsubsidized housing in serving the housing needs of low-income Minnesotans. While naturally affordable housing is eligible under the current QAP, it is not eligible for points under Preservation. The current Preservation priority is aimed at protecting existing public investments; however, naturally affordable housing that meets other Agency priorities may receive tax credits under the QAP. Beyond the QAP, the Agency will continue the conversation about how to identify opportunities for preservation of naturally affordable housing and to consider solutions to address this need.

- **It is difficult to determine eligibility for Preservation given the complexity and the cost that must be incurred for the physical and capital needs assessment before determining eligibility.**
  Minnesota Housing understands the importance of developers being able to assess competitiveness for these points and has simplified this category for the 2018 QAP in a number of ways. First, the Three Year Critical Needs model will be much simplified and will require far less data given the new criteria. The market conversion model has also been simplified to analyze only the current and post-conversion scenarios rather than three years of data. In addition, a number of ambiguities that were identified in the criteria have been resolved, which should enable owners to more easily determine eligibility. Lastly, the proposed QAP clarifies eligibility in the interaction between the Preservation and Rental Assistance categories for various types of housing – including public housing and the Rental Assistance Demonstration (RAD) programs (see page 11 of the Self-Scoring Worksheet). Staff recommends further clarification that RAD component I and public housing programs are prioritized under Critical Affordable Units at Risk of Loss and not under Rental Assistance to eliminate ambiguity in this regard. Because the needs far exceed resources, it is important to have an objective and systematic way to prioritize among proposals. The physical and capital needs assessment is the most objective and comprehensive method the Agency has to prioritize projects most at risk due to critical physical needs.
- **The Agency should confirm that tribal projects with NAHASDA funded rental assistance remain eligible for Preservation points.**
  Projects with NAHASDA-funded rental assistance that meet one of the three published risk of loss thresholds will continue to be eligible under Existing Federal Assistance.
- **The dual application requirement is too onerous and expensive. The Agency should determine whether it is feasible for a proposal to be submitted as a dual application through a pre-application.**
  Dual applications require no additional fees beyond a 9% tax credit application, and the additional application submission requirements for a dual application are minimal. Submission requirements would not change if collected in advance of the application, and making the determination about financial structure within the funding round provides the Agency the greatest ability to make the best use of scarce funding.

Proposed Change Resulting from Public Comment: Clarification has been added to the Rental Assistance scoring criterion to specify that Public Housing and RAD Component I assistance is eligible under Preservation and not Rental Assistance. ***These changes are reflected on pages 6, 7 and 11 of the Self Scoring Worksheet.***

11. **Revise Permanent Supportive Housing for Households Experiencing Homelessness (Scoring Criterion 1.B) under Greatest Need – Tenant and Affordability Targeting (Scoring Criterion 1 on the Self-Scoring Worksheet)**

Under the current QAP, applicants claiming points for serving homeless households are eligible to receive points regardless of the feasibility of the project's supportive housing component. To prioritize just those projects that are financially feasible and will result in quality supportive housing, staff recommends adding several feasibility threshold criteria that must be met in order to receive points under this category. The proposed feasibility criteria include an evaluation of whether:

- The service provider has sufficient experience

- Services are appropriate to the target population
- The number of service hours exceeds a defined allowable minimum
- A portion of service funding is secured
- The applicant agrees to participate in the state's Coordinated Entry assessment process

Similarly, because units targeting homeless households without rental assistance require significantly more scarce deferred loan resources, staff recommends prioritizing those projects that have secured rental assistance. In the 2017 QAP the minimum commitment percentage for the Rental Assistance scoring criterion was reduced from 10 to five percent so that general occupancy developments with commitments of project based assistance to support a small number of homeless units would receive priority over those without commitments of rental assistance. However, projects with a small percentage of homeless units will most likely claim points under Serves Lowest Income Tenants/Rent Reduction (Selection Criterion 1.D.) on the Self-Scoring Worksheet) for having 100 percent of their units with gross rents below 50 percent of area median income (AMI), and the Serves Lowest Income category prohibits points for the same units in Rental Assistance and Serves Lowest Income. Additionally, the payment standard for Rental Assistance is often greater than the 50 percent AMI rent limit. Because the requirements in the Serves Lowest Income Tenants and Rental Assistance categories make it infeasible for a general occupancy project with rental assistance for a small number of homeless units to claim points for rental assistance, staff recommends increasing the minimum Rental Assistance threshold back up to 10 percent and instead providing points for Rental Assistance for Supportive Housing units under the Supportive Housing category. Staff recommends two points for projects receiving points under Supportive Housing that have committed rental assistance for at least five percent of total project units, but no fewer than four units, for units that will serve eligible homeless households.

Another recommended revision is recommended for the consideration added to the priorities identified by the local Continuum of Care (CoC) committees. In the current QAP the local CoCs identified their top priorities in terms of household type – families, singles, or youth, and subpopulation type – including veterans, people with severe mental illness, victims of domestic violence, chronic homeless, chronic substance abuse, veterans and people with HIV/AIDs. Because applicants typically plan to serve numerous sub-population types, and have significant overlap among these groups, staff concluded that CoC priorities for household type are more meaningful, and the priority for sub-population type should be eliminated. Staff also recommends providing points to only the highest-ranked household type, given that there are only three choices. The proposed QAP includes two points for proposals targeting the household type prioritized by the local CoC. As part of the CoC ranking process, guidance was provided to the local committees about inviting broad community input and using data to drive decision-making. The Continuum of Care (CoC) Priorities attachment provides additional detail on the process that was used by the local CoC committees to determine household type priorities.

Public Comments Summary (staff responses italicized):

- **It is difficult to get a tax credit project done in rural areas that are without available homeless services.**
  While some areas of the state have a greater choice of service partners, there is a provider in every region for a developer to engage. Involving the local Continuum of Care as early in the process as possible may help in identifying potential service partners. Additionally, a tax credit applicant is not required to select points under the Permanent Supportive Housing for Households Experiencing Homelessness category.
- **The Agency should allow tribes to use their own definition of homelessness.**
  Allowing tribes or any other entity to use their own definition of homelessness would move Minnesota away from the goal of statewide consistency. This consistency is especially important now as we are beginning to use a Coordinated Entry System to identify and match people experiencing homelessness to the most appropriate housing service. The long-term homelessness, at risk of long-term homelessness and homeless definitions are all very flexible and include people who are doubled up, which is a large portion of who the tribes have identified as unstably housed.
- **The Continuum of Care (CoC) priority is not meaningful and is an additional step that must be undertaken in completing a proposal.**
  The intent of the CoC priority is to incentivize developers to produce the type of supportive housing needed most in a particular community. Because all CoC regions have urgent needs, it is beneficial to allow the CoC to prioritize the type of housing intervention that is most needed in the local community. Additionally, allowing CoCs to prioritize provides an opportunity for local priorities that may be different from statewide priorities to have an impact.
- **It is difficult to get a tax credit project done in the Metro without having a homeless component**.
  It is more common for tax credit projects with supportive housing units to be selected, which is Minnesota Housing's intended outcome. Because Preventing and Ending Homelessness is one of Minnesota Housing's Strategic Priorities, the QAP incents developers to include supportive housing units in their proposals.

Proposed Change Resulting from Public Comment: No proposed change

12. Revise Rental Assistance (Scoring Criterion 1.E) under Greatest Need – Tenant and Affordability Targeting (Scoring Criterion 1 on the Self-Scoring Worksheet)

Staff is proposing to revise the Rental Assistance scoring criterion as noted under the section of this report describing changes proposed for the Permanent Supportive Housing for Households Experiencing Homelessness scoring criterion.

In addition, staff is proposing a requirement that private commitments of rental assistance must be provided for a term of at least four years in order to receive points under this category to ensure commitments made by private owners provide measurable benefit for the long-term feasibility of a project if a scoring priority is to be received.

Projects with rental assistance meeting the definition of federal assistance under Preservation are currently excluded from Rental Assistance points. Staff also recommends that rental assistance meeting the definition of federal assistance but not meeting the 15-year requirement described in the Preservation scoring section above be eligible under the Rental Assistance criterion.

Public Comments Summary (staff responses italicized):

- **Housing authorities are prohibited by HUD from committing Section 8 vouchers prior to award. This creates a disadvantage under Rental Assistance for projects that rely on project-based Section 8 for rental assistance.**
  Applicants are permitted to claim points under Rental Assistance for Section 8 vouchers awarded by a local housing authority in advance of the application submission. Housing authorities have in the past awarded project-based Section 8 vouchers to applicants through a competitive request for proposals held in advance of Minnesota Housing's funding competition, and points are available under Rental Assistance for applicants selected by the housing authority through this type of process.
- **The Rental Assistance criterion promotes concentration of poverty.**
  While rental assistance ensures rents that are affordable to households of all income levels, units supported by the various sources of rental assistance eligible under this criterion may or may not be rented to lower income households than unis in a tax credit project not receiving points under this criterion. Serving the lowest income households with the fewest housing options, and reducing rent burden for households of all income levels, are important goals.

Proposed Change Resulting from Public Comment: No proposed change

13. Revise Cost Containment (Scoring Criterion 5.C) under Efficient Use of Scarce Resources (Scoring Criterion 5 on the Self-Scoring Worksheet)

The current cost containment scoring criterion provides four points for projects with costs in the bottom 50th percentile for all proposals submitted for each project type. Projects thus compete against each other in a blind competition that determines a cost threshold for each project type. Owners of projects that claim points in this category, but subsequently go over the cost threshold are then assessed a negative four point penalty in the next funding round in which they compete. The cost containment criterion was added in the 2014/2015 QAP and worked as expected in the first year of implementation. However, in the most recent funding round, costs came in higher than expected in some cases, and some applicants reported that they are no longer claiming the points given the risk of cost increases. It appears that with the current volatility and strong demand in the construction market, applicants have determined that these four points are not worth the risk of a negative penalty, and so are choosing to build in extra contingency into their budgets, or to not claim the points at all. Staff recommends increasing the points to six, but keeping the penalty at four points, in order to compensate for the risk associated with the category. Staff expects that increasing the incentive will motivate applicants claiming the points to create more cost-effective budgets, and to incent more applicants to claim the points. As staff's original intention was to keep the point value for the Cost Containment criterion lower than the locational criteria in the QAP, staff recommends increasing the points available for Workforce Housing Communities from five to six points.

Public Comments Summary (staff responses italicized):

- **Cost Containment should be calculated on a per square foot basis.**
  Our current methodology for assessing costs is based on cost per unit, but also includes an adjustment for unit size. While some costs increase with square footage, other costs are fixed per unit. As a result, our approach of assessing costs on a per unit basis with a unit-size adjustment has worked well.
- **Costs continue to increase as the economy improves. The Agency should investigate cost drivers in previous rounds and look to other states for alternatives.**
  The current methodology for awarding cost-containment points takes into account rising costs, as points are awarded to the 50th percent of 9% proposals with the lowest development costs. To the extent that costs rise, developers will propose projects with higher costs, which will increase the threshold for receiving cost-containment points. Minnesota Housing's approach to cost-containment in its QAP has been highlighted as a national model by Enterprise Community Partners.

Proposed Change Resulting from Public Comment: No proposed change

14. Add a scoring criterion for Minority and Women-owned Businesses (Scoring Criterion 3.F) under Supporting Community and Economic Development (Scoring Criterion 3 on the Self-Scoring Worksheet)

The proposed QAP includes three points for projects that include on the development team – project sponsor, general contractor, architect, or management agent – a minority-owned or woman-owned business enterprise, as certified by the owner.

Public Comments Summary (staff responses italicized):

- **Points should be awarded under the Minority-owned/Women-owned Business Enterprise scoring criterion for tribes and tribally-owned entities.**
  Minnesota Housing's intent was for tribal entities to be included for consideration under this category. Staff recommends specifying that tribes and tribally-designated housing entities are eligible for the points. Tribally-owned corporate entities would be eligible if the ownership and control of operations meets the specified requirements.

Proposed Change Resulting from Public Comment: Add language to clarify that tribes and tribally-designated housing entities are eligible for points under this criterion. ***This change appears on page 21 of the Self-Scoring Worksheet.***

15. Public Comments Received Not Directly Related to the Changes Proposed In February

Public Comments Summary (staff responses italicized):

- **The QAP should be simplified to reduce the number of categories, and to have a pre-application where projects not meeting a minimum number of points are eliminated. Complexity increases costs, makes it difficult for new developers to receive funding, and difficult for all developers to assess competitiveness.**
  While the Agency's approach is very similar to that of many other state allocating agencies, Minnesota Housing acknowledges that the QAP is a complex policy document that promotes and balances multiple competing priorities given the scarcity of resources. The Agency does provide several tools to assist both new and incumbent developers, including training, individual technical assistance, and the Community Profiles tool that

applicants may use to look up which of the locational priorities contained in the QAP site meets. Minnesota Housing also recently began converting the Self-Scoring Worksheet to a Microsoft Excel format to enable applicants to more easily perform calculations. To address concerns around complexity, staff proposes several steps for the 2018 and 2019 QAPs. First, to enhance readability for the 2018 QAP, staff proposes to reorganize the Self-Scoring Worksheet to group scoring criteria of a similar nature under the same sections. Second, Minnesota Housing will explore the possibility of publishing the composite maps that show the combined point potential of all geographic priorities. If this is not possible for the 2018 QAP under the current contract we have with our vendor for Community Profiles, we will explore this for future years. Staff also proposes for the 2019 QAP a review of all scoring criteria to determine whether any may be eliminated, combined, or made into threshold requirements and removed from scoring. Lastly, staff recommends for the 2018 QAP increasing the minimum point threshold for 9% projects to send a clear message to developers, including new developers that haven't worked with the Agency, regarding project competitiveness. Based on an assessment of competitive scores over the past five RFP cycles, staff is recommending increasing the minimum point threshold for 9% credits from 30 points to 70 points for all projects except for those funded through the Rural Development/Small Projects set-aside. This change, shown on page one of the Self-Scoring Worksheet, is unlikely to have an effect on the score required for a project to be competitive, but it does send a more informative message to developers about the level of competitiveness for 9% credits. Staff is not recommending a pre-application process given that in a previous survey of developers, concerns were raised that this would lengthen the overall application process and therefore increase costs.

- **Minnesota Housing should consider in upcoming years incenting owners to commit to 50 or more years of affordability, which could be important in communities with high land values where owners have economic incentive to convert to market rate.**
  It is very difficult to predict what will happen in a given market in future decades, though owners proposing projects in markets likely to be stronger may be less willing to commit to a longer affordability period. In addition, many projects need new capital funding within the current 30-year affordability requirement, which typically is provided with new affordability restrictions. It also seems possible that a longer affordability requirement, particularly in markets that are likely to be stronger, would increase costs. More information on the costs and benefits would be necessary to evaluate.
- **The Agency received one letter in support of Minnesota Housing's green building standards.**
- **Minnesota Housing should incorporate the 2015 Enterprise Green Communities Criteria into the Minnesota Green Communities Criteria.**
  Minnesota Housing has adopted the 2015 Enterprise Green Communities Criteria, as amended through the 2016 Minnesota Overlay, for applications under the 2017 QAP. These will also apply for the 2018 QAP unless a more current version is adopted or the Overlay is amended.
- **Minnesota Housing should incorporate incentives for rehabilitation projects that will achieve a certain level of energy savings above the required baseline, for projects that will participate in energy performance benchmarking, and projects that will use utility allowances calculated with either actual consumption data or an energy consumption model.**
  Minnesota Housing worked with numerous stakeholders and partners in developing current requirements related to energy efficiency. Minnesota Housing funds many

moderate rehabilitation projects and our sustainability criteria reflect this. The Agency has hired an Energy Efficiency Fellow who will be working with developers and utilities over the next year to coordinate energy efficiency programs and benchmarking opportunities, as well as exploring project-specific utility allowances. Owners are allowed under current Agency requirements to use project-specific utility allowances through either the energy consumption model or using actual consumption data, and the Agency encourages developers to consider these options.

- **Minnesota Housing should specifically state that Indian Housing Plans (IHP) adopted pursuant to the Native American Housing and Self Determination Act (NAHADSA) will qualify as Planned Community Development.**
  Because IHPs are required by HUD, it is not clear whether they would meet the intent of the category. Staff is available for technical assistance to review an IHP prior to application submission to determine eligibility.
- **Universal Design increases project costs and the agency should incorporate with caution and balance the requirement against rising per unit costs.**
  Encouraging universal design is an important response to support efforts under the Olmstead Plan. In developing the criteria, Minnesota Housing attempted to include as many low cost or cost neutral options as possible. In addition, in recognition that universal design will be more difficult to incorporate in non-elevator buildings, lower percentages are required for these projects than for elevator buildings. While it may not be feasible for all applicants to include these design elements, the number of points has been sized appropriately to ensure a project can still be competitive without the points.
- **Volume cap for bonding is becoming scarcer and the agency should minimize the amount of volume cap relative to total project basis that is allocated.**
  The Agency will be taking steps to closely manage the bonding authority resource, as it will undoubtedly be more constrained in the future than it has been in recent years. Staff recommends adoption of a policy that volume cap will not be issued in an amount greater than 53 percent of basis as defined in tax exempt bond rules. In addition, staff recommends increasing the minimum point threshold for 4% credits from 30 to 40 points as a way to manage the volume cap resource. In the 2014/2015 QAP, in response to public comment regarding the relative lack of scarcity for bonding authority, the Agency reduced the minimum point threshold from 40 to 30 points. Given the increasing scarcity of this resource, returning the point threshold to the previous level is appropriate.
- **The Agency should lower the requirements for scoring and design on bond projects.**
  The minimum point threshold recommended for non-competitive 4% credits is much lower than the scores typically required to receive an award of 9% credits. Given the increasing scarcity of the volume cap resource, staff does not recommend decreasing scoring or design standards.
- **All communities with 15 percent or more of their workers traveling 30 or more miles to work should qualify for three points as a Long Commute Community under Workforce Housing.**
  The Long Commute Communities category is intended to measure the distance that people are traveling into a community for work, prioritizing communities where 15 percent or more of the people who work in that community travel 30 or more miles to get to work. The category is not intended to prioritize communities where community residents are traveling long distances to get to other communities for work.
- **Maintain a balance of investment among weaker markets experiencing disinvestment and physical deterioration, and higher income areas.**

Minnesota Housing does not exclude any market type from consideration. The Agency balances investments in a range of market strengths through several priority areas including:
  - *Preservation of existing affordable housing,*
  - *Qualified Census Tracts with concerted Planned Community Development,*
  - *Areas with access to transit and transit oriented development,*
  - *Areas of economic integration, and*
  - *Areas with access to quality schools.*
- **Minnesota Housing has obligations under the Fair Housing Act to ensure suballocator awards comply with Fair Housing.**
  Minnesota Housing is aware of its responsibilities under the Fair Housing Act and fully complies with its obligations. Likewise, each suballocator is independently responsible for complying with the Fair Housing Act. Minnesota Housing does not have authority over a suballocator's QAP and the tax credits allocated to it pursuant to Minn. Stat §§462A.222 and .223.
- **Minnesota Housing may be promoting segregation through the Non-Profit Set Aside.**
  In order to receive credits through the non-profit set-aside, a project has to meet a number of policy objectives to score well on Minnesota Housing's QAP. Minnesota Housing addresses providing equitable access to opportunity as well as other policy goals through its QAP. The proposed QAP provides priorities for preservation of projects at risk of loss; projects that contribute to concerted community planning efforts; transit-oriented developments; access to jobs, economic integration and high performing schools.

Proposed Changes Resulting from Public Comments Received Not Directly Related to the Changes Proposed In February:

- Revisions to the Self-Scoring Worksheet as shown to enhance readability.
- Increase to the minimum score for 9% HTCs from 30 points to 70 points (excluding projects funded through the Rural Development/Small Projects set-aside).
- Increase to the minimum score for 4% HTCs from 30 points to 40 points.
- Limitation on the award of bond volume cap to an amount equal to no more than 53 percent of basis on 4% HTC projects.

Other Activities:

- Explore the possibility of publishing the geographic priorities composite maps in Community Profiles in the 2018 QAP, if possible under our current vendor contract, or, for future years, under new vendor contracts.
- Determine whether any QAP scoring criteria can be eliminated.
- Coordinate with utilities on energy efficiency programs and benchmarking opportunities.
- Explore project-specific utility allowances.
- Continue to examine management of the bonding authority resource.

This page intentionally blank.

Self-Scoring Worksheet
2018 Housing Tax Credit Program

Development Name: _____

Development Number: _____ **(D Number)**

Application Number: _____ **(M Number)**

Development Location: _____

Development City: _____

Please note the following:

1. Strategic Priority Policy Threshold:
   - All projects, with the exception of those obtaining tax credits in association with Tax Exempt Bonds over and above the state's allocation of Housing Tax Credits (HTC), must meet at least one of the Strategic Priority Policy Thresholds defined in Article 9 of the HTC Qualified Allocation Plan (QAP) in order to apply for Housing Tax Credits.
2. Minimum Point Requirements:
   - Request for Minnesota Housing Finance Agency (Minnesota Housing) administered tax credits from the State's volume cap must demonstrate the project is eligible for not less than ~~30~~ 70 points, excluding projects funded through the Rural Development/Small Projects Set-Aside.
   - Request for tax credits in association with Tax Exempt Bonds over and above the state's allocation of Housing Tax Credits must demonstrate the project is eligible for not less than ~~30~~ 40 points.
   - Minnesota Housing reserves the right to reject applications not meeting its Project Selection requirements as contained in the HTC Program Procedural Manual, to revise proposal features, and associated scoring, and to ensure the project meets the requirements.
3. Documentation of Points:
   - Indicate the selection and/or preference priority points expected for your project. Where multiple points per section are available, please check the appropriate box (☐) for points claimed. **Attach directly to this self-scoring worksheet, a separate detail sheet and documentation that clearly supports points claimed. Minnesota Housing will determine actual selection points awarded; points will not be awarded unless documentation is provided along with the application to justify the points claimed.**
4. Extended Duration:
   - All projects, with the exception of those obtaining tax credits in association with Tax Exempt Bonds over and above the state's allocation of Housing Tax Credits, must maintain the duration of low-income use for a minimum of 30 years. The owner agrees that the provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the

restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project, and the owner also agrees the Section 42 income and rental restrictions must apply for a period of 30 years beginning with the first day of the compliance period in which the building is a part of a qualified low-income housing project.

5. Design Standards:
   - The project must meet the requirements in the Minnesota Housing Rental Housing Design/Construction Standards and be evidenced by a Design Standards Certification form executed by the owner and architect. Additional design requirements will be imposed if Large Family Housing points are claimed/awarded or points are claimed/awarded that require specific design elements (e.g., High Speed Internet, Universal Design).
6. A Declaration of Land Use Restrictive Covenants:
   - Covering the rent restrictions and occupancy requirements presented at selection must be recorded against the property.
7. Affirmative Fair Housing:
   - Affirmative Fair Housing Marketing Regulations, held as centrally important by Minnesota Housing, require that each applicant carry out an affirmative marketing program to attract prospective buyers or tenants of all majority and minority groups in the housing market area regardless of race, creed, color, religion, sex, national, origin, marital status, status with regard to public assistance, disability, sexual orientation, or familial status. At the time of 8609, all applicants must submit an Affirmative Fair Housing Marketing Plan documenting an acceptable plan to carry out an affirmative marketing program.

ROUND 1 – MINIMUM THRESHOLD REQUIREMENTS

For applications submitted in Round 1, all applicants statewide must meet one of the following threshold types. Please indicate the threshold item you meet:

A. In the Metropolitan Area:

1. ☐ New construction or substantial rehabilitation in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), at least 75% of the total tax credit units are single room occupancy units with rents affordable to households whose income does not exceed 30% of the area median income (AMI);

2. ☐ New construction or substantial rehabilitation family housing projects that are not restricted to persons 55 years old or older in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), at least 75% of the total tax credit units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms; **OR**

3. ☐ Substantial rehabilitation projects in neighborhoods targeted by the city for revitalization

B. Outside the Metropolitan Area:

1. ☐ Projects which meet a locally identified housing need and which are in short supply in the local housing market as evidenced by credible data such as a local council resolution submitted with the application. (For Threshold Letter – Sample Format, see HTC Program Procedural Manual, Reference Materials Index.)

C. Projects that are not restricted to persons of a particular age group and in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), a percentage of the units are set aside and rented to persons:

1. ☐ with a serious and persistent mental illness as defined in Minnesota Statutes § 245.462, Subdivision 20, paragraph (c);

2. ☐ with a developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended;

3. ☐ who have been assessed as drug dependent persons as defined in Minnesota Statutes § 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes § 254A.02, Subdivision 2;

4. ☐ with a brain injury as defined in Minnesota Statutes § 256B.093, Subdivision 4, paragraph (a); **OR**

5. ☐ with permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules Chapter 1341.

D. Preserve Existing Subsidized Housing:

1. ☐ Projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the use of tax credits is necessary to (1) prevent conversion to market rate use or (2) to remedy physical deterioration of the project which would result in loss of existing federal subsidies; **OR**

E. Rural Development:

1. ☐ Projects financed by Rural Development, which meet statewide distribution goals.

2018 Housing Tax Credit Program Scoring Criteria	Developer Claimed	Minnesota Housing Awarded
1. Greatest Need – Tenant and Affordability Targeting 2 to 163 Points	_____	_____

A. Household Targeting – 10 to 12 Points

Choose one of the following:

☐ 1. **Large Family Housing** - The proposal is for a project that provides family housing that is not restricted to persons 55 years old or older. The tenant selection plan must give preference to families with minor children.

☐ a). At least 75% of the total tax credit units must contain two or more bedrooms.***– 10 points***

☐ b). For Greater Minnesota proposals receiving points under a) above, at least one-third of the 75% contain three or more bedrooms. ***– 2 points***

☐ 2. **Single Room Occupancy Housing**[1] - At least 50% of the total tax credit units must be one bedroom or less with rents affordable to households whose incomes do not exceed 30% of AMI. – ***10 points***

B. Permanent Supportive Housing for Households Experiencing Homelessness – 5 to 114 Points

1. Minnesota Housing Competitive Round or Tax Exempt Points ("non-Bonus" points) ***– 5 to 10 points***

"Non-Bonus" points will be awarded to permanent housing proposals in which a minimum of 5% (rounded up to the next full unit) of the total units, but no fewer than four units, are either[2]*:

a) Set aside and rented to households experiencing long-term homelessness targeted to single adults, **OR**

b) Set aside and rented to households experiencing long-term homelessness, at significant risk of long-term homelessness, or as prioritized for permanent supportive housing by the Coordinated Entry System, targeted to families with children or youth

☐ 5% to 9.99%, but no fewer than 4 units ***– 5 points***

[1] **Specific performance requirement relief provisions are available for projects receiving points under the Single Room Occupancy Housing category.** Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and recorded with the property.

[2] For the purposes of this scoring category:

- Youth is defined as a person under age 25 not living with a parent or guardian, and includes youth with his/her own children
- Long-term homelessness as defined in Minnesota Rules, Chapter 4900.3705
- At significant risk of long-term homelessness is defined as (a) households that are homeless or recently homeless with members who have been previously homeless for extended periods of time and are faced with a situation or set of circumstances likely to cause the household to become homeless in the near future, and (b) previously homeless persons who will be discharged from correctional, medical, mental health or treatment centers who lack sufficient resources to pay for housing and do not have a permanent place to live
- As prioritized for permanent supportive housing by the Coordinated Entry System defined by the Statewide Coordinated Entry standards and protocol as adopted by the local Continuum of Care.

2018 Housing Tax Credit Program Scoring Criteria	Developer Claimed		Minnesota Housing Awarded

☐ 10% to 49.99%, but no fewer than 7 units – ***7 points***

☐ 50% to 100%, but no fewer than 20 units – ***10 points***

2. Minnesota Housing Competitive Round or Non-Tax Exempt Points ("bonus" points) – ***100 points***

For proposals receiving points under 1. above, 100 points ("bonus" points) will be available until a total of $2,370,000 (estimated 25% of Minnesota Housing's administered credit authority) in tax credits are awarded for qualifying permanent housing proposals targeting families with children or youth experiencing long-term homelessness, at significant risk of long-term homelessness, or as prioritized for permanent supportive housing by the Coordinated Entry System selected in the 2017 Housing Tax Credit competitions. Once this maximum amount is reached, the 100 points ("bonus" points) will no longer be awarded for the remaining 2017 Tax Credit Program competitive funding rounds. If qualified per the requirements of this section, applicants may claim the "bonus" points. Minnesota Housing will make point reductions related to the "bonus" points funding limits following its review of all applications in the funding round that claim these points. Qualified proposals may earn a maximum of 10 points ("non-bonus" points) and may continue to compete in the appropriate set-aside. If "bonus" points are claimed without regard to whether points are awarded, the Tax Credit Declaration of Land Use Restrictive Covenants will contain these population targeting requirements:

☐ 5% or more (rounded up to the next full unit), but no fewer than four units, will target families with children or youth experiencing long-term homelessness, at significant risk of long-term homelessness, or as prioritized for permanent supportive housing by the Coordinated Entry System – ***100 points***

3. Consistency with Local Continuum of Care Priorities – ***2 points***

For proposals receiving points under 1. above, additional points will be available for consistency with local needs identified by the local Continuum of Care (published Priorities are available on Minnesota Housing's website at: [insert link]):

Continuum of Care Household Type Priorities:

☐ 5% of units (rounded up to the next full unit) or more, but no fewer than four units, targeted to Continuum of Care Household Type Priority One – ***2 points***

4. Rental Assistance for Supportive Housing Units - ***2 points***

☐ For developments receiving points under 1. above that have committed project-based rental assistance (e.g., Section 8, McKinney Vento Continuum of Care, site-based Group Residential Housing, Section 811 Project Rental Assistance (PRA), or other similar programs approved by Minnesota Housing) for at least 5% of total project units, but no fewer than four units, for units that will serve Households Experiencing Homelessness. If points are claimed, then no points may be claimed for the same units under the Rental Assistance preference priority in Part E below. ***– 2 points***

NOTE: If points are claimed/awarded above, then no points may be claimed/awarded from the selection priority categories of People with Disabilities for the same units.

To receive points for Permanent Supportive Housing for Households Experiencing Homelessness, the proposal must meet ***all*** of the following conditions:

a) The applicant must complete and submit the Supportive Housing application materials, including the narratives, forms and submittals identified in the Multifamily Rental Housing Common Application Request for Proposal Guide and the Multifamily Rental Housing Common Application Checklist
b) The application must meet the Supportive Housing Threshold Criteria outlined below
c) The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available

A proposal that is awarded points from this category and is selected to receive tax credits will be required to comply with the reporting requirements for Permanent Supportive Housing for Households Experiencing Homelessness, as defined by Minnesota Housing. The Tax Credit Declaration of Land Use Restrictive Covenants, including a specific Rider to the Declaration, will contain performance requirements related to these permanent supportive housing units for households experiencing homelessness and will be recorded with the property.

Supportive Housing Threshold Criteria:

a) Supportive Services: On-site service coordination and tenant engagement must be made available to all supportive housing residents. The level and type of services offered should be appropriate for the needs of the target population, with a minimum of tenant service coordination averaging two hours per household per week.
b) Experienced service provider with demonstrated outcomes:
   1) At a minimum, the service provider has experience providing services to a similar population to maintain housing over a period of time, and has sufficient capacity to deliver the services proposed.
c) Service funding commitments: At a minimum, a portion of service funding is secured for two years with a viable plan for securing the remaining resources. Evidence must be provided in the application narrative and commitment letters or other documentation.
   1) Developments with 5% to 9.99% LTH units must have secured at least 75% of service funding
   2) Developments with 10% to 49.99% LTH units must have secured at least 20% of service funding
   3) Developments with 50% to 100% LTH units must have secured at least 5% of service funding
d) Coordinated Entry and serving highest need households: The property owner must agree to accept high priority households for the LTH supportive housing units through Coordinated Entry.

2018 Housing Tax Credit Program Scoring Criteria	Developer Claimed		Minnesota Housing Awarded

C. People with Disabilities – 5 to 12 Points

Points will be awarded to permanent housing proposals that are not restricted to persons of a particular age group and in which, for the term of the extended use period (Declaration of Land Use Restrictive Covenants), a percentage of the units are set aside and rented to persons with any of the following disabilities[3]:

1. A serious and persistent mental illness as defined in Minn. Stat. § 245.462, subdivision 20, paragraph (c)
2. A developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended
3. Assessed as drug dependent as defined in Minn. Stat. § 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minn. Stat. § 254A.02, Subdivision 2
4. A brain injury as defined in Minn. Stat. § 256B.093, Subdivision 4, paragraph (a)
5. Permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules Chapter 1341

☐ 5% to 9.99%, but no fewer than four units ***– 5 points***

☐ 10% to 14.99% of units ***– 7 points***

☐ 15% to 25% of units ***– 10 points***

NOTE: If points are claimed/awarded above, then no points may be claimed/awarded from the selection priority categories of Permanent Supportive Housing for Households Experiencing Homelessness for the same units.

To receive points under People with Disabilities, the proposal must meet all of the following conditions:

1. The applicant must submit the Supportive Housing narratives and any other forms and submittals identified in the Multifamily Rental Housing Common Application Request for Proposal Guide and the Multifamily Rental Housing Common Application Checklist.
2. The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available.
3. The application must meet the following threshold criteria:
   a) **Target population:** The target population(s) of people with disabilities must be clearly defined in the narrative (e.g., mental illness, developmental disability, physical disability)
   b) **Income limit** for the units are restricted to 30% AMI

[3] **Specific performance requirement relief provisions are available for projects receiving points under the People with Disabilities category of the.** Reference Section 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and recorded with the property.

c) **Rent levels** must be underwritten to the Supportive Housing Units underwriting standards outlined in the Multifamily Underwriting Standards if no rent assistance is available.

d) **Service Agreement:** The property owner must have an agreement with the county or tribal human services office **OR** a designated service provider specifying:

1) How they will provide outreach to the target population
2) How eligible applicants will be referred to the property management agent
3) That verification of applicant disability will be provided to the owner
4) The types of services appropriate to the population that will be made available with the goal of housing stability
5) How services will be provided to tenants
6) How the service entity will communicate and coordinate with property management
7) Plans for crisis intervention, eviction prevention and lease mitigation

☐ **Rental Assistance for Supportive Housing Units**

For developments receiving points for setting aside units to serve People with Disabilities that have committed project-based rental assistance (e.g., Section 8, McKinney Vento Continuum of Care, site-based Group Residential Housing, Section 811 Project Rental Assistance (PRA), or other similar programs approved by Minnesota Housing) for at least 5% of total project units, but no fewer than four units, for units that will serve People with Disabilities. If points are claimed, then no points may be claimed for the same units under the Rental Assistance preference priority in part E below. ***– 2 points***

D. Serves Lowest Income Tenants/Rent Reduction – 5 to 16 Points

Scores are based on gross rent level including utilities before rental assistance. Eligible units must have rents affordable to households whose incomes do not exceed 30% or 50% of AMI without rental assistance.

In addition to the elected income limit of 50% or 60% AMI for the full term of the declaration (refer to the Minimum Set-Aside), the applicant agrees to maintain deeper rent structuring for which selection points are requested.

Applicants may choose either option 1 or 2, and in addition, option 3 and/or option 4 for the development. This selection will restrict rents only (tenant incomes will not be restricted to the 50% or 30% income level by claiming points in this section).

☐ Option 1 – 100% of the HTC unit rents representing _______ units are at the county 50% HUD area median rent limit ***– 10 points***

☐ Option 2 – At least 50% of the HTC unit rents representing _______ units are at the county 50% HUD area median rent limit ***– 5 points***

AND

☐ Option 3 – In addition to Option 1 or 2, this project restricts the rents of all the units identified in Option 1 or 2 to the 50% HUD area median rent limit for a minimum of 10 years after the last placed in service date for any building in the property ***– 3 additional points***

AND/OR

☐ Option 4 – In addition to Option 1 or 2, this project further restricts 30% of the above restricted units to the county 30% HUD area median rent limit representing _______ units ***– 3 additional points***

NOTE: **If points are claimed/awarded for this category, then no points may be claimed/awarded from the selection priority category of Rental Assistance for the same units.**

IMPORTANT

If points are claimed/awarded for Options 1 or 2, all 50% rent restricted units must meet the 50% area median rent for a minimum of five years after the last placed in service date for any building in the property. After the five year period has expired, rent may be increased to the 60% rent limit over a three year period, with increases not to exceed the amount listed in the table below, provided that a more restrictive threshold, selection priority or funding requirements do not apply.

If points are claimed/awarded for Option 4, all 30% rent restricted units must meet the 30% area median rent for a minimum of five years after the last placed in service date for any building in the property. After the five year period has expired, rent may be increased to the 40% rent limit over a three-year period with increases not to exceed the amount listed in the table below, provided that more restrictive threshold, selection priority or funding requirements do not apply.

YEAR	30% of 50% Rent Levels	30% of 30% Rent Levels
1 – 5	30% of 50%	30% of 30%
6	30% of 53%	30% of 33%
7	30% of 57%	30% of 37%
8	30% of 60%	30% of 40%

If points are claimed/awarded for this category's Option 3, all 50% rent restricted units must meet the 50% area median rent for a minimum of 10 years after the last placed in service date for any building in the property. After the 10 year period has expired, rent may be increased to the 60% rent limit over a three year period, with increases not to exceed the amount listed in the table below, provided that a more restrictive threshold, selection priority or funding requirements do not apply.

YEAR	30% of 50% Rent Levels
1 – 10	30% of 50%
11	30% of 53%
12	30% of 57%
13	30% of 60%

Minnesota Housing will incorporate these restrictions into the Declaration of Land Use Restrictive Covenants. The applicant must demonstrate, to the sole satisfaction of Minnesota Housing, that the property can achieve these reduced rents and remain financially feasible [IRC § 42(m)(2)]. Points are contingent upon financial plans demonstrating feasibility, positive cash flow on a 15-year pro forma and gaining Minnesota Housing management approval (for management, operational expenses, and cash flow assumptions).

E. Rental Assistance – 2 to 21 Points

Priority is given to an owner who submits with the application a **fully executed binding commitment** (i.e., binding Resolution/binding Letter of Approval from the governing body) for project based rental assistance awarded in accordance with 24 CFR Ch. IX, Section 983.51 or are effectively project based by written contract. New or transferred federal rental assistance contracts that were executed within the past 15 years are eligible. This includes transfers of existing Section 8 contracts under the 8bb notice to new construction projects or existing developments that currently have no Existing Federal Assistance. For the purposes of this scoring category, project based rental assistance is defined as a project-specific funding stream that supports the operations of the property, reduces the tenant rent burden, and provides for the tenant paid portion of rent to be no greater than 30% of household income. Site-based Group Residential Housing and awards of project based McKinney Vento Continuum of Care funding, will be considered project based rental assistance.

Developments with privately funded rental assistance provided by the sponsor must qualify for E or F below. Points will not be given for private commitments of less than four years. Documentation must also contain language regarding the possibility of future renewals.

The assisted units must be located in buildings on the project site. A development that has existing rental assistance meeting the definition of federal assistance under the Preservation scoring category is not eligible for an award of points under Rental Assistance. A development is not eligible to receive points under Rental Assistance for assistance under the Rental Assistance Demonstration program (components I or II) or the Public Housing program.

Rent for assisted units must be at or below Fair Market Rents (or appropriate payment standard for the project area). Receiving these points and agreeing to a minimum number of assisted units does not release owners from their obligations under the Minnesota Human Rights Act and Section 42 prohibiting refusal to lease to the holder of a voucher of eligibility under Section 8 of the United States Housing Act of 1937 because of the status of the prospective tenant as such a holder.

2018 Housing Tax Credit Program Scoring Criteria	Developer Claimed		Minnesota Housing Awarded

A current request for Minnesota Housing Rental Assistance will not receive Rental Assistance points. A past award of existing Rental Assistance will be counted toward meeting the required percentages. Indicate the applicable combinations of the below components. Points for A, B, C and D cannot be claimed in any combination.

☐ (A) For developments agreeing to set aside and having the required binding commitment for 100% 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% 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% but under 51% 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% but under 20% of the total units, representing at least four units, for project based rental assistance ***– 6 points***

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

NOTE: If points are claimed/awarded under any of the above, then no points may be claimed/awarded from the preference priority categories of Serves Lowest-Income Tenants/Rent Reduction for the same units.

NOTE: Points cannot be claimed/awarded under the Rental Assistance preference priority if points are claimed/awarded for Existing Federal Assistance under the Preservation selection priority or if a development has a rental assistance contract that qualifies under the Selection Priority of Existing Federal Assistance

☐ (G) For developments that will provide **other** Rental Assistance (e.g., Section 8, portable tenant based, an award of McKinney Vento Continuum of Care rent assistance (which is tenant based, sponsor based, or for leasing), tenant based Group Residential housing or other similar programs approved by Minnesota Housing) as evidenced at application by documentation of commitment of assistance. ***– 2 points***

To receive these points, the applicant must comply with all program requirements for the assistance for which priority points were given, including maintaining rents within the appropriate payment standard for the project area in which the project is located for the full compliance and extended use period of the housing tax credits.

For project based rental assistance in conjunction with a binding commitment for an "extended term contract" at time of application the applicant must submit a binding commitment for the "extended term contract" for project based assistance for a minimum of four or 10 years, which is signed by the Local Housing Authority or other similar entity. As a condition of Carryover or 8609, the applicant must submit a fully executed copy of the "extended term contract" for the project based assistance to be included in the development.

2018 Housing Tax Credit Program Scoring Criteria	Developer Claimed		Minnesota Housing Awarded

2. Areas of Opportunity 1 to 28 Point _____ _____

A. Economic Integration – 2 to 9 Points

☐ The proposed housing provides project economic integration by providing at least 25% but not greater than 80% of the total units in the project as qualified HTC low-income units (does not include full-time manager or other common space units) **– 2 points**

OR

To promote economic integration, projects are awarded points for being located in higher income communities that are close to jobs outside of Rural/Tribal Designated Areas. First and second tier economic integration areas are outside of racially and ethnically concentrated areas of poverty.

☐ ***First Tier -*** The proposed housing is located in a first tier census tract ***– 9 points***

☐ ***Second Tier -*** The proposed housing is located in a second tier census tract ***– 7 points***

NOTE: The following resources on Minnesota Housing's website may be used to determine if the proposed housing is located in areas that meet the requirements to claim points under economic integration:

Economic integration areas maps and census tract listing:
http://www.mnhousing.gov/idc/groups/public/documents/webcontent/mhfa_012464.pdf

Rural/Tribal Designated areas maps and census tract listing: [insert link].

Additionally, find economic integration and Rural/Tribal Designation Area map overlays in the Agency's community profiles interactive mapping tool:
http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1373870285684&pagename=External%2FPage%2FEXTStandardLayout.

B. Access to Higher Performing Schools – 4 Points

Points are awarded for projects serving families* in locations that will provide access to higher performing schools.

☐ The proposed housing will serve families and is located in an area considered to have Access to Higher Performing Schools ***– 4 points***

*To be eligible as a project serving families, at least 25% of total tax credit units, with a minimum of 15 units, must contain two or more bedrooms, and the owner must agree to market the units to families with minor children.

Access to Higher Performing Schools area maps are found on Minnesota Housing's website: <insert link>

Additionally, find Access to Higher Performing Schools Area map overlays in the Agency's community profiles interactive mapping tool: http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1373870285684&pagename=External%2FPage%2FEXTStandardLayout.

C. Workforce Housing Communities – 3 to 6 Points

Points are awarded for projects located in or near a city or township needing workforce housing (communities having a large number of jobs or job growth, individual employer growth, or having a large share of their workforce commuting long distances).

☐ The proposed housing is in a Top Job Center or Net Five Year Job Growth Community ***– 6 points;***

OR

☐ The proposed housing is in an Individual Employer Growth community where an individual employer has added at least 100 net jobs (for permanent employees of the company) during the previous five years, as evidenced by documentation signed by an authorized representative of the company, subject to validation by Minnesota Housing ***– 6 points*; OR**

☐ The proposed housing is in a Long Commute Community ***– 3 points***

In the metropolitan area, project locations must be within five miles of a workforce housing city or township. In Greater Minnesota, project locations must be within ten miles of a workforce housing city or township. Top Job Centers, Net Five Year Job Growth communities, and Long Commute communities lists and maps are available on Minnesota Housing's website at: http://www.mnhousing.gov/idc/groups/public/documents/document/mhfa_012445.pdf

Additionally, find proximity to workforce housing in the Agency's community profiles interactive mapping tool: (http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1373870285684&pagename=External%2FPage%2FEXTStandardLayout)

D. Location Efficiency – 1 to 9 Points

Points will be awarded for developments that promote location efficiency based on access to transportation and walkability.

1**. Twin Cities Metropolitan Area:**

In the Twin Cities Metropolitan area, points will be awarded for a combination of three areas: access to transit, walkability and transit oriented development.

a) Access to Transit:

To receive points for access to transit in the Metropolitan area, a development must be:

☐ Located within one half mile of a completed or planned LRT, BRT, or commuter rail station **– *5 points*; OR**

☐ Located within one quarter mile of a fixed route stop on Metro Transit's Hi-Frequency Network ***– 4 points***; **OR**

☐ Located within one quarter mile of a high service public transportation fixed route stop ***– 2 points***; **OR**

☐ Located within one half mile of an express bus route stop ***– 2 points***; **OR**

☐ Located within one half mile of a park and ride facility ***– 2 points***

b) Walkability:
To receive points for walkability, a development must receive an award of points for Access to Transit above, and be:

☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com ***– 2 points***; **OR**

☐ Located in an area with a Walk Score between 50 and 69 according to www.walkscore.com ***– 1 point***;

c) Transit Oriented Development:
To receive up to 2 additional points for transit oriented development, a development must be located within one quarter mile of a completed or planned LRT, BRT or commuter rail station. **One point for a development that meets one of the following, and two points for a development that meets two or more of the following**:

☐ **Parking:** Parking for residential units or visitors is not more than the smallest allowable parking minimum under local zoning requirements. If no residential parking or visitor parking is required under local zoning, no more than 0.2 visitor parking spaces per residential unit are provided.

☐ **Building Orientation and Connections:** Currently has existing walkable or bikeable connections to station area via sidewalk or trail or funding secured to create such connections, and at least one accessible building entrance oriented toward such connections, and parking is not situated between building and station area.

☐ **Density:** Site density at the maximum allowable density under the local comprehensive plan.

☐ **Alternative Means:** Car sharing (where one or more passenger automobiles are provided for common use by residents), bike storage, shared parking arrangements with adjacent property owners, etc. that result in a reduction in the local minimum parking requirement, and parking for residential units in not more than the local minimum parking requirement, or if no residential parking or visitor parking is required under local zoning, no more than 0.2 visitor parking spaces per residential unit are provided.

2. **Greater Minnesota:**

In Greater Minnesota, location efficiency points will be awarded in a combination of access to transit and walkability in areas with fixed route transit service, and a combination of demand response/dial-a-ride, walkability, and access to jobs in areas without fixed route transit service.

a) For areas with fixed route transit service:

1) Access to Transit:

To receive points for access to transit, a development in Greater Minnesota must be:

☐ Located within one quarter mile of a completed or planned public transportation fixed route stop ***– 7 points***; **OR**

☐ Located between one quarter mile and one half mile of a completed or planned public transportation fixed route stop ***– 4 points***; **OR**

☐ Located less than one half mile of an express bus route stop or park and ride lot ***– 4 points***;

2) Walkability:

To receive points for walkability, a development must receive an award of points for Access to Transit above, and be:

☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com ***– 2 points***; **OR**

☐ Located in an area with a Walk Score between 50 and 69 according to www.walkscore.com ***– 1 point***

b) For areas without fixed route transit service:

1) Access to Transit:

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts (not required for tribal areas), **AND** the proposed housing has access to demand response/dial-a-ride* service with no more than one hour advance notice to schedule a pickup and no minimum number of riders are required **– 7 points**;

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts (not required for tribal areas), **AND** the proposed housing has access to demand response/dial-a-ride* service with same day pick-up guaranteed if scheduled by 8:00 a.m. or later and no minimum number of riders are required **– 4 points**;

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts (not required for tribal areas), **AND** the proposed housing has access to demand response/dial-a-ride* service not meeting the scheduling terms above **– 2 points**

2) Walkability:

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts, **AND** in an area with a Walk Score of 50 or more according to www.walkscore.com **– 2 points**;

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts, **AND** in an area with a Walk Score between 35 – 49 according to www.walkscore.com – **1 point**

*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. Minnesota Department of Transportation defines dial-a-ride as: *"A demand-responsive service in which the vehicle is requested by telephone and vehicle routing is determined as requests are received. Origin-to-destination service with some intermediate stops is offered. Dial-A-Ride is a version of the taxicab using larger vehicles for short-to-medium distance trips in lower-density subregions."* Dial-A-Ride service must operate from at least 7:00 a.m. to 5:30 p.m., Monday through Friday, in order to be eligible for points.

At the time of application, the applicant must submit a map identifying the location of the project with exact distances to the eligible public transit station/stop and include a copy of the route, span and frequency of service.

Access to transportation maps and census tract listings are found on Minnesota Housing's website: http://www.mnhousing.gov/idc/groups/public/documents/webcontent/mhfa_012466.pdf. Additionally, find these details in the Agency's community profiles interactive mapping tool.

3.	Supporting Community and Economic Development	1 to 28 Points	_____	_____

A. Planned Community Development – 3 Points

Points are awarded for proposals that contribute to Planned Community Development efforts, as defined in section 6.A of the HTC Program Procedural Manual, to address locally identified needs and priorities, in which local stakeholders are actively engaged. Comprehensive plans, land use plans and general neighborhood planning documents are not by themselves considered evidence of Planned Community Development. In addition to submission of evidence of Planned Community Development, evidence from local community development partners that the housing proposal contributes to the objectives of the plan must be provided.

B. Eventual Tenant Ownership – 1 Point

Only detached single-family units are eligible for homeowner conversion. The project owner must submit a preliminary conversion plan with their application that is consistent with the requirements of the Eventual Tenant Ownership (ETO) Guide. The plan must address the transfer of 100% of the HTC unit ownership after the end of the 15-year compliance period from the initial ownership entity (or Minnesota Housing approved "Transfer of Ownership" entity) of the project to tenant ownership.

The unit purchase price at time of sale must be affordable to buyers with incomes meeting HTC eligibility requirements. To be eligible, the buyer must have an HTC qualifying income at the time of initial occupancy (HTC rental tenant). The final conversion plan, to be submitted by the 15th year of initial compliance, must incorporate an ownership exit strategy, a third party Property Capital Needs Assessment report and budget for capital improvements, and services including homeownership education and training. A final conversion plan complying with all of the requirements of the ETO Guide must be submitted to, and approved by, Minnesota Housing prior to commencing the conversion.

The Declaration of Land Use Restrictive Covenants will contain provisions ensuring compliance with these Eventual Tenant Ownership commitments by the owner, including a right of first refusal allowing tenants to purchase their units. (Refer to the Eventual Tenant Ownership (ETO) Guide and also to Chapter 3W of the HTC Program Procedural Manual for additional information.)

NOTE: Until the time the HTC units are purchased by qualified tenants or in the event that not all HTC units are acquired by qualified tenants, the owner will extend the duration of low-income use for the full extended use period (30 years).

C. Rural/Tribal – 10 Points

Points are awarded for projects located in Rural/Tribal Designated Areas outside of the Twin Cities Seven County Metropolitan Area.

☐ The proposed housing is located in a census tract eligible as a Rural/Tribal Designate Area ***– 10 points***

Rural/Tribal Designated Areas maps and census tract listing are found on Minnesota Housing's website:
[insert link].

Additionally, find Rural/Tribal Designation Area map overlays in the Agency's community profiles interactive mapping tool:
(http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1373870285684&pagename=External%2FPage%2FEXTStandardLayout)

D. Federal/Local/Philanthropic Contributions – 2 to 10 Points

Points are awarded for projects that are receiving contributions from the federal government; 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

2018 Housing Tax Credit Program Scoring Criteria	Developer Claimed		Minnesota Housing Awarded

awarded by 1) nonprofit charitable organizations pursuant to a funding competition; 2) local units of government; or 3) tribal governments or tribally designated housing entities.

Total federal/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*** ☐ 2.1 – 5% ***– 2 points***

☐ 10.1 – 15% ***– 6 points*** ☐ 0 – 2% ***– 0 points***

Federal/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 for 30 years)
- Land donation or city write-down 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 (calculate NPV by using NPV discounted by AFR for 30 years)
- 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 contribution. Documentation must evidence that the contribution is restricted for housing development uses and the contribution must be included as a development source.
- 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).
- Historic Tax Credits
- Funder commitments to modify existing debt including: debt forgiveness; approval of assumption of debt and extension of loan term; forgiveness of interest payable; reduction in interest rate (measured as amount of interest saved over term of loan). Commitments must contain no contingencies other than receipt of a tax credit award. At the time of application, written documentation from the funder justifying the amount and the terms of the contribution must be provided.

To qualify for points for tax increment financing or tax abatement, there must be satisfactory documentation that the contribution is committed to the development at the time of application.

At the time of application, written documentation from the contributor justifying the amount and the terms of the contribution must be provided and be consistent with current market comparable costs. The documentation must be in the form of a project specific letter of intent, city or council resolution, letter of approval, statement of agreement or eligibility, or memorandum of understanding. In the case of Historic Tax Credits, at the time of application written documentation of eligibility through evidence of Historic Register listing or approval of Part 1—Evaluation of Significance must be provided.

Within six months of the date of selection (Minnesota Housing Board selection date), the applicant must provide Minnesota Housing with documentation of a firm commitment and authorization or approval of the federal/local/philanthropic contribution(s). The documentation must state the amount, terms and conditions and must be executed or approved, at a minimum, by the contributor. Documentation containing words synonymous with "consider" or "may" (as in "may award") regarding the contribution will not be acceptable. Lack of acceptable documentation will result in the reevaluation and adjustment of the tax credits or RFP award, up to and including the total recapture of tax credits or RFP funds.

E. QCT/Community Revitalization & Tribal Equivalent Areas – 1 Point

A point is awarded to projects that are located in a Qualified Census Tract (See Qualified Census Tract – Reference Materials Index) and are part of a concerted plan that provides for community revitalization consistent with the definition of Planned Community Development contained in section 6.A of the HTC Program Procedural Manual. In addition to submission of evidence of Planned Community Development, evidence from local community development partners that the housing proposal contributes to the objectives of the plan must be provided.

Tribal Equivalent Areas published on Minnesota Housing's website are also eligible for one point: [insert link]. Additionally, find these areas in the Agency's community profiles interactive mapping tool.

☐ The proposed housing is located in a QCT Community Revitalization Area or a Tribal Equivalent Area ***– 1 point***

F. Minority-owned/Women-owned Business Enterprise (MBE/WBE) – 3 Points

☐ The project sponsor, general contractor, architect, or management agent is a minority-owned or women-owned business enterprise (MBE/WBE)*, as certified by the owner ***– 3 points***

* A MBE/WBE is ~~one~~ a tribe or tribally-designated housing entity, or another entity which is at least fifty-one (51) % owned by one or more minority persons or women, and whose management and daily business operations are controlled by one or more minority persons or women who own it.

2018 Housing Tax Credit Program Scoring Criteria	Developer Claimed		Minnesota Housing Awarded

4. Preservation 6 to 30 Points _____ _____

IMPORTANT NOTE: DUAL APPLICATION and PRE-APPLICATION REQUIRED

Applicant claiming points under this section **must submit a dual application**, as defined in the Multifamily Consolidated RFP Guide, if the development contains 40 units or greater.

In order to be eligible for points under this section, applicant **must provide the required Pre-Application 30 days prior to the application deadline for HTC Round 1 or Round 2**, as detailed in the HTC Program Procedural Manual Section 6.A. Failure to submit all required pre-application materials will result in rejection of the pre-application. Applicant must provide the Agency's "Preliminary Determination of Preservation Eligibility" letter which reflects threshold and points taken below.

Choose one of the following three Thresholds:

☐ **A. Risk of Loss Due to Market Conversion**

1. Expiration of contract/use-restrictions
   a) Existing property at risk of conversion to market rate housing within five years of application date, and conversion is not prohibited by existing financing or use restrictions; **OR**
   b) Existing tax credit developments eligible to exercise their option to file for a Qualified Contract, and have not previously exercised their option; **AND**

2. Market for conversion evidenced by low physical vacancy rate (4% or lower) for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing's discretion); **AND**

3. The property's ability to command market rents as evidenced by direct comparison to local market comparable units and amenities. Conversion scenario must result in sufficient additional revenue to fund improvements and amenities necessary to match market comparable units as evidenced by Market Conversion Model and market study (market comparable and improvement cost estimates to be validated by Minnesota Housing at Minnesota Housing's discretion); **AND**

4. Location in a jobs growth or household growth area as defined in the Agency's community profiles interactive mapping tool; **AND**

5. Fifteen (15) or more years have passed since the award of the existing federal assistance and the tax credit placed in service date (if applicable) for projects claiming points under Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming points under Critical Affordable Units.

NOTE: Minnesota Housing, at its sole discretion, must agree that a market exists for a conversion to market rate housing.

2018 Housing Tax Credit Program Scoring Criteria	Developer Claimed		Minnesota Housing Awarded

☐ **B. Risk of Loss Due to Critical Physical Needs**

1. Fifteen (15) or more years have passed since the award of the existing federal assistance and the tax credit placed in service date (if applicable) for projects claiming points under Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming points under Critical Affordable Units; **AND**

2. Critical physical needs identified by third party assessment to support the following conclusions:
   a) Repair/replacement of major physical plant components have been identified that will result in 15+ years sustained operations; **AND**
   b) Identified scope of critical physical needs exceeds the available reserves by at least $5,000 per unit, as evidenced by the Three Year Critical Needs Model; **AND**

3. Location in one of three geographic priority areas: jobs growth area, household growth area **OR** an area designated as having a large affordable housing gap, as evidenced in Minnesota Housing's community profiles interactive mapping tool, or as evidenced by a tribal housing authority waiting list.

☐ **C. Risk of Loss Due to Ownership Capacity**

1. Fifteen (15) or more years have passed since the award of the existing federal assistance and the tax credit placed in service date (if applicable) for projects claiming points under Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming points under Critical Affordable Units; **AND**

2. Existing conditions created by the current owner such as bankruptcy, insolvency, default, foreclosure action, unpaid taxes and assessments, on-going lack of compliance with lenders or terms of federal assistance, or self-determination by non-profit board are severe enough to put the property at significant risk of not remaining decent, safe, and affordable **AND**

3. Ownership must be transferred to an unrelated party; **AND**

4. Location in one of three geographic priority areas: jobs growth area, household growth area **OR** an area designated as having a large affordable housing gap, as evidenced in Minnesota Housing's community profiles interactive mapping tool, or as evidenced by tribal housing authority waiting list.

   NOTE: Minnesota Housing, at its sole discretion, must agree that a change in ownership is necessary for units to remain decent, safe, or affordable.

For projects meeting one of the three thresholds above, choose points under either Existing Federal Assistance or Critical Affordable Units at Risk of Loss below.

2018 Housing Tax Credit Program Scoring Criteria	Developer Claimed		Minnesota Housing Awarded

D. Scoring:

1. **Existing Federal Assistance**
Definition: Any housing receiving project based rental assistance or operating subsidies under a U.S. Department of Housing and Urban Development (HUD), U.S. Department of Agriculture Rural Development (RD), NAHASDA or other program that is not scheduled to sunset or expire. Properties that have converted their type of federal rental assistance through the Rental Assistance Demonstration program, Component 2 (RAD 2) are eligible. Such assistance must have been committed to the property 15 years prior to the year of application.

In order to obtain points for existing federal assistance, the owner must continue renewals of existing project based housing subsidy payment contract(s) for as long as the assistance is available. Except for "good cause," the owner must not evict existing subsidized residents and must continue to renew leases for those residents.

Developments with qualified existing federal assistance and which have secured additional federal rental assistance (including through an 8bb transfer) should count the total number of assisted units below. Such units are not eligible to be counted under Rental Assistance.

Choose either a or b and c below

a) Existing Federally Assisted Units:

☐ Less than 25% of units are federally assisted ***– 4 points***

☐ 25.01%-50% of units are federally assisted ***– 8 points***

☐ 50.01-75% of units are federally assisted ***– 12 points***

☐ 75.01%-99.99% of units are federally assisted ***– 16 points***

☐ 100% of units are federally assisted ***– 20 points***

OR

b) For partially assisted projects with Existing Federally Assisted Units in Economic Integration census tracts:

☐ Less than 25% of units are federally assisted ***– 10 points***

☐ 25.01-75% of units are federally assisted ***– 15 points***

☐ 75.01-99.99% of units are federally assisted ***– 20 points***

AND

c) Score for the appropriate number of federally assisted units currently under contract for preservation:

Metro or Greater Minnesota MSA*

2018 Housing Tax Credit Program Scoring Criteria	Developer Claimed		Minnesota Housing Awarded

☐ 12-30 units ***–1 point***

☐ 31-60 units ***–3 points***

☐ 61-100 units ***–7 points***

☐ 101+ units ***–10 points***

* Greater Minnesota MSA (Metropolitan Statistical Area) as defined by HUD: Duluth, St. Cloud, Fargo/Moorhead, Rochester, Mankato, Lacrosse, Grand Forks, Minneapolis/St. Paul MSA outside of the 7 county metro (including Chisago, Isanti, Sherburne, and Wright Counties) Greater Minnesota MSAs are found on Minnesota Housing's website: Preservation Methodology.

Greater Minnesota/Rural

☐ 8-20 units ***–3 points***

☐ 21-40 units ***–5 points***

☐ 41+ units ***–10 points***

OR

2. Critical Affordable Units at Risk of Loss –6 points

a) ☐ Any housing with a current recorded deed restriction limiting rent or income restrictions at or below the greater of 80% of statewide median income or area median income. Includes existing public housing units, including converting through Rental Assistance Demonstration Program, Component 1 (RAD 1), tax credit units, Rural Development funded units without rental assistance and existing federal assistance not described in paragraph 1. above (e.g., 202, 236) or other programs limiting income and rent restrictions as stated above.

AND

Must also claim and be awarded points under Serves Lowest Income Tenants/Rent Reduction for either Option 1 **OR** Option 2, **AND** Option 3.

5.	**Efficient Use of Scarce Resources**	**1 to 26 Points**	_____	_____

A. Financial Readiness to Proceed – 2 to 14 Points

Minnesota Housing will award points to applicants who have secured funding **commitments** for one or more permanent funding sources at the time of application except that commitments for funding from Minnesota Housing and Funding Partners (i.e., Minnesota Department of Employment and Economic Development, Family Housing Fund, Greater Minnesota Housing Fund, Metropolitan Council Local Housing Incentive Account) are only included if obtained in a previous funding cycle/round.

2018 Housing Tax Credit Program Scoring Criteria	Developer Claimed		Minnesota Housing Awarded

Commitment documentation must state the amount, terms and conditions and be executed or approved by the lender or contributor and the applicant. Documentation containing words synonymous with "consider" or "may", (as in "may award") regarding the commitment will not be acceptable. A deferred developer fee is not considered a permanent source of funding.

The calculation below must exclude first mortgage financing and any anticipated proceeds from the current tax credit request.

Syndication proceeds from tax credits awarded in a previous cycle/round may be included if verification is included in the application. Acceptable verification is an executed syndicator agreement or executed Letter of Intent from the syndicator that is acceptable to Minnesota Housing;
The executed Letter of Intent must:

- Be current within 15 days of submission of the application
- Contain a projected closing date for the development
- Contain a projected equity price for the purchase of the credit
- Contain a detailed explanation of the assumptions being used by the syndicator to arrive at the projected equity price

Total eligible funding secured, awarded or committed (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion if applicable, any anticipated proceeds from the current tax credit request, and sales tax rebate*) $_____ Divided by Total Development Cost (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion if applicable, any anticipated proceeds from the current tax credit request, and sales tax rebate*) $_____ equals Percentage of Funds Committed _____% (round to nearest tenth)

☐ 70% or more of funding secured, awarded or committed** **– *14 points***

☐ 60% to 69.9% of funding secured, awarded or committed **– *12 points***

☐ 50% to 59.9% of funding secured, awarded or committed **– *10 points***

☐ 40% to 49.9% of funding secured, awarded or committed **– *8 points***

☐ 30% to 39.9% of funding secured, awarded or committed **– *6 points***

☐ 20% to 29.9% of funding secured, awarded or committed **– 4 *points***

☐ 10% to 19.9% of funding secured, awarded or committed **– 2 *points***

☐ 9.9% and below of funding secured, awarded or committed **– *0 points***

* **Sales tax rebate, for the purpose of this scoring category, should be calculated as 40% of the construction contract amount multiplied by the local tax rate for the area where the project is located.**

** **Projects that have both a numerator and denominator equal to zero are eligible for 14 points.**

B. Intermediary Costs – 1 to 6 Points

Points will be given to projects with the lowest intermediary costs on a sliding scale based on percentage of total development costs. For HTC selected projects, this percentage will be enforced at issuance of the IRS Form 8609.

Intermediary cost amount: $_____ divided by Total Development Costs $_____ Equals Intermediary Percentage _____% (rounded to the nearest tenth).

- ☐ 0 .0 – 15% ***– 6 points***
- ☐ 15.1 – 20% ***– 3 points***
- ☐ 20.1 – 25% ***– 2 points***
- ☐ 25.1 – 30% ***– 1 point***
- ☐ 30.1 and over ***– 0 points***

C. Cost Containment – 6 Points

Six points will be available to the 50% of developments with the lowest costs within each development type/location group (subject to the methodology described in Revised Cost Containment Methodology. Applicants may claim these points and Minnesota Housing will make point reductions following its review of costs for all applications in the funding round.

Applications seeking 4% tax credits for use in conjunction with tax exempt bonds are not eligible to claim points through this Cost Containment priority. Only applications seeking tax credits through Minnesota Housing's 9% competitive application process for tax credits are eligible to claim points through this priority.

NOTE: Proposals that believe they have contained their costs should select these points.

Only proposals that claim cost containment points on the self-scoring worksheet and are awarded points through the process described above will receive cost containment points.

CAUTION: If a project receives points under this criterion, failure to keep project costs under the applicable cost threshold will be considered an unacceptable practice and will result in negative 4 points being awarded in all of the applicant's tax credit submissions in the next funding round in which submissions are made.

If developers are concerned about their costs and keeping them within the "applicable cost threshold," they should not claim the cost-containment points.

6. Building Characteristics 1 to 5 Points _____ _____

A. High Speed Internet Access – 1 Point

The development will provide High Speed Internet access via installation of all appropriate infrastructure and connections for cable, DSL or wireless internet service to every unit in the development. This will be a design requirement if points are taken.

2018 Housing Tax Credit Program Scoring Criteria	Developer Claimed		Minnesota Housing Awarded

B. Universal Design – 3 Points

Universal Design Unit Definition: A unit that includes all Minimum Essential Universal Design Features below, along with eight Optional Features for units in a new construction or adaptive re-use project, and four Optional Features for units in a rehabilitation project. Type A accessible units (as referenced in Minnesota Housing's Rental Housing Design and Construction Standards) also meet the definition of a Universal Design unit for the purposes of this scoring category.

☐ An elevator building with 100% of HTC units meeting the definition of a Universal Design Unit **– *3 points***; **OR**

☐ A non-elevator building with at least 10% of HTC units meeting the definition of a Universal Design Unit **– *3 points***

Minimum Essential Universal Design Features

- At least one bedroom or space that can be converted to a bedroom (without changing door locations for new construction or adaptive re-use) on an accessible level and connected to an accessible route, or efficiency units (without a bedroom) on an accessible level and connected to an accessible route
- 42" minimum hallways within a unit for new construction or adaptive re-use
- At least one three quarter bathroom on an accessible level with five foot open radius for new construction or adaptive re-use, and clear floor space of 30" x 48" for rehabilitation
- Lever handles on all doors and fixtures
- Provide wall blocking in all tub and shower areas for new construction or adaptive re-use, and for rehabilitation if showers are being replaced
- Door thresholds flush with the floor with maximum threshold height of ½" beveled or ¼"square edged
- Kitchen and laundry appliances have parallel approach clear floor space with all controls within maximum height of 48". Range controls must have lockout feature. Stackable laundry units with a maximum reach range of 54" will meet this requirement
- Kitchen sink area 30" wide minimum with cabinet panel concealing piping or a removable base cabinet
- All common spaces and amenities provided in the housing development located on an accessible route
- For new construction or adaptive re-use, deck or patio spaces have a step-less transition from dwelling unit meeting door threshold requirements, with decking gaps no greater than ¼"
- Universal Design features are incorporated in an aesthetic, marketable, non-institutional manner

Optional Features

- High contrast finish selections that include floor to wall transitions, top treads of stairs, counters and adjacent flooring and walls
- Single lever, hands free or touch faucets

- At least 50% of kitchen storage space within reach range. This can include pull-out shelves, full extension glide drawers or pantry design
- A variety of work surface heights in kitchen and one five foot open radius
- Roll under vanity or sink in 25% of Universal Design qualifying units, rounded up to the nearest whole number
- Cabinet hardware with “D” type pull handles or operation for people with limited dexterity
- Zero threshold shower or transfer space at tub is provided for minimum of half the qualifying Universal Design units, rounded up to the nearest whole number
- Slip resistant flooring in kitchens and baths
- Toilets provided with seats 17” – 19” from the floor
- Windows are provided with maximum sill height of 36”, parallel clear floor space and locks/operating mechanism within 48” and easily operable with one hand. Sidelight or view window at main entry door from a seated position
- Thermostats designed for visually impaired or ability to monitor and operate with electronic device such as a tablet computer
- Closet storage is adjustable in a majority of the closets provided
- Audio/Visual doorbell
- Covered entry with adequate lighting and interior or exterior bench space for parcels or groceries
- Lettering and numbering with all characters and symbols contrasting with their background
- Braille characters included to the left on all interior signage
- Parking spaces provided for at least 50% of Universal Design qualifying units, rounded up to the nearest whole number, with a five foot wide adjacent auxiliary space connected to accessible route
- Residential elevator or chair lift space structured for future use in multiple level homes
- Enterprise Green Communities Model Specifications are used for applicable sections for the Universal Design qualifying units
- On-site physical activity is provided for in a fitness area, biking or walking path or community garden
- Other modifications that make units livable for disabled populations, as demonstrated by credible evidence provided in the application, at the sole discretion of Minnesota Housing

C. Smoke Free Buildings – 1 Point

One (1) point will be awarded for projects that will institute and maintain a written policy* prohibiting smoking in all the units and all common areas within the building/s of the project. The project must include a non-smoking clause in the lease for every household.

Projects awarded a point in this scoring criteria will be required to maintain the smoke-free policy for the term of the declaration.

2018 Housing Tax Credit Program Scoring Criteria	Developer Claimed		Minnesota Housing Awarded

* The written policy must be submitted with the application and should include procedures regarding transitioning to smoke-free for existing residents and establishment of smoking areas outside of units and common areas if applicable. Consequences for violating the smoke-free policy are determined by the owner but must be included in the written policy.

7. Unacceptable Practices -10 to -25 Points _____ _____

Minnesota Housing will impose penalty points for unacceptable practices as identified in Chapter 2.G of the HTC Program Procedural Manual.

2018 Housing Tax Credit Program Scoring Criteria	Developer Claimed		Minnesota Housing Awarded

TOTAL POINTS _____ ______

Developer Claimed

Minnesota Housing Awarded

Under penalty of perjury, owner hereby certifies the information provided herein is true and accurate.

Name of Owner:

By: ____________________

(Signature)

Of: ____________________

(Name of Legal Entity)

Its: ____________________

(Title) (Managing General Partner)

____

(Print or Type Name of Signatory)

NOTE: During the competition process, Minnesota Housing's review of the submitted self-scoring worksheet is only to validate that the points claimed are eligible, to reduce points claimed if not eligible, and to determine points awarded. Minnesota Housing will not award additional points that are not initially claimed by the applicant/owner. Many performance obligations are created by the claiming of certain scoring points. As such, Minnesota Housing ~~cannot and~~ will not assume the position of creating any such performance obligations on behalf of the applicant/owner. In addition, applications funded under the Joint Powers Agreement must also comply with the suballocators selection criteria defined in their Qualified Allocation Plan.

This page intentionally blank.

Public Hearing Written Comment Contributors

Dominium

Metro Cities

Metropolitan Interfaith Council on Affordable Housing

Minnesota Housing Partnership

Minnesota NAHRO

National Housing Trust

National Resources Defense Council

Red Wing HRA

Travois

Twin Cities Housing Development Corporation

Twin Cities LISC

TO: TAMARA WILSON
FROM: DOMINIUM
SUBJECT: 2018 QAP
DATE: MARCH 23, 2016

We have reviewed proposed 2018 QAP, and have the following comments divided between 4% credits and 9% credits:

<u>4% Credits</u>

1. Over the last several years, use of tax exempt bonds in Minnesota has steadily increased, to the point that in 2014 there were more bonds used in Minnesota than were allocated that year. As such, bonds are becoming a scarce resource. As such, we believe Minnesota Housing should adopt a policy of granting no more allocation than absolutely needed for any given bond project. A best practice used in other states is to allocate volume cap of no more than 55% of basis as defined in tax exempt bond rules.

2. Part of Minnesota Housing's strategic plan is supporting more production of affordable senior housing. The demographics of Minnesota's aging population are well known – our state's demand for affordable senior housing will only grow in the coming years. Minnesota's 9% tax credit resources have not allowed for any substantial new production of senior housing for over 20 years. As such, only the 4% tax credit can be used for new production of affordable senior housing in Minnesota. However the allocation of bond volume cap for projects designed for those 55+ must by statute wait until after May 15th each year to receive volume cap. This makes producing affordable senior housing more difficult – the agency should consider lobbying to eliminate this rule.

3. Every two years, design requirements are tightened for new projects, typically adding to development costs. For 9% projects, these extra costs are often covered by additional 9% credits associated with those costs or additional soft money. 4% tax credit deals are not always able to cover extra costs in this way. As such, the agency should consider relaxing these provisions for bond deals.

<u>9% Credits</u>

1. Compared to many states, Minnesota has a very complicated and involved point scoring regime. The proposed 2018 changes make this even more so. Individually, many of these point scoring categories seem to advance valid policy objectives. However, taken as a whole this level of detail does a few things that may run counter to Minnesota Housing policy objectives:

    a. Complicated programs favor incumbents and discourage newcomers from even trying.

    b. Complicated point scoring means that it is difficult to predict whether a project gets funding – uncertainty like this adds to cost over time.

c. Access to high performing schools advances valid policy objectives – but this is just one more locational attribute to consider.

d. Locational Efficiency: access to transit is important. Walkability is important. And other locational factors covered in this section are important. It might be interesting to measure over time whether these point scoring attributes lead to better projects in better locations.

2. Points for preservation projects are particularly complicated to figure out. The points that are attributable to any project are impossible to know without consulting with Minnesota Housing staff. As an example, points for risk of loss due to physical needs require input from staff and a physical needs assessment costing $3,000- $5,000.

3. In order to receive a tax credit reward in the metro area, a project sponsor is essentially required to serve homeless populations, which in turn requires a sponsor to coordinate services with local non-profit service providers. Similarly, serving disabled populations also requires coordination of social services. Over time, most 9% tax credit projects in Minnesota have become permanent supportive housing projects.

METRO CITIES
Association of Metropolitan Municipalities

March 24, 2016

Minnesota Housing Finance Agency
Attention: Tamara Wilson
400 Sibley Street, Suite 300
St. Paul, MN 55101

Dear Ms. Wilson:

Thank you for the opportunity to comment on the proposed Qualified Allocation Plan. Metro Cities appreciates Minnesota Housing's outreach efforts to review the proposed plan as well as solicit comments on proposed changes to the plan.

Metro Cities' policies speak to a range of issues around housing. Adequate housing is a significant concern for the metropolitan region and effective approaches require participation from all levels of government, the private sector and nonprofit groups.

A primary concern for communities across the region is access to financial resources for housing. Metro Cities encourages the state, as an essential source and distributor of state and federal funds, to work closely with local governments to ensure that the agency's housing programs and resources align with local needs.

Metro Cities encourages the QAP Priorities to include eligibility for communities in the metro that face the listed needs, including housing for large families and workforce housing. Housing that is affordable and near job centers is also important for residents who often face long commutes.

Metro Cities also urges consideration for the varying characteristics and circumstances of cities across the region in determining criteria, particularly around issues (i.e. transit levels) for which cities have little control, and for which there are limited state and regional resources.

Metro Cities also supports preserving existing subsidized and publicly-owned housing and the QAP priority that addresses this need, as well as housing programs designed to develop market rate housing in census blocks with emerging or high concentrations of poverty.

The QAP priority for universal design allows housing stock to remain viable for the long-term and aligns with Metro Cities' policy which supports housing design that is flexible for residents at multiple stages of life.

Thank you again for the opportunity to comment on the draft.

Sincerely,

Patricia Nauman
Metro Cities—Executive Director

145 University Ave W • St. Paul, MN 55103-2044 • Phone (651) 215-4000 • Fax (651) 281-1299 • www.MetroCitiesMN.org

METROPOLITAN INTERFAITH COUNCIL ON AFFORDABLE HOUSING

"Do Justice, love mercy, walk humbly with your God." Micah 6:8

MICAH

May 9, 2016

MICAH's public comments on the 2018 QAP Low Income Housing Tax Credits

Thank you for the opportunity to comment.

General Comments:

1. We appreciate the opportunity to participate and ask questions at the March 15, 2016 Webinar on the 2018 QAP Plan. It was unfortunate that it was scheduled at the same date as several Housing, Homeless and other advocacy Days on Capitol Hill. We appreciate the documents being posted on your website and encourage you to hold a similar webinar after the plan is finalized with specific emphasis on inviting suburban communities with limited experience and/or newer to the LIHTC process that are currently exploring affordable housing development- MICAH is currently encouraging affordable housing developments in many Cities in the metropolitan region to develop affordable housing including Dayton, Rogers, Inver Grove Heights, Lakeville, and Farmington.

2. Unfortunately, I will be unable to attend the public hearing as it is scheduled on a significant faith holiday weekend. MICAH hopes in the future that MHFA will take into consideration holding public hearings at times that are not in close proximity to faith holidays.

Specific Comments

1. MICAH supports the changes made previously for the 2017 allocation. This represents a fairer distribution of LIHTC resources and supports continuation of that allocation. We believe this will provide additional housing choice opportunities in the suburban communities with emphasis on opportunities and integration of housing into the communities.

2. MICAH encourages a higher priority be given to projects that apply that are attempting to decrease the conversion of "naturally occurring affordable housing"/ older apartment complexes into market rate housing. MICAH is very concerned about the trend and the increased interest by investors outside of Minnesota to invest in our older apartment market with the plan to convert to market rate and the impact on current residents utilizing Housing Choice, GRH, and Housing Trust subsidies in those buildings as well as other low income residents. We cannot afford to lose additional affordable housing and MICAH believes maintaining these units is very cost effective compared to a 2-5 year wait on replacement and the costs to families, seniors, and individuals displaced and to us as tax payers, the cost of having additional people becoming homeless due to the tight rental market.

3. MICAH disagrees with MHFA about its role with sub-allocators. Minnesota has a unique manner of distributing Low Income Housing Tax Credits through the allocation to MHFA and sub-allocation to other entities. MICAH believes that MHFA has obligations under the Fair Housing Act to ensure that all resources it has, it is appropriated, allocated, or sub-allocates or grants are used in a manner that decreases segregation and promotes housing choice and integration throughout the metropolitan area and State.

4. MICAH is most concerned about the potential segregated impact from the awards of the 10% set aside for non- profits and additional resources that are provided to projects in sub-allocators communities. We believe that without further review by MHFA of both the non-profit site location and its proximity to other affordable housing in that community, that MHFA may be promoting segregation through the non-profit set aside. We recognize and support the need for reinvestment and renovation of properties in highly segregated, high poverty areas and encourage specific investment in those communities with developers that are community based, and will hire people, especially minorities, within the community and contract with minority and women businesses in that community to keep the investment in that community.

Thank you for the opportunity to comment.

Sincerely,

Sue Watlov Phillips

Sue Watlov Phillips, M.A.

Executive Director, MICAH

463 Maria Ave.
St. Paul, MN 55106

Phone: (651) 646-0612
Fax: (651) 776-0818
Email: Info@micah.org
www.micah.org

Minnesota Housing Partnership www.mhponline.org 651–649–1710

March 24, 2016

Subject: **MHP Comments on the Draft 2018 QAP**

In general the individual changes to the QAP make sense. There are a few exceptions that are covered below.

However, increasingly developers have concerns about the complexity of the Self-Scoring Worksheet. The QAP is forcing developers to do a little bit of everything in order to gain competitive points. This leads to developments that are more challenging to manage and are not what every community needs, nor some rural areas can support. We encourage the Agency to review approaches taken by other states to see if in future years some of the complexity can be reduced while still ensuring that state objectives for affordable housing development are being met.

<u>Comments raised by developers with whom MHP is associated</u>

These were welcomed changes:

+ The increased points for projects with one-third or more 3 bedroom units in rural areas.

+ Giving credit for government or private grants which are not targeted to a specific project.

+ Enabling applicants for the rural project set-aside to first compete in the general pool.

+ Having a point structure that reflects different service levels among dial-a-ride services.

Concerns were voiced about:

- The complexity of the preservation categories, and relatedly, the cost of getting a physical and capital needs assessment.
- The process of appealing walk-scores is both drawn-out and not reaching what appeared, for the two developers making this point, to be common-sense conclusions in rural areas.
- The linkage of Permanent Supportive Housing scoring points to the highest Continuum of Care priority. This was seen as another hoop to go through in completing a project proposal; and this does not appear to be a worthwhile

alignment because most if not all CoC regions have urgent needs in each of the alternative top priorities: homeless families, singles and youth, and have only prioritized one of these because it is required.

- Since developers have found some rural areas to be without available homeless services, they believe that these areas are consequently an unfairly excluded from having any tax credit projects awarded.
- The number of requirements adding expense is particularly burdensome for 4% credit/bond projects some of which might be developable with no additional public subsidy; the Agency should consider having a lower tier set of requirements for bond projects.

Encourage maximum affordability

The Agency should take time over the coming year to decide whether to incent or require developments to commit to 50 plus years' affordability. Since projects typically "wear out" before this time, this type of commitment is only of use in select communities with high land values. However, these are typically the communities which over time will also remain high-opportunity areas, where owners will have economic incentive to convert to non-affordable housing use at the end of a compliance period.

Two states with decades-plus experience in lengthy compliance periods are California and Virginia. Advocates in these states say though the extra-long term affordability commitment is voluntarily made, developers nearly always make it due to the competitiveness of the tax credit point system.

California requires 55 years commitment (50 years for properties on tribal trust land) for any proposed developments seeking points for low-income affordability, at-risk housing, special needs populations, SROs, senior housing, and large family housing.

Virginia awards 40 points for a 40 year affordability commitment, 50 points for a 50 year commitment, or 60 points if after 15 years the development is sold to a qualified nonprofit or PHA. (Nearly every developer selects the 50 year commitment or sale to a nonprofit option reports the director of the Virginia housing coalition.)

The states that have gone to this long term use restriction see it as a *no cost way of extending housing affordability*. Minnesota should investigate how and where this approach should be used.

MINNESOTA NAHRO SERVING MINNESOTA'S HOUSING & COMMUNITY DEVELOPMENT NEEDS

March 24, 2016

Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St Paul, Minnesota 55101-1998

Sent via email

RE: Comments on the Proposed 2018 Qualified Allocation Plan (QAP)

Dear Commissioner Tingerthal:

On behalf of Minnesota NAHRO and its members, thank you for the opportunity to provide comment on the Proposed 2018 Qualified Allocation Plan (QAP). Minnesota NAHRO members own, manage or administer the majority of subsidized rental housing in Minnesota including all public housing plus the administration of the Housing Choice Voucher/Section 8 program. In addition, our members work with developers on a regular basis regarding affordable housing developments that need tax credits. Please consider this letter our comments to the 2018 QAP.

Overall Concerns - Complexity
Minnesota Housing has done a commendable job in explaining the QAP scorecard. However, the scorecard and the work required to understand it has reached a very high level of complexity, and as a result creates a significant cost to applicants prior to award. The complexity of the scorecard also creates a barrier to entry for new developers or those with limited capacity. Other states have more straight forward applications and it is our recommendation that Minnesota Housing look to these examples to reduce the complexity of the scorecard in future years. The benefits of streamlining will help to reduce soft costs and reduce barriers to participation in the Low Income Housing Tax Credit program.

Household Targeting – Large Family Housing
The addition of points for larger units is a positive addition as these projects have fewer units but similar costs. These points recognize the value of affordable units to serve large families.

High Performing Schools
It is understandable that the QAP address the concentration of poverty and the location of LIHTC developments. However there are concerns that the approach used regarding higher performing schools may rely on an incomplete data source. Specifically, there are concerns that the database may not include charter schools which are often important critical educational assets in a community. In addition, these schools may meet the high performing standard and provide critical opportunities and supports to families with school age children.

Location Efficiency
The addition of the section for areas without fixed route transit service (2DB) is useful as it recognizes the transportation challenges in greater Minnesota. Moreover, the continued inclusion of points for Rural/Tribal recognizes the importance of developing projects in these areas. However, the continued reliance on Walkscore is problematic especially in Greater Minnesota. Specifically, past applicants using Walkscore for proposed projects have found the data source to be inaccurate, the methodology unclear and Walkscore has been slow to

respond or unresponsive to users when issues have been raised. Consequently, WalkScore continues to be an inadequate measure for this criteria.

Financial Readiness to Proceed
Local funding is an important component to the readiness to proceed but the criteria regarding local tools such as TIF and the sales tax rebate is unclear and difficult to calculate as presented.

Preservation Scoring Criterion
Preservation should continue to be a priority for scoring and the inclusion of RAD program is useful as it is expected that this federal resource will become more prevalent in the state in future years.

Preservation - Dual Application Requirement
Under preservation, it is understandable that the agency is seeking maximize the use of both the 4% and 9% tax credits. However, the requirement that all projects seeking preservation points must submit an application for both 4% and 9% is too onerous. We recommend that the agency and applicant should determine whether it is feasible to submit a dual application during the pre-application phase in order to streamline the process and reduce costs to the applicant. Specifically, at the pre-application stage, projects should be identified that fit the criteria but would not be good candidates for the 4% credit. These projects should be saved the cost and expense of the dual application.

Universal Design Criterion
The shift to universal design criteria is understandable but this requirement increases project costs. The agency should incorporate universal design criteria with caution as the agency should balance this requirement against rising per units costs.

Rental Assistance Criterion
Housing Authorities that administer the Section 8 program are **prohibited** by HUD from committing vouchers prior to award and noncompliance with this prohibition may result in the denial of vouchers for a project and sanctions against the housing authority. This makes for a significant barrier for projects that rely on project based Section 8 (PBS8) for rental assistance. While Housing Authorities want to be partners in these projects, this prohibition is noteworthy as it relates to the QAP and is strictly governed by federal regulations.

Cost Containment
The effort to hold down total development costs is important and it is clear that development costs continue to increase as the economy improves. The agency should investigate cost drivers in previous rounds and look to the other states for alternatives.

Thank you for the opportunity to submit these comments on behalf of Minnesota NAHRO member agencies. If I can be of further assistance, please do not hesitate to contact me.

Sincerely,

Shannon

Shannon Guernsey, JD
Executive Director

March 24, 2016

Tamara Wilson
Minnesota Housing
400 Sibley Street, Suite 300
Saint Paul, MN 55101

Re: Minnesota Draft 2018 Qualified Allocation Plan

Dear Ms. Wilson,

The National Housing Trust (NHT) is a national nonprofit organization formed to preserve and revitalize affordable homes to better the quality of life for the families and elderly who live there. NHT engages in housing preservation through real estate development, lending and public policy. Over the past decade, NHT and our affiliate, NHT-Enterprise Preservation Corporation, have preserved more than 25,000 affordable apartments in all types of communities, leveraging more than $1 billion in financing.

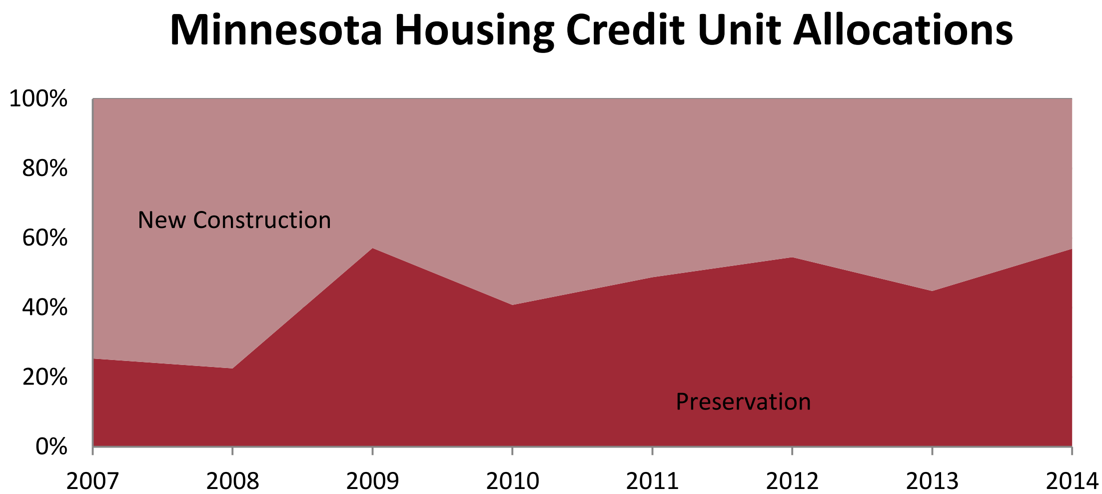
We appreciate the opportunity to comment on the proposed changes for Minnesota's 2018 Qualified Allocation Plan (QAP). NHT fully acknowledges and appreciates the entire set of preservation policies and programs established by the Minnesota Housing Finance Agency (Minnesota Housing). The comments below refer directly and specifically to Minnesota Housing's proposed QAP as it relates to the Low-Income Housing Tax Credit (Housing Credit) program.

In summary, we urge Minnesota Housing to:

- **Maintain the points awarded to proposals involving preservation.**
- **Continue to balance the allocation of tax credits for areas of opportunity and the preservation of existing housing.**
- **Maintain the incentives for green building standards and proximity to public transportation in the final QAP.**

Maintain the Points Awarded to Proposals Involving Preservation. Minnesota has an impressive track record regarding preservation efforts using Housing Credits. As *Figure 1* indicates, in six of the past eight allocation periods, over 40% of the units receiving credits were preservation units. Preservation is integral to building and maintaining sustainable, economically vibrant and healthy communities. Minnesota Housing's preservation points demonstrate a strong commitment to preservation that helps meet the needs of Minnesota's elderly, disabled, and low-income households.

Figure 1



Source: NHT Allocations Data

We especially support Minnesota Housing's efforts to preserve housing for low-income individuals and families through points awarded to projects with federal rental assistance. The Trust encourages Minnesota Housing **to maintain its points for the preservation and rehabilitation of existing multifamily rental housing** in the final 2018 QAP.

At the same time, there are significant numbers of properties with income restrictions that also have expiring subsidies. The Trust believes that these properties should also be a high priority for preservation in Minnesota.

Balancing Incentives in Areas of Opportunity and Preservation. Some states are setting priorities for the deployment of Housing Credits in previously underserved areas. The Trust supports a **balanced approach** which calls upon states to ensure that such deployment does not inadvertently disadvantage the allocation of Housing Credits for the preservation of affordable housing, wherever such housing is located.

Indeed, as observed in HUD's Final Affirmatively Furthering Fair Housing (AFFH) Rule: "A program participant's strategies and actions…may include various activities…including…Targeted investment in neighborhood revitalization or stabilization; preservation or rehabilitation of existing affordable housing; promoting greater housing choice within or outside of areas of concentrated poverty and greater access to areas of high opportunity; and improving community assets such as quality schools, employment, and transportation."

Minnesota Housing's draft 2018 QAP takes important steps towards achieving this balance, offering incentives for community targeting either in areas of opportunity, as defined through a number of categories, as well as preservation in areas with ongoing community revitalization efforts. Balancing these incentives is especially important as preservation of affordable housing can itself be an important generator of investment within a distressed community:

- Catalyzing investment and development in distressed neighborhoods serving racial minorities;
- Improving living conditions and enabling households who choose to stay in their neighborhoods to do so;
- Maintaining and improving housing in gentrifying communities.

We urge Minnesota Housing to continue to **balance incentives for investing in areas of high opportunity and improving affordable housing in existing communities** in a way that makes sense for Minnesota.

Green Incentives. We would like to commend Minnesota Housing for being a leader in incorporating energy efficiency criteria and incentives. Increasing energy efficiency in affordable, multifamily housing is a great investment – it delivers value to customers and the utility in the form of a more efficient system, creates healthier living environments for residents, lowers residents' utility bills, reduces owner operating expenses, which can free-up capital for building improvements, and sustains affordable housing. We also note for your consideration that NHT has partnered with the Natural Resources Defense Council (NRDC) and others to create the Energy Efficiency for All initiative, the purpose of which is to increase the amount and effectiveness of energy efficiency investments in affordable multifamily housing. We have had the opportunity to review comments from NRDC, and we are supportive of their comments as related to energy efficiency and clean energy.

The Trust also commends Minnesota Housing for recognizing the importance of transit-connected affordable housing in its 2018 QAP. By awarding points to projects located in close proximity to public transportation, Minnesota Housing can preserve these at-risk units while further incentivizing location efficiency among low-income housing tax credit applicants.

Conclusion. As you consider these recommendations, you can explore how other states are approaching each of these issues in their Qualified Allocation Plans by searching PrezCat (www.prezcat.org), an online catalog of state and local affordable housing preservation policies. We would be happy to work with you to flesh out some of these ideas, and identify options that work best for the preservation of affordable housing in Minnesota.

It is important for housing choice that Minnesota maintains a balanced allocation of Housing Credits. Preservation helps sustain and revitalize existing communities. The National Housing Trust urges Minnesota Housing to continue its support for sustainable communities and the preservation of Maryland's existing affordable housing by maintaining the points offered to preservation projects in Minnesota's 2018 QAP.

Thank you for the opportunity to comment on this important issue in the State of Minnesota.

Sincerely,

Michael Bodaken

Michael Bodaken,
President

March 24, 2016

Tamara Wilson
Minnesota Housing
400 Sibley Street, Suite 300
Saint Paul, MN 55101

Re: Minnesota Draft 2018 Qualified Allocation Plan

Dear Ms. Wilson,

These comments are submitted by the Natural Resources Defense Council (NRDC) and Fresh Energy. NRDC along with the National Housing Trust (NHT), and additional partners launched the "Energy Efficiency for All" initiative in 2013 to scale up energy efficiency investment in affordable multifamily housing. Fresh Energy is helping to spearhead this effort in Minnesota.

We commend the Minnesota Housing Finance Agency ("Minnesota Housing") for its commitment to increase the energy and water efficiency and sustainability of affordable housing. We support Minnesota Housing's requirements that properties meet Minnesota Green Communities criteria to establish baseline energy and water efficiency. In addition we support requiring applicants to conduct an Energy Rebate Analysis to help owners access utility-sponsored energy efficiency resources, and improve utility programs.

As you continue to draft the 2018 Qualified Allocation Plan (QAP) we recommend Minnesota Housing consider the following to further commit to improving the financial stability of its properties through energy efficiency:

1. Consider incorporating 2015 Enterprise Green Communities Criteria into the Minnesota Green Communities Criteria. Strategies for energy and water conservation continue to evolve. To remain on the leading edge, Enterprise continues to update its criteria based on feedback from affordable housing developers and leading experts in green building. Enterprise 2015 Green Communities Criteria launched in October 2015 with an increased commitment to energy efficient design, water conservation, and health and well-being of residents.

2. Adopt points to encourage performance-based energy savings in rehabilitation projects that seek an allocation of tax credits. We commend Minnesota Housing for requiring that properties meet Minnesota Green Communities criteria, and including performance and prescriptive pathways. We recommend that Minnesota Housing consider incentives for projects that demonstrate that they will achieve a certain level of energy savings above the required baseline. This will encourage developers to combine technologies and further optimize the performance of the building as a whole.

- The **Maryland Department of Housing and Community Development** requires an energy audit for rehabilitation projects and requires all energy conservation measures with a Savings to Investment Ratio of 2.0 or greater to be included in the scope of work. In addition, DHCD awards points to rehabilitation projects that will result in an overall energy savings of 20-30% greater than pre-retrofit levels.

- The **Illinois Housing Development Authority** awards points to projects that exceed baseline green building standards. Points are awarded for a minimum 10% improvement for new construction or 5% improvement for rehabilitation projects proven by a completed energy model or by achieving a HERS rating of 75 or lower.

- The **Pennsylvania Housing Finance Agency** awards points for projects that pursue achievement of Enterprise Green Communities optional points criteria **or** properties that exceed the requirements of Energy Star Version 3.0 by achieving a HERS index of less than 70 for substantial rehabilitation projects that are 100% electric, or a HERS index of less than 60 for substantial rehabilitation projects utilizing gas. Moderate rehabilitation projects are awarded points for a HERS index of 80 or less for 100% electric buildings, or a HERS index of less than 75 for moderate rehabilitation projects utilizing gas.

3. Reward all projects that commit to benchmark the energy and water use of the property for the life of the applicable tax credits by including additional requirements and/or incentives into the QAP. We understand that Minnesota Housing participated with Energy ScoreCards Minnesota on a benchmarking pilot, and we very much appreciate Minnesota Housing taking that on. To build on this pilot, we recommend Minnesota Housing consider adopting additional requirements and incentives to encourage benchmarking of energy use.

Benchmarking makes the business case for improving the energy and water efficiency and sustainability of the housing in which Minnesota Housing invests, either by loans or via the allocation of equity. These properties need to stand the test of time. That means the properties must, on a continuous basis, meet debt service, reserves and other essential expenses. More often than not, energy is the highest variable operating cost in affordable housing, materially affecting both owners and residents. What's more, water and wastewater charges have been increasing at well above the Consumer Price Index for many years.[1] Thus, to maintain Minnesota Housing's interest and its own investments, we recommend that Minnesota Housing explore adding incentives for benchmarking to help ensure cost-effective energy and water savings. Other state housing finance agencies have encouraged such benchmarking:

- **The New Jersey Housing and Mortgage Finance Authority** awards additional points in its QAP to developers who commit to participate in its benchmarking initiative. Developers are eligible to receive the points if they submit a signed energy benchmarking utility release form for all common meters (gas, oil, and electric, etc.), provide certain project data (square footage per building, mechanical systems installed, etc.), and signed energy benchmarking utility release forms for a minimum of 75% of tenants.

- The **Illinois Housing Development Authority** requires properties to collect and monitor project performance data on energy, water and healthy living environments and provide IHDA with access to the data through a Utility Release Form or EPA's Portfolio manager account information.

- **The Michigan State Housing Development Authority** participated in a utility tracking pilot to monitor electricity use in 72 developments. The pilot used online benchmarking software to track both site and tenant-paid utilities to identify opportunities to lower operating expenses. In addition, owners were motivated to participate because the software was used to accurately and automatically calculate the developments' utility allowances based on actual consumption

[1] American Water Works Association (AWWA) & Raftelis Financial Consultants, Inc., *2014 Water and Wastewater Rate Survey*, AWWA, 2015. pp. 15-17.

data, greatly reducing owner administrative costs to perform these calculations. Owners responded well to the pilot, and many have continued their benchmarking software subscriptions.

4. Include incentives for project-specific utility allowances to incentivize energy and water efficiency investments. Project-specific utility allowance practices that account for cost savings from energy improvements can encourage building owners to make investments that optimize building energy efficiency by allowing building owners to recoup some of the investment made to improve the building's performance. Project-specific utility allowance practices include either a high-quality energy consumption model or the use of actual consumption data.

It is important to note that the IRS recently issued guidance that no longer requires actual consumption data when creating an energy consumption model. This clarification will make the energy consumption model more accessible to LIHTC properties.

States are beginning to require projects to or award points for switching to project-specific utility allowances, using either actual consumption data or an energy consumption model. For example:

- In 2014, the **Arizona Department of Housing** began requiring properties with new LIHTC awards to base their utility allowances on an energy consumption model. Utility allowances are calculated by a certified Residential Energy Services (RESNET) rater. The RESNET rater uses on-site data to establish a baseline Home Energy Rating System (HERS) rating on the as-is property conditions, then works with the developer to identify cost-effective energy improvements to incorporate into the scope of work. After construction, the energy model us updated and final HERS rating and utility allowances are calculated for the property.

- **The Washington State Housing Finance Commissions** awards two points for building owners that choose the energy consumption model for calculating utility allowances. The estimate must be calculated by an independent licensed engineer or other qualified third party approved by WSHFC.

- As mentioned above, the **Michigan State Housing Development Authority** participated in a pilot with New Ecology to use WegoWise software to calculate utility allowances in 400 participating buildings based on actual consumption data. Data were accessed through existing landlord portals through DTE and Consumers Energy streamlining data collection and allowing New Ecology to perform the required utility allowance calculations based on MSHDA requirements.

5. Revise *Criteria 4.1: Water Conserving Fixtures* of the "Minnesota Overlay" to the 2011 Enterprise Green Communities Criteria to require replacement of showerheads and aerators on threaded faucet outlets in all moderate rehabilitation projects. As stated in point #1 above, we urge Minnesota Housing to adopt the 2015 Enterprise Green Communities Criteria, which require (among other things) replacement of plumbing fixtures with water-efficient fixtures not only in all new construction and substantial rehabilitation (as in the Overlay), but also in all moderate rehabilitation projects.

However, if Minnesota Housing does not adopt 2015 Enterprise Green Communities Criteria, we recommend a revision to Criteria 4.1 of the Overlay. Currently, Criteria 4.1 provides two options for moderate rehabilitation projects where the Effective Remaining Life of specified plumbing fixtures is seven years or more. Option 1 requires a "flow rate test" for showerheads, bathroom faucets, and kitchen faucets and implementing retrofits that "provide a cost benefit of two years or less". Option 2 requires replacing all specified fixture types with efficient models. Under Option 1, we believe the time and expense of conducting the flow rate test is unnecessary for two of the listed types of fixtures: threaded faucet outlets and showerheads. Replacement of showerheads and of aerators on threaded faucet outlets is so low-cost and easy to implement that such retrofits should be required for all moderate rehabilitation projects, rather than subject to a site-specific flow rate test and cost benefit analysis.

The Natural Resources Defense Council and Fresh Energy commend Minnesota Housing for its support of sustainable communities, and we appreciate the opportunity to comment.

Sincerely,

Ariana Gonzalez
Energy Policy Analyst
Natural Resources Defense Council

Ben Passer
Policy Associate
Fresh Energy

From:	Schuchman, Kayla (MHFA)
To:	*MHFA_MN Housing; Wilson, Tamara (MHFA)
Cc:	LeBlanc, Brad (MHFA); Lund, Diana (MHFA); Patterson, John (MHFA); Jefferson, Summer (MHFA)
Subject:	RE: Comment on 2016 HTC Self Scoring Worksheet
Date:	Tuesday, March 22, 2016 2:35:05 PM

Thanks Kristi – I think we should treat this is a public comment for the 2018 QAP currently out for public input through this Thursday at 3pm. Tamara will track all comments received.

Tam – please see comment below.

From: *MHFA_MN Housing
Sent: Tuesday, March 22, 2016 1:32 PM
To: LeBlanc, Brad (MHFA); Schuchman, Kayla (MHFA); Lund, Diana (MHFA); Patterson, John (MHFA)
Subject: FW: Comment on 2016 HTC Self Scoring Worksheet

Not sure who is the appropriate person to receive or respond to this, but thought you all should see the comment.

Kristi Steinmann | **Communications Specialist** | Minnesota Housing | 400 Sibley Street, Suite 300 | Saint Paul, MN 55101
651.296.7621 | 800.657.3647 | tty: 651.297.2361 | www.mnhousing.gov
Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.
[Please consider the environment before printing this e-mail.]

From: Hemmerlin, Randal [mailto:randal.hemmerlin@ci.red-wing.mn.us]
Sent: Tuesday, March 22, 2016 1:20 PM
To: *MHFA_MN Housing
Cc: Shannon Guernsey; Chip Halbach
Subject: Comment on 2016 HTC Self Scoring Worksheet

Dear Minnesota Housing:

I would recommend that MH completely revamp the Self Scoring Worksheet for the future. The worksheet has too many components and is trying to assess too many sub-goals. It needs to be substantially pared down and hit on the major goals that MH is trying to achieve. It's over-the-top today and nearly unreadable. Also, some of the goals have too wide a range (Rental Assistance 2-21 and it rewards concentration of poverty) and others do not award enough (non-smoking 1 point). Finally, it should remove the qualifying language out of the worksheet and place in another document…for instance, universal design.

I could give more examples but I think you get what I am saying.

It looks like a document that has had sub-parts added to it over a number of years.

Probably too late for 2016, but perhaps going forward it could be done.

Best wishes,

Randal

Randal E. Hemmerlin, Executive Director
Red Wing HRA
428 West Fifth Street
Red Wing, MN 55066
651-301-7028
randal.hemmerlin@ci.red-wing.mn.us

TRAVOIS™

310 W. 19th Terrace
Kansas City, MO 64108

March 23, 2016

Mary Tingerthal
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, MN 55101-1998

Ms. Tingerthal:

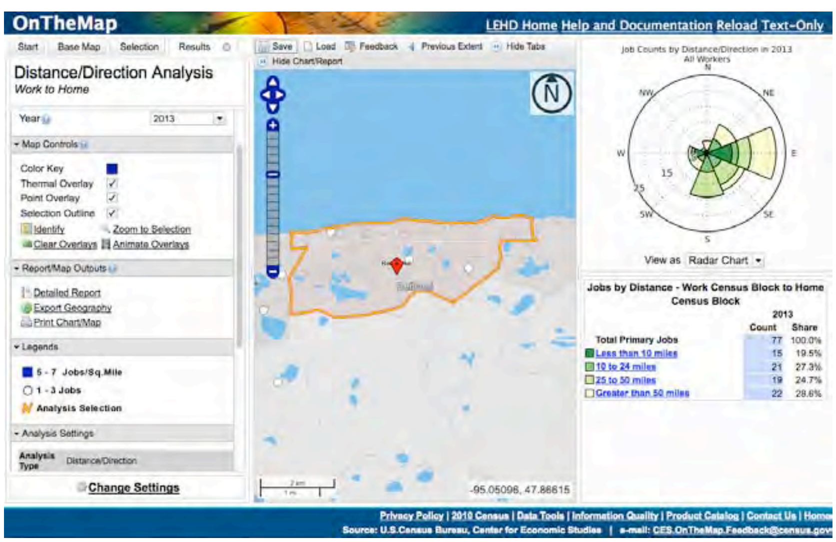
We appreciate the opportunity to comment on MHFA's draft 2018 Qualified Allocation Plan, HTC Program Procedural Manual, and HTC Self-Scoring Worksheets. Over the past 15 years, Travois has had the privilege of working with several Minnesota Tribes and Tribally Designed Housing Entities on 27 Low Income Housing Tax Credit Projects. On behalf of Travois and its Indian Country clients, please accept the following comments on the possible 2018 QAP changes.

Selection Priority 1: Household Targeting

Low-income tribal families in Minnesota desperately need large enough units to accommodate multi-generational households. We fully support MHFA's intent to award two additional points to projects with at least 25% of the total units containing three or more bedrooms.

Selection Priority 2: Areas of Opportunity, C. Workforce Housing Communities

We would like to confirm that all communities with 15% or more of their workforce travelling 30 or more miles to work would qualify for three points in 2018 QAP, not only those listed in the Greater Minnesota Metro Long Commute Communities table. Many rural/tribal communities would meet these definitions but are not listed in the provided table. For example, Red Lake, MN (home to Red Lake Nation tribal members) should qualify for points because over 15% of people who work in Red Lake travel more than 30 miles home. In fact, from the chart below, it looks like more than 50% of Red Lake's workforce travel more than 30 miles home.



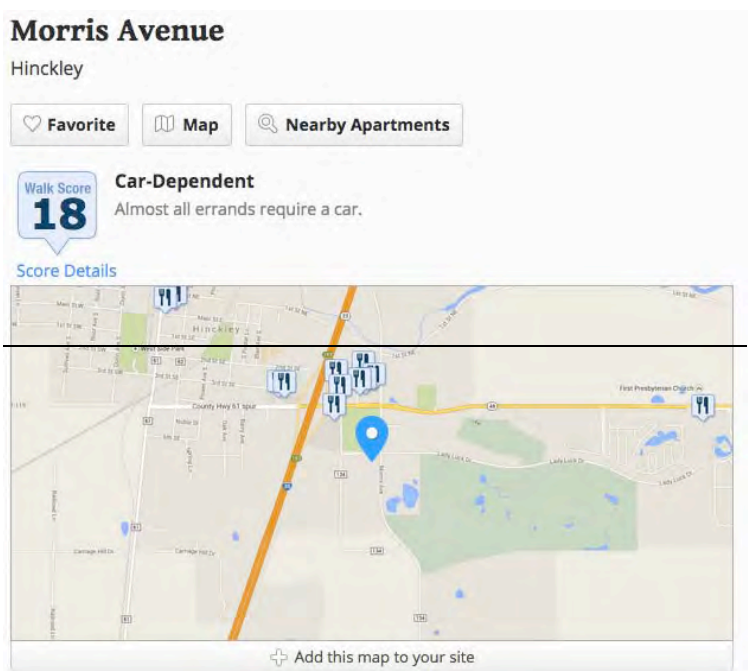
We respectfully request that MHFA allow any community to receive points in this category if they meet the commuting requirements.

D. Location Efficiency - Greater Minnesota - B.1) Access to Transit Without Fixed Route Transit Services

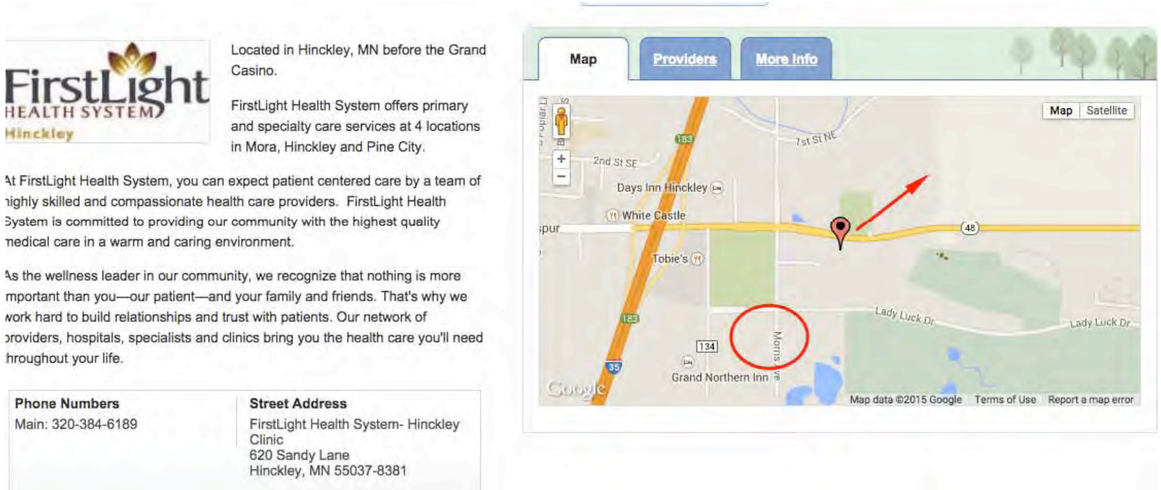
We support MHFA's attempt to include on-demand door-to-door transportation points. However, we recommend that tribal projects be allowed to earn the on-demand transit points without requiring that tribal projects also be located in census tracts within a certain distance of thousands of jobs. Tribal developers don't have the same flexibility as for-profit developers to pick and choose where to locate projects, and the remote and rural nature of reservations makes it nearly impossible for tribes to earn any points in this category, even if they have sophisticated dial-a-ride systems in place to serve their residents. Including a proximity to jobs is an oversimplified assessment of rural economies, and drastically discounts the realities of low-income households living in very rural areas, especially on tribal land. Door to door transportation services are arguably even more important for low-income residents of very rural areas like reservations because residents need access to transportation services to go to the grocery store, medical appointments, work, parent-teacher conferences, etc. If a tribal project provides door-to-door transportation services to the project residents, it shouldn't matter how many low and moderate wage jobs are within close proximity to the project

D. Location Efficiency - Greater Minnesota - B.2) Walkability Without Fixed Route Transit Services

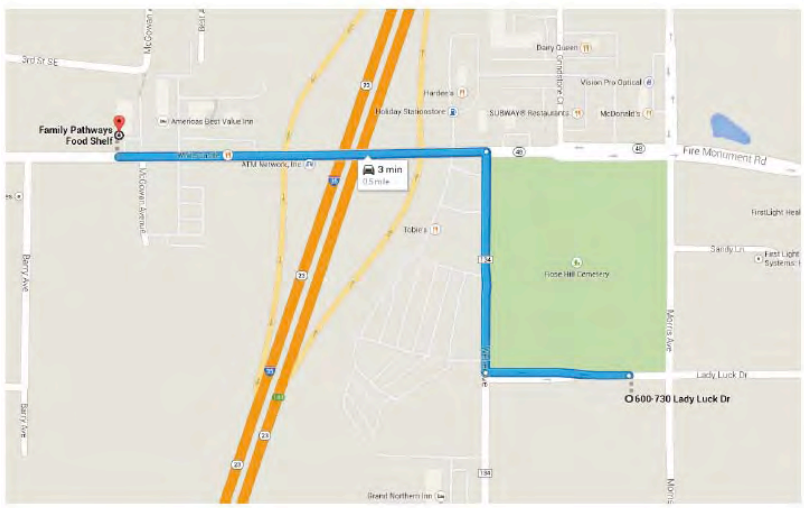
We are disappointed that a project's location efficiency continues to be tied to its Walk Score. This category has always been problematic for tribal projects (and rural projects in general). Consider the project submitted in 2015 by Mille Lacs Corporate Ventures. Despite an ideal location in Hinckley, MN the project only achieves a Walk Score of 18 of 100, which would earn 0 points.



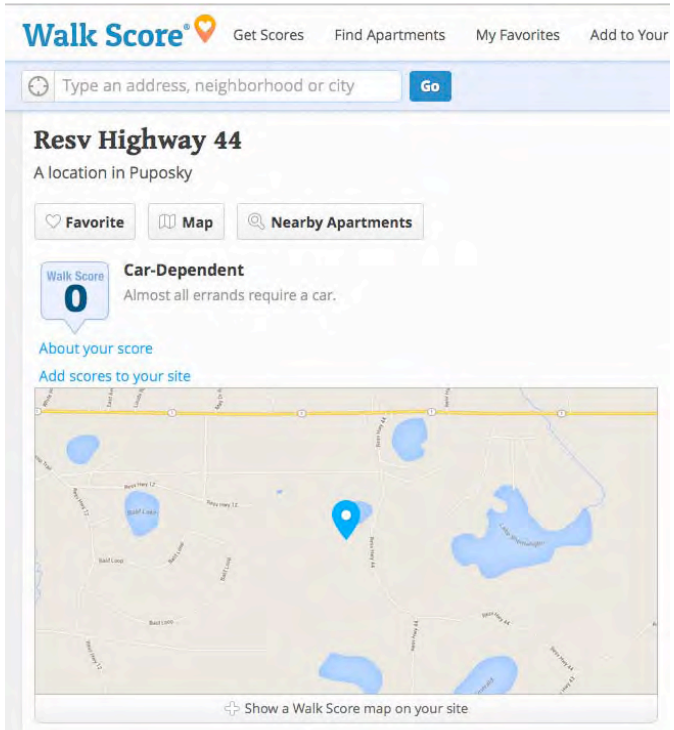
What's problematic for rural communities — and especially tribal projects — is that amenities that are available may not be accurately reflected within the Walk Score calculation. Consider the First Light Health System clinic in Hinckley. Though less than .2 miles away, it is not identified as a Walk Score amenity.



Important social services are also overlooked. Despite being within .5 mile of a food pantry, these points are not factored into the Walk Score either.



And Mille Lac's project was located in what we'd consider the most favorable location for a tribal project in the state. Red Lake, for example, would earn a Walk Score of 0.



Not only does Walk Score not accurately reflect amenities valuable to rural communities, but Walk Score doesn't account for the fact that "distance is relative." In other words, reservations are in rural areas where these amenities are spread out over larger distances, yet are still deemed close by residents used to living in such an area. Walk Score discounts this notion and would deem these amenities as too far away to add to the score.

We have to assume that the underlying location-placed scoring criteria is driven by MHFA's desire to reward developments near certain amenities because these projects will be more desirable, marketable places to live which will translate to faster lease up, lower turnover and increased chances for overall project success. This assumption simply does not apply to tribal projects like it does to other projects off reservations. Tribal members desire to live on the reservation with their family members and cultural. Tribal entitles across the state have large waitlists of households in need because supply cannot meet demand; tribal members will gladly rent a unit on the reservation even if it doesn't have easy access to latte macchiatos. The vast majority of Travois' 175 tribal projects would have scored abysmally by Walk Score standards. However, these projects have been incredibly successful – as judged by rapid lease-up, low turnover, lengthy waiting lists for project units, and no uncorrected 8823s or credit recapture – in part because traditional notions of marketability simply don't apply on reservations. Moreover, tribal projects are the most in need of the leveraging that the LIHTC program provides because there is no other way to fund large-scale housing projects on reservations. Traditional lenders are leery of investments that cannot be secured by trust land, and even if tribes are able to find lenders, tribes could not afford to pay the debt service that would come with hard debt because they keep rents affordable to their low-income tribal members.

We strongly recommend that MHFA return to a list of site amenities to supplement Walk Score, where applicants can earn points for being in a few mile proximity to a fixed list of amenities like numerous other states do ***or*** by providing transportation services (including dial-a-ride) to those amenities, like Montana does. Ultimately, MHFA should want to fund affordable housing for those most in need. A project's Walk

Score has nothing to do with need and shouldn't outweigh other, much more compelling factors in a project's potential success, such as demand, low financial risk, and deep income targeting.

Selection Priority 3: Rural/Tribal

We support the increase in points available for projects located in rural/tribal areas. However, projects in rural/tribal areas are not eligible for 13 points in the draft QAP (9 points in Economic Integration and 4 points in Access to Higher Performing Schools). Therefore, the number of points available in this category should be at least 13.

Selection Priority 9: Planned Community Development

We respectfully request MHFA specifically state that Indian Housing Plans (IHP) adopted by Tribes or Tribally Designated Housing Entities pursuant to the Native American Housing And Self Determination Ac (NAHADSA) would qualify as Planned Community Development. All tribes eligible for Indian Housing Block Grant funding submit an IHP to the U.S. Department of Housing and Urban Development each year. The IHP is the mechanisms by which tribes plan community development, and it outlines the current community development needs of the tribal members and the tribe's plan for the future. We recommend the following changes (in blue):

"Points are awarded for proposals that contribute to Planned Community Development efforts, as defined in section 6.A. of the Housing Tax Credit Procedural Manual, to address locally identified needs and priorities, in which local stakeholders are actively engaged. Comprehensive plans, land use plans and general neighborhood planning documents are not by themselves considered evidence of Planned Community Development. In addition to submission of evidence of Planned Community Development, evidence from local community partners that the housing proposal contributes to the objectives of the plan must be provided. Indian Housing Plans and a confirmation letter from a tribe's designated housing entity would meet the requirements of this category."

Selection Priority 10: Preservation

In the past, MHFA has advised that tribal projects with NAHASDA funding are not eligible to receive points under this category due to not having a contract for federal assistance. With the proposed 2018 QAP changes, we would like to confirm that tribal projects with NAHASDA funded rental assistance/operating subsidies are eligible for these points

Selection Priority 11: Permanent Supportive Housing for Households Experiencing Homelessness

We request that MHFA recognize a tribe's definitions of "homelessness" or "at significant risk of homelessness." There are rarely homeless shelters on reservations; rather, homeless individuals or families frequently live in overcrowded or severely substandard housing. Tribes should be able to use their own definition of "homelessness" to receive points in Section Priority 11.

We would like also to confirm that Housing Assistance Payment Agreements commonly executed in tribal LIHTC projects would qualify for the two additional points under subsection D.

Selection Priority 12: People With Disabilities

We respectfully request that MHFA remove the requirement that restricts incomes to 30% AMI. In our experience, a household with people with disabilities could also contain an elderly person which could be receiving SSI, disability benefits, and/or Social Security income. This often times results in the household not qualifying at the 30% AMI threshold. We believe MHFA's proposed 2018 QAP changes will make this selection priority too restrictive and a challenge for the ongoing occupancy of the units.

We would also like to request that MHFA remove the on-site service personnel requirement from the draft 2018 QAP. Instead, a developer should take into consideration the type of supportive housing they are providing. For example, supportive housing for tenants suffering from substance/drug abuse would most likely not need 24-hour assistance; however, a tenant with vision impairment would benefit most from around the clock assistance. We recommend instead that MHFA should require that the type of on-site services and personnel should be outlined in the supportive housing plan and approved by MFA.

Additionally, we request that MFHA include Housing Assistance Payment Agreements in the 2018 QAP as an example eligible for the two points in the Rental Assistance for Supportive Housing Units category.

Preference Priority 3: QCT/Community Revitalization & Tribal Equivalent Areas

We believe that the reference to section 7.A of the HTC Procedural Manual should in fact be 6.A.

Preference Priority 4: Cost Containment

We strongly urge MHFA to restructure their cost containment methodology to assess projects based on eligible basis per square foot.

The current proposed 2018 QAP cost containment methodology is based on total development cost (TDC) per unit. While we appreciate the adjustments in place for single-family homes and tribal projects, these adjustments are still not accounting for the unique cost factors on tribal lands. Due to the remote locations of the projects (e.g. added fuel and transportation costs, increased labor expense) and governmental procurement policies, the cost to construct projects on tribal land is inherently higher than the cost to construct off the reservation. Further, the units developed by tribal developers are more likely to be three-, four-, or five-bedroom units due to the high demand from large or mutligenerational households. These unit types obviously cost more than one- or two-bedroom single-family units.

The most equitable measure for MHFA to implement would be to assess projects on eligible basis per square foot and then include the 15% upward adjustment for projects on tribal lands to account for the inherently higher cost to construct on tribal lands. This metric provides a more accurate way to compare costs across projects with different sizes and unit types to determine which projects would truly have excessive costs. Additionally, this method would allow MHFA to efficiently allocate its tax credits in the most feasible manner, while at the same time recognizing that some projects may end up more costly than anticipated and that the developer would then cover those excess costs on their own.

We would be happy to discuss these methodologies further with MHFA. We truly believe this method would both simplify the cost containment category for developers and MHFA and allow MHFA to fairly reward projects with efficient use of credits.

Preference Priority 5: Minority-owned/Woman-owned Business Enterprise (MBE/WBE)

We respectfully request that MHFA specifically state that tribes and tribal entities qualify as minorities eligible for these points. We suggest the following language (changes in blue):

"* An MBE/WBE is one which is at least fifty-one (51) percent owned by one or more minority persons (including a tribe or tribal entity) or women and whose management and daily business operations are controlled by one or more minority persons (including a tribe or tribal entity) or women who own it."

Thank you for the opportunity to provide comments on the 2018 draft QAP. If you have any questions regarding the suggestions above, please do not hesitate to contact us directly.

TWIN CITIES HOUSING DEVELOPMENT CORPORATION
400 SELBY AVENUE • SUITE C
SAINT PAUL, MINNESOTA 55102
(651) 292-0211

March 24, 2016

Minnesota Housing Finance Agency
Multifamily Underwriting
Housing Tax Credit Program
400 Sibley Street, Suite 300
St. Paul, MN 55101-1998

RE: Proposed Revisions to the Qualified Allocation Plan (QAP) for 2018

Thank you for the opportunity to comment on the proposed revisions to the QAP for 2018. We offer the following comments.

We understand the need to focus limited resources on serving the highest need populations in areas of the most opportunity. We see the efforts to that end in the QAP, however we'd like to address the increasing complexity of the scoring criteria.

Complexity increases the cost of submitting an application to Minnesota Housing, while at the same time decreasing the ability to judge how likely a given project would be to get funded. A developers resources of time and development funds for such activity are limited, therefore we look to focus on projects that meet the needs outlined by Minnesota Housing, other funders and the local community which have a high likelihood of being funded. As the process becomes increasingly complicated, judging how one project would compare to another becomes far more difficult and evaluating the cost benefit of pursuing a particular site is less certain. We acknowledge that there has always been uncertainty in the application process given the number of applicants relative to available resources and the wide range in types of projects proposed. We urge Minnesota Housing to consider whether a more simplified approach to scoring would accomplish the same objectives while being easier to understand and use.

An example of the increasing complexity we see in the newest QAP is the addition of the category of access to high performing schools. Given that the data is not available until mid-April it is hard to even understand which sites have schools that meet this need. When looking at the school map and mass transit map provided in the webinar it appears that this category pushes development, for the most part, to the suburbs in areas less accessible by mass transit. So evaluating a site versus another site is more complex given the increasing variables.

The March 17, 2016 webinar included two maps called "Composite" (pages 31 & 32). It is unclear if these maps will be made available in a usable form through the Community Profiles or otherwise. We would recommend that they be made available as it would help developers address the complexity.

If access to high performing schools remains a factor, then we are concerned about the exclusion of charter and magnet schools from acceptable options. Some of Minneapolis's highest performing schools are magnet schools. Magnet schools are part of the public school system and increase choice for low income families.

Minneapolis magnet schools prioritize low income families on the admissions list. In the ten categories for ranking of priority for admission to a Minneapolis magnet school, the third priority is "Underrepresented Demographic". This is defined as "*students who live in a high-concentration area of poverty (specific areas determined by the school district) and qualify for free and/or reduced priced lunch will be given priority into schools that have a low representation of students in poverty.*"

Below please find the school placement protocol for Minneapolis. You will notice first two priorities are the same for neighborhood/community schools and magnet schools. Then major differences between the two subsequently, giving low-income families a significant advantage in access to high performing magnet schools.

Neighborhood/Community Schools

1st Priority - EL Students: Students who need specific English language support.
2nd Priority - Attendance Area Siblings
3rd Priority - Attendance Area Students
4th Priority - Closed School Program
6th Priority - Expanded School Options: Students who live in a high-concentration area of poverty (specific areas are determined by the school district: Attendance Areas 1B, 1C and 3D) and qualify for free and/or reduced priced lunch will be given priority into programs that have a low representation of students in poverty (Burroughs and Lake Harriet).
7th Priority - Employee Preference
8th Priority - Out-of-Area Siblings
9th Priority – Attendance Zone Students
10th Priority – Minneapolis Residents
11th Priority - Open Enrollment:

Magnet Schools

1st Priority - EL Students: Students who need specific bilingual language support.
2nd Priority - Attendance Zone Siblings
3rd Priority - Underrepresented Demographic: Students who live in a high-concentration area of poverty (specific areas determined by the school district) and qualify for free and/or reduced priced lunch will be given priority into schools that have a low representation of students in poverty.
4th Priority - Closed School Program
5th Priority - Oversubscribed Community School Students
6th Priority - Employee Preference
7th Priority - Out-of-Zone Siblings
8th Priority - Attendance Zone Students: Students who live within the magnet school's attendance zone.
9th Priority - Residents
10th Priority - Open Enrollment

Therefore, high performing magnet schools are available for low income families and could help developers with options for finding sites for families near mass transit lines, allowing access to transportation for our lowest income families.

Thank you for your consideration.

Sincerely,

Barbara M. McQuillan
Executive Director

Enc.

Twin Cities LISC would like to offer the following comments in regard to MN Housing's proposed changes for the 2018 QAP.

LISC as a Partner

For nearly 30 years, Twin Cities LISC has worked to increase the ability of nonprofit community-based organizations to create healthy and vibrant communities where all people prosper. Over that time, LISC has invested over $549 million in grants, loans and equity, helping to produce over 13,750 affordable homes and apartments and 1.7 million square feet of commercial and community facilities—projects representing over $2.2 billion in total development costs.

LISC recently completed its 2016-2018 strategic plan that will guide its work over the coming years. The plan responds to several troubling trends revealed by numerous important regional efforts, including the Itasca Project, Minnesota Compass, and the Metropolitan Council's Thrive 2040 Plan. Analysis on racial disparities at the neighborhood level have been highlighted through the LISC / CURA report: Moving Beyond the Gap. Most notably, racial and social equity gaps persist for key indicators of economic well-being for people and places across the region. Closing these gaps is paramount to ensure quality of life for all residents today and to build and leverage our collective assets for the region's future health and prosperity.

Twin Cities LISC is seeking to address these disparities and will focus its role, resources and emphasis on three fundamental priorities for creating and sustaining healthy, vibrant communities where *all* can prosper: **1) affordable housing and built environment, 2) economic development, income and wealth building, and 3) neighborhood vibrancy and community health .**

Twin Cities LISC is working in partnership with MN Housing to stimulate system-wide affordable housing production and preservation in the region through the deployment of creative financing tools, partnerships and other resources, ultimately leveraging millions in total development costs annually through public/private partnerships. With very real constraints on the availability of subsidy and the 9% low-income housing tax credit and institutional lending guidelines, this approach relies on replicable transaction-based approaches that are creative and use new or underutilized sources of equity and partnerships.

Comments on the 2018 MN Housing QAP

<u>Alignment of regional housing options and mobility</u>

***Recommendation*: Place higher weight on investments within a half mile of fixed rail.**

We strongly encourage MN Housing to prioritize affordable housing investments in both preservation and new construction along existing and emerging fixed rail and high frequency transit corridors.

Through the Big Picture Project, LISC and the BPP Oversight Team has been monitoring the production and preservation of affordable housing along the Green Line. These investments are critical to accommodate the intense level of market-rate development occurring along these transit corridors. This is the moment to ensure that the housing options – and access to jobs and services - that will benefit from these significant public investments will include families of low and very low incomes.

Of the 1,514 housing units that are currently in the pipeline along the Central Corridor / Green Line, 824 units are preservation, and 690 are new construction. It will be critical to continue the focused investment of affordable housing (both preservation and new construction) along existing and emerging LRT and BRT corridors.

Continue to invest in the core cities and first ring suburbs

***Recommendation*: Maintain a balance of investment among areas that need resources, and areas that are already resource rich.**

We believe in a both / and approach. For weaker market areas, the LIHTC investments are an important resource to counteract disinvestment and physical deterioration. It is critical that these areas not be red-lined from public sector financing. We also support the effort to diversify the housing options for areas of concentrated wealth.

Large units are needed statewide

***Recommendation*: Elevate the need to create larger units in the metro area as well as in outstate Minnesota.**

Our region needs more creative housing types as well as creative finance options. Our current finance systems reinforces the production of only a handful of housing types. Our community deserves a much broader array of options. Our families are of many shapes and sizes. We need to unleash a wider palette of housing types to accommodate the changing needs of families.

The alignment of the QAP with the investments we are overseeing is critical for our success. We believe that the greater opportunity over the next couple years will be to reinforce our investments in affordable housing along fixed rail and high-frequency transit, given the investment focus underway through the Corridors of Opportunity.

Thank you for your consideration.

Andriana Abariotes

Andriana Abariotes
Executive Director

Methodologies

- Workforce Housing Communities
- Preservation Geographic Priority Areas
- Community Economic Integration
- Access to Higher Performing Schools
- Location Efficiency
- Qualified Census Tracts, Tribal Equivalent Areas
- Rural/Tribal Designated Areas
- Cost Containment

This page intentionally blank.

2018 QAP – Workforce Housing Communities Methodology

Communities with a need for workforce housing are identified through data on: total jobs in 2014; 5 year job growth; or long distance commuting. Data on jobs and growth are from the Minnesota Department of Employment and Economic Development's Quarterly Census of Employment and Wages[1]. Data on commuting are from the US Census Bureau's Longitudinal Employer-Household Dynamics program[2]. Workforce housing areas are defined separately for the Twin Cities Metro (7 County) and Greater Minnesota. The priority has two point levels, 6 and 3 points. The following sections describe the eligible communities and buffers around these communities for the two regions. Applicants will find interactive maps to identify whether a property falls within these areas at Minnesota Housing's website: www.mnhousing.gov > Policy & Research > Community Profiles.

- **6 Points**
  - **Top Job Centers**. A community is eligible if it is one of the top 10 job centers in Greater Minnesota or the top 5 job centers in the Twin Cities Metro as of 2014 as defined by total jobs.

(OR)

  - **Net Five Year Job Growth.** Communities are eligible in Greater Minnesota if they have at least 2,000 jobs in the current year and had a net job growth of at least 100 jobs in the last year. In the Twin Cities Metro the minimum net job growth is 500. Minnesota Housing will publish the most current available data from the Dept. of Employment and Economic Development, 2009-2014; but will add additional communities when more current data becomes available in April 2017 for the 2018 QAP.

(OR)

  - **Individual Employer Growth.** A community is eligible if an individual employer has added at least 100 net jobs (for permanent employees of the company) during the last five years, and can provide sufficient documentation signed by an authorized representative of the company to prove the growth.

(OR)

- **3 Points**
  - **Long Commute Communities.** A community is eligible if it is not a top job center, job growth community, or an individual employer growth community, yet is identified as a long commute community. These are communities where 15% or more of the communities' workforce travels 30+ miles into the community for work.

---

[1] The 5 year job growth communities presented in this methodology are for 2009-2014. Minnesota Housing will also add eligible 2010-2015 growth communities by application release of the 2018 QAP. Data source: http://mn.gov/deed/data/data-tools/qcew.jsp

[2] Data from LEHD are current to 2013. Minnesota Housing will also add eligible communities with more current data available by application release of the 2018 QAP. Data source: http://lehd.did.census.gov/data/.

In each case above, communities are buffered by 10 miles in Greater Minnesota and 5 miles in the Twin Cities Metro to account for a modest commuteshed.

The maps and tables below and on following pages list and display eligible areas for the Twin Cities Metro (pages 2 and 3) and Greater Minnesota (pages 4 and 5). Additional communities that would become eligible in the next year with updated data will be added to the lists; no communities will be subtracted from the lists.

Twin Cities Metro Job Centers and Ranked Job Growth Communities 2009-2014 (6 Points)

Twin Cities Metro Top 5 Job Centers (2014)
Minneapolis, Hennepin
Saint Paul, Ramsey
Bloomington, Hennepin
Eagan, Dakota
Eden Prairie, Hennepin

Twin Cities Metro Communities With Net Growth of 500 Jobs or More (2009-2014)	
Andover, Anoka	Lakeville, Dakota
Anoka, Anoka	Little Canada, Ramsey
Apple Valley, Dakota	Maple Grove, Hennepin
Blaine, largely Anoka	Maplewood, Ramsey
Bloomington, Hennepin	Medina, Hennepin
Brooklyn Center, Hennepin	Minneapolis, Hennepin
Brooklyn Park, Hennepin	Minnetonka, Hennepin
Burnsville, Dakota	New Brighton, Ramsey
Chanhassen, largely Carver	Oakdale, Washington
Chaska, Carver	Plymouth, Hennepin
Coon Rapids, Anoka	Ramsey, Anoka
Eagan, Dakota	Rogers, Hennepin
Eden Prairie, Hennepin	Rosemount, Dakota
Edina, Hennepin	Roseville, Ramsey
Golden Valley, Hennepin	Saint Louis Park, Hennepin
Ham Lake, Anoka	Saint Paul, Ramsey
Hopkins, Hennepin	Shakopee, Scott
Hugo, Washington	Vadnais Heights, Ramsey
Inver Grove Heights, Dakota	Waconia, Carver
Lake Elmo, Washington	Woodbury, Washington

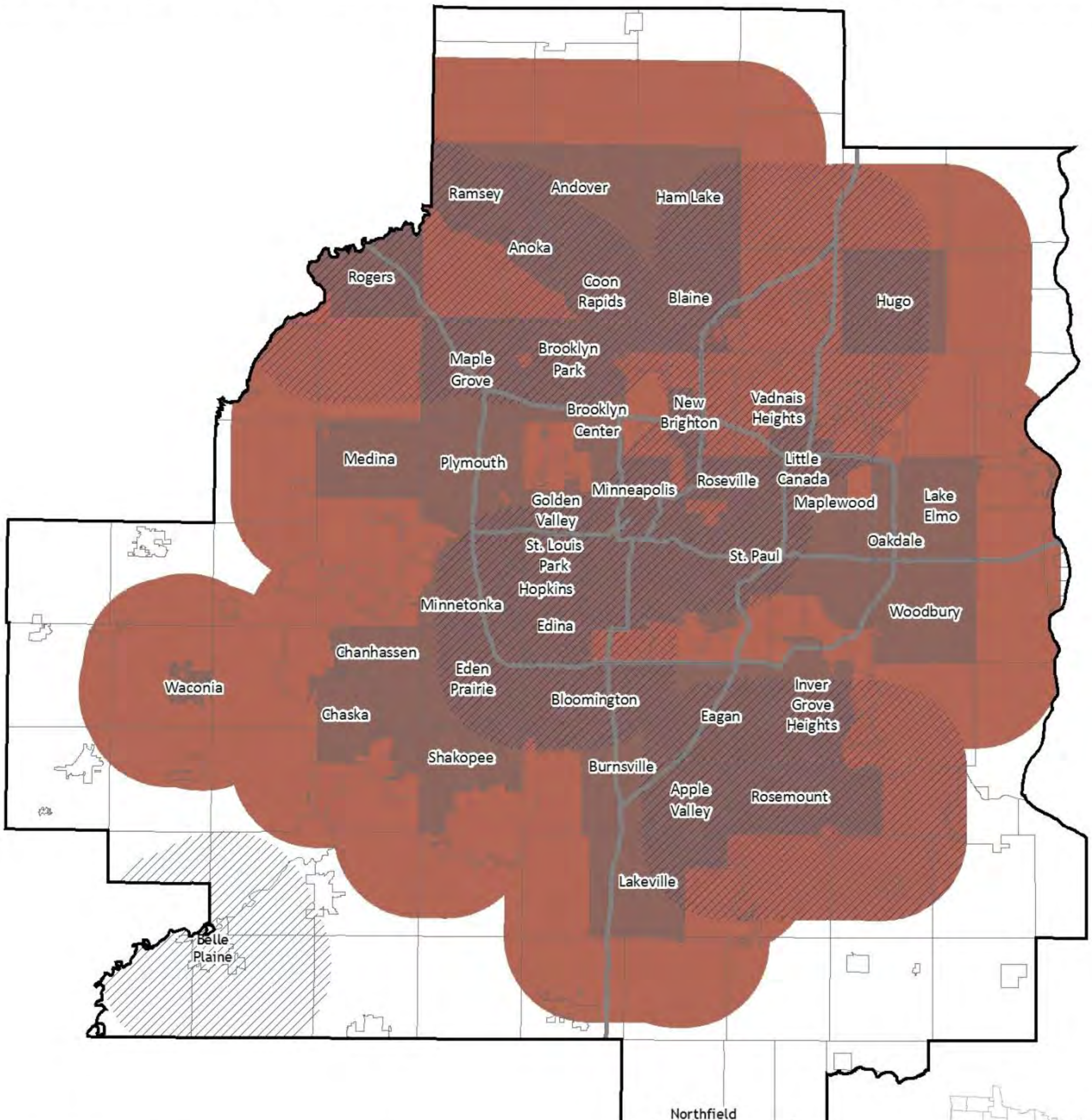
Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2009-2014).

Twin Cities Metro Long Commute Communities (3 Points)

Twin Cities Metro Long Commute Communities		
Belle Plaine	Falcon Heights	Rogers
Champlin	Lino Lakes	Rosemount
Edina	North Oaks	

Source: Minnesota Housing analysis of US Census Longitudinal Employer Household Dynamics Data, 2013.

Metro Workforce Housing Communities for 2018 QAP (with 2009-2014 data)



-Job centers are defined by total jobs in 2014.
-Job growth is a measure of change in total jobs between 2009 and 2014.
-To be eligible as a job growth community, a community must have 2,000 or more jobs in 2014.
-Long Commute Communities have 15% or more of the workforce traveling 30+ miles to work.

Top 5 Job Center or Growth >=500 Jobs (6 Points)
Long Commute Community (3 points)

0 4 8 Miles

Minnesota Housing Finance Agency

Source: Minnesota Housing analysis of MN Department of Employment and Economic Developments Quarterly Census of Employment and Wages. Date: 12/29/2015

Greater Minnesota Job Centers and Job Growth Communities 2008-2013 (6 Points)

Greater Minnesota Top 10 Job Centers (2014)
Rochester, Olmsted
Duluth, Saint Louis
Saint Cloud, largely Stearns
Mankato, largely Blue Earth
Winona, Winona
Owatonna, Steele
Willmar, Kandiyohi
Moorhead, Clay
Austin, Mower
Alexandria, Douglas

Greater MN Communities With Net Growth of 100 jobs or more, 2009-2014	
Albertville, Wright	Melrose, Stearns
Alexandria, Douglas	Montevideo, Chippewa
Baxter, Crow Wing	Monticello, Wright
Bemidji, Beltrami	Mora, Kanabec
Brainerd, Crow Wing	Mountain Iron, Saint Louis
Cambridge, Isanti	New Ulm, Brown
Cannon Falls, Goodhue	North Branch, Chisago
Cloquet, Carlton	North Mankato, largely Nicollet
Delano, Wright	Northfield, largely Rice
Detroit Lakes, Becker	Owatonna, Steele
Dodge Center, Dodge	Perham, Otter Tail
Duluth, Saint Louis	Red Wing, Goodhue
Elk River, Sherburne	Rochester, Olmsted
Faribault, Rice	Roseau, Roseau
Glencoe, McLeod	Saint Cloud, largely Stearns
Glenwood, Pope	Saint Michael, Wright
Grand Rapids, Itasca	Saint Peter, Nicollet
Hermantown, Saint Louis	Sartell, largely Stearns
Hibbing, Saint Louis	Sauk Rapids, Benton
Hinckley, Pine	Staples, largely Todd
Lake City, Goodhue-Wabasha	Thief River Falls, Pennington
Le Sueur, largely Le Sueur	Waite Park, Stearns
Litchfield, Meeker	Willmar, Kandiyohi
Luverne, Rock	Winona, Winona
Mankato, largely Blue Earth	Wyoming, Chisago
Marshall, Lyon	

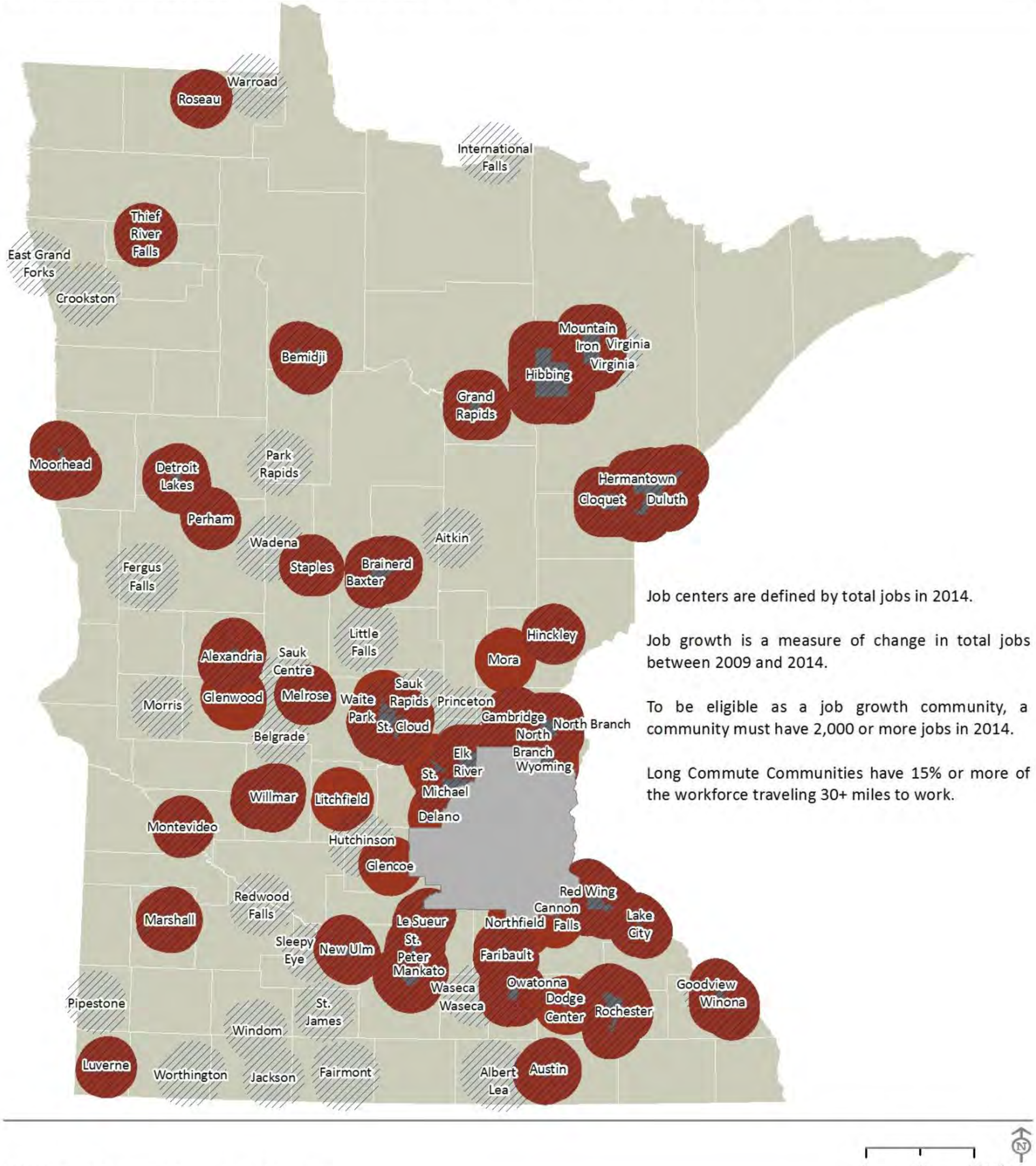
Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2009-2014).

Greater Minnesota Long Commute Communities (3 Points)

Greater Minnesota Metro Long Commute Communities			
Aitkin	Fergus Falls	Montevideo	Sauk Rapids
Albert Lea	Foley	Moorhead	Sleepy Eye
Alexandria	Goodview	Morris	St. Cloud
Austin	Grand Rapids	Mountain Iron	St. James
Baxter	Hermantown	New Ulm	St. Michael
Belgrade	Hibbing	North Branch	St. Peter
Bemidji	Hinckley	North Mankato	Staples
Brainerd	Hutchinson	Owatonna	Thief River Falls
Cambridge	International Falls	Park Rapids	Virginia
Cloquet	Jackson	Perham	Wadena
Crookston	Lake City	Pipestone	Waite Park
Detroit Lakes	Le Sueur	Princeton	Warroad
Duluth	Little Falls	Red Wing	Waseca
East Grand Forks	Luverne	Redwood Falls	Willmar
Elk River	Mankato	Rochester	Windom
Fairmont	Marshall	Roseau	Winona
Faribault	Melrose	Sauk Centre	Worthington

Source: Minnesota Housing analysis of US Census Longitudinal Employer Household Dynamics Data, 2013.

Greater Minnesota Workforce Housing Communities for 2018 QAP



Job centers are defined by total jobs in 2014.

Job growth is a measure of change in total jobs between 2009 and 2014.

To be eligible as a job growth community, a community must have 2,000 or more jobs in 2014.

Long Commute Communities have 15% or more of the workforce traveling 30+ miles to work.

Long Commute Community (3 Points)

Top 10 Job Center or Growth >=100 Jobs (6 Points)

Minnesota Housing Finance Agency

Source: Minnesota Housing analysis of MN Department of Employment and Economic Developments Quarterly Census of Employment and Wages. Date: 12/29/2015

2018 QAP – Preservation Geographic Priority Areas

In the preservation priority, there are three geographic-based areas defined in the self-scoring worksheet: regional definition, jobs and household growth communities, and communities with an affordable housing gap. This methodology defines each. Applicants will find interactive maps to identify whether a property falls within these areas on Minnesota Housing's website – www.mnhousing.gov > Policy & Research > Community Profiles.

1. Regional Definitions

For the purposes of obtaining points for number of units preserved, the state is divided into two geographic regions, Metro/MSA counties, and Greater Minnesota rural counties. Table 1 below displays a list of counties in the Metro and Greater Minnesota MSAs.

Table 1 – Metro and MSA Counties

Region	Minnesota Counties
Duluth MSA	Carlton, Saint Louis
Fargo MSA	Clay
Grand Forks MSA	Polk
La Crosse MSA	Houston
Mankato MSA	Blue Earth, Nicollet
Rochester MSA	Dodge, Olmsted
Saint Cloud MSA	Benton, Stearns
Twin Cities 7 County Metro	Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, Washington
Twin Cities MSA (outside of 7 County Metro)	Chisago, Isanti, Le Sueur*, Mille Lacs*, Sibley*, Sherburne, Wright

* These counties are new to the Twin Cities MSA as of 2013.

2. Job and Household Growth Communities Methodology

Areas can be defined as a growth community in two ways, through job or household growth. Job growth areas are determined by a city or township's job growth between 2009 and 2014, based on data from the Minnesota Department of Employment and Economic Development's Quarterly Census of Employment and Wages[1]. Household growth areas are determined by a census tract or city's growth in total households between 2000 and 2014, based on data from the US Census's Decennial Census and American Community Survey.

2.1 Job Growth

The methodology for determining areas with job growth is consistent with the methodology used in the "workforce housing" priority. However, the job growth area for preservation and the workforce area differ with the workforce housing priority including areas with a large number of jobs, not just job growth.

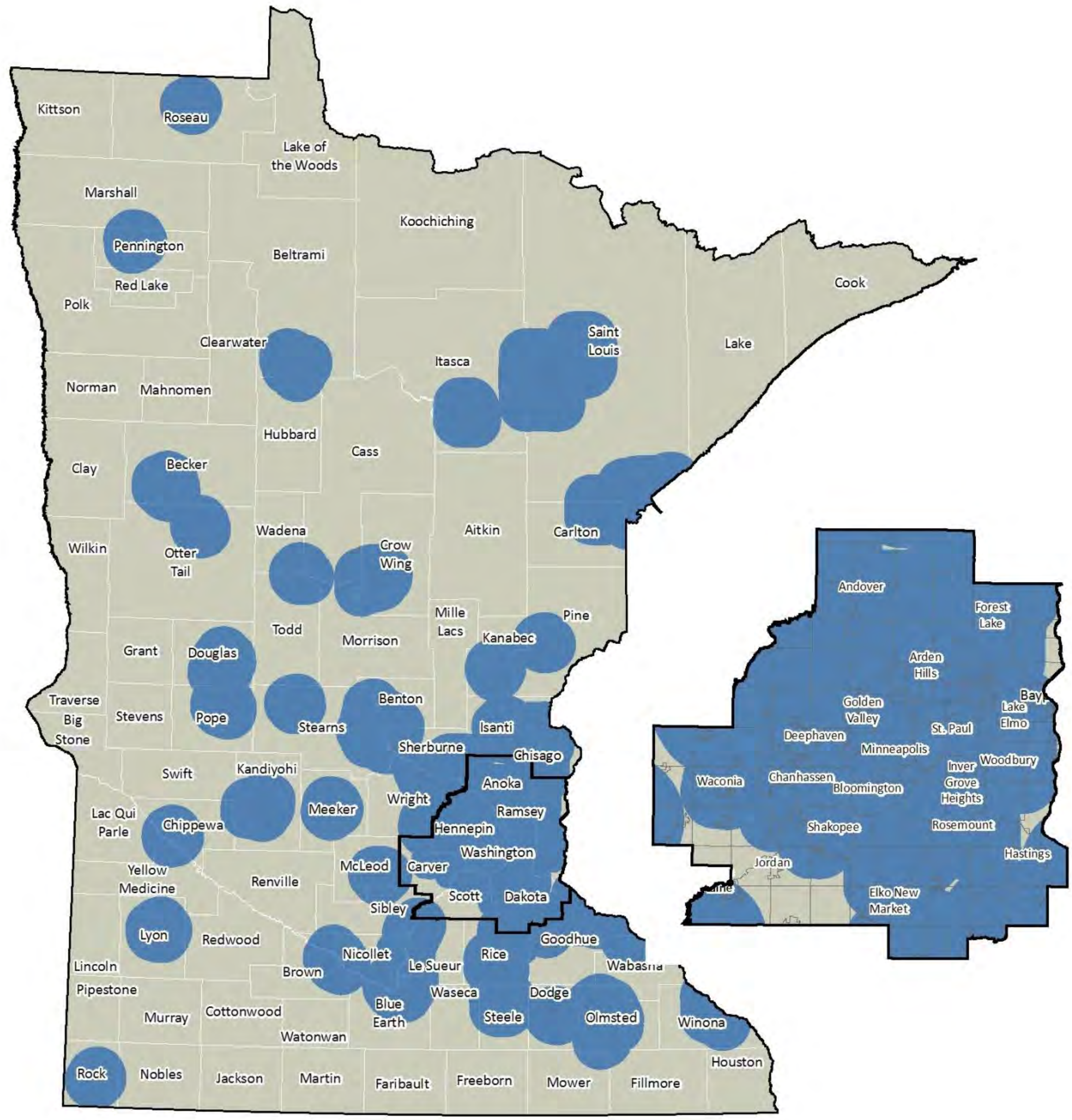
Communities will be identified as job growth if they are in Greater Minnesota with at least 2,000 jobs in the current year that have had a net job growth of a minimum of 100 jobs, or in the Twin Cities Metro with a net job growth of 500 or more in the past 5 years. Minnesota Housing is publishing the most current available data from the Dept. of Employment and Economic Development (2009-2014); but will add additional communities using the most current data available when the application is released for the 2018 QAP in April 2017. Areas within five miles of communities in the Twin Cities seven county metro area and within 10 miles of communities in Greater Minnesota are included for a modest commuteshed. Table 2 on the next page and the map on page 4 identify and show the communities that meet this definition. An interactive version of this map is available on the Minnesota Housing website: www.mnhousing.gov > Policy & Research > Community Profiles.

[1] http://mn.gov/deed/data/data-tools/qcew.jsp

Table 2 – Job Growth Communities 2009-2014

Twin Cities Metro Communities With Net Growth of 500 Jobs or More (2009-2014)		Greater MN Communities With Net Growth of 100 jobs or more, 2009-2014	
Andover, Anoka	Lakeville, Dakota	Albertville, Wright	Melrose, Stearns
Anoka, Anoka	Little Canada, Ramsey	Alexandria, Douglas	Montevideo, Chippewa
Apple Valley, Dakota	Maple Grove, Hennepin	Baxter, Crow Wing	Monticello, Wright
Blaine, Anoka	Maplewood, Ramsey	Bemidji, Beltrami	Mora, Kanabec
Bloomington, Hennepin	Medina, Hennepin	Brainerd, Crow Wing	Mountain Iron, Saint Louis
Brooklyn Center, Hennepin	Minneapolis, Hennepin	Cambridge, Isanti	New Ulm, Brown
Brooklyn Park, Hennepin	Minnetonka, Hennepin	Cannon Falls, Goodhue	North Branch, Chisago
Burnsville, Dakota	New Brighton, Ramsey	Cloquet, Carlton	North Mankato, Nicollet
Chanhassen, Carver	Oakdale, Washington	Delano, Wright	Northfield, largely Rice
Chaska, Carver	Plymouth, Hennepin	Detroit Lakes, Becker	Owatonna, Steele
Coon Rapids, Anoka	Ramsey, Anoka	Dodge Center, Dodge	Perham, Otter Tail
Eagan, Dakota	Rogers, Hennepin	Duluth, Saint Louis	Red Wing, Goodhue
Eden Prairie, Hennepin	Rosemount, Dakota	Elk River, Sherburne	Rochester, Olmsted
Edina, Hennepin	Roseville, Ramsey	Faribault, Rice	Roseau, Roseau
Golden Valley, Hennepin	Saint Louis Park, Hennepin	Glencoe, McLeod	Saint Cloud, Stearns
Ham Lake, Anoka	Saint Paul, Ramsey	Glenwood, Pope	Saint Michael, Wright
Hopkins, Hennepin	Shakopee, Scott	Grand Rapids, Itasca	Saint Peter, Nicollet
Hugo, Washington	Vadnais Heights, Ramsey	Hermantown, Saint Louis	Sartell, largely Stearns
Inver Grove Heights, Dakota	Waconia, Carver	Hibbing, Saint Louis	Sauk Rapids, Benton
Lake Elmo, Washington	Woodbury, Washington	Hinckley, Pine	Staples, largely Todd
		Lake City, Goodhue-Wabasha	Thief River Falls, Pennington
		Le Sueur, largely Le Sueur	Waite Park, Stearns
		Litchfield, Meeker	Willmar, Kandiyohi
		Luverne, Rock	Winona, Winona
		Mankato, Blue Earth	Wyoming, Chisago
		Marshall, Lyon	

Map 1 - Job Growth Priority Areas



Job Growth Areas

Includes areas within five miles of job growth communities in the Twin Cities Metro with a new job growth of 500 or more, and within ten miles of all job growth communities (for communities with at least 2,000 jobs) in Greater Minnesota.

0 20 40 Miles

Minnesota Housing Finance Agency

Source: MN Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2009 and 2014), 1/5/2016

2.2 Household Growth

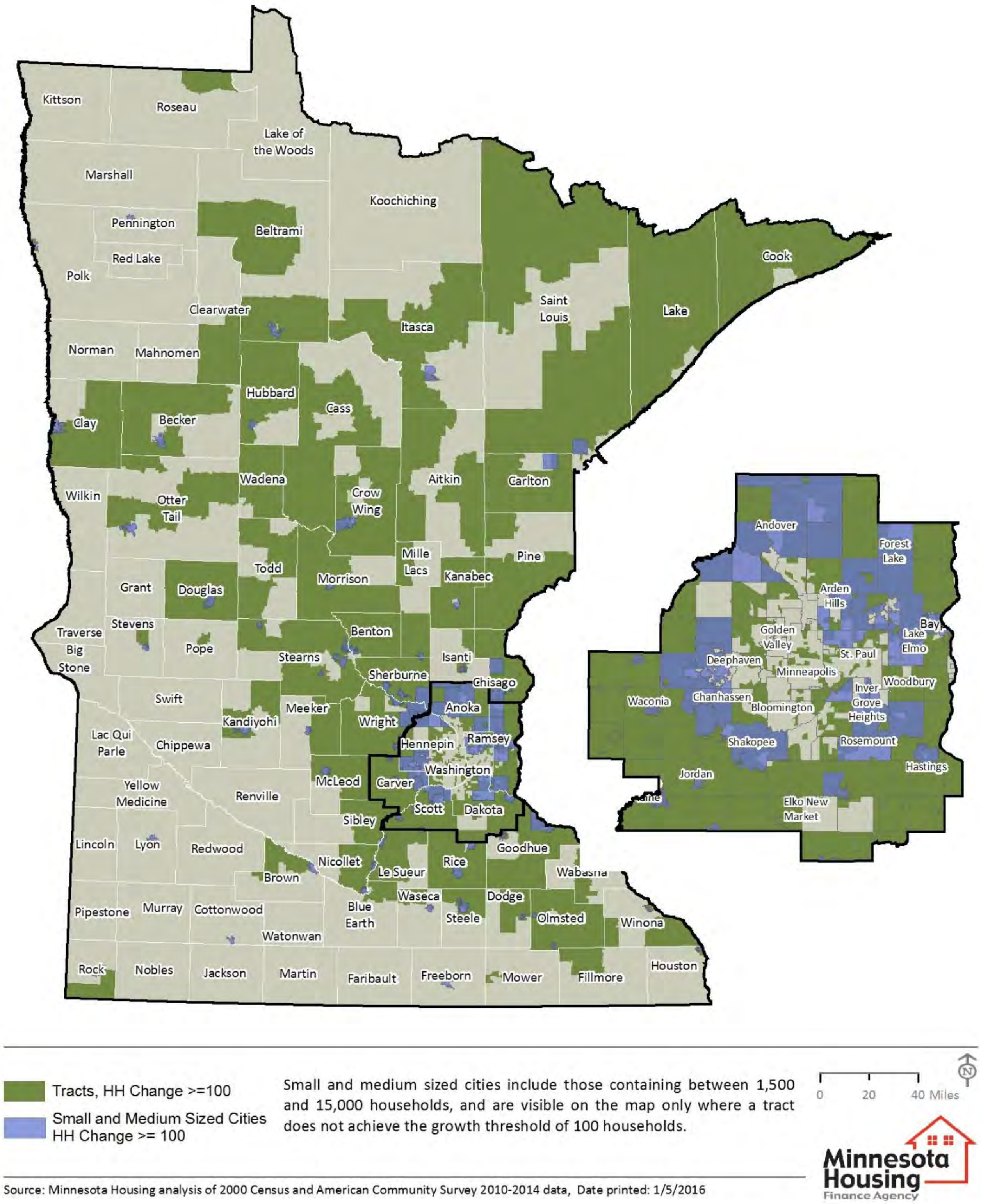
To be identified as a community with household growth, an area is eligible in two ways. First, census tracts with total household growth of 100 or more between 2000 and 2014 are eligible. An increase of 100 households represents the 60th percentile of household change statewide. (60% of census tracts in the state had a change in households less than 100.)

Census tracts are variable in size of geography and typically contain 1,500 households. As such, tracts can range in size from small neighborhoods within an urban area to hundreds of square miles in rural areas, containing multiple small townships. Because of this variability a census tract doesn't always capture a "housing market". Smaller cities and townships can also capture a market. Larger cities (more than 15,000 households) often have multiple neighborhoods and housing markets. Data for cities and townships with fewer than 1,500 households are not always reliable from the American Community Survey. Furthermore, the boundaries of census tracts and cities do not coincide. Thus, a tract that partially goes into a growing city may not show growth itself if the population in the tract that is outside the city is declining

Thus, small to medium sized cities (between 1,500 and 15,000 households) are also evaluated for growth. These cities contain between 1-10 census tracts and could be considered a single housing market. Cities of this size that have household growth of at least 100 households are added to the census tracts with growth to form a more complete eligibility area.

The map on the next page shows the areas eligible under the household growth criterion. An interactive version of this map is available on the Minnesota Housing website: www.mnhousing.gov > Policy & Research > Community Profiles.

Map 2 - Household Growth Priority Areas



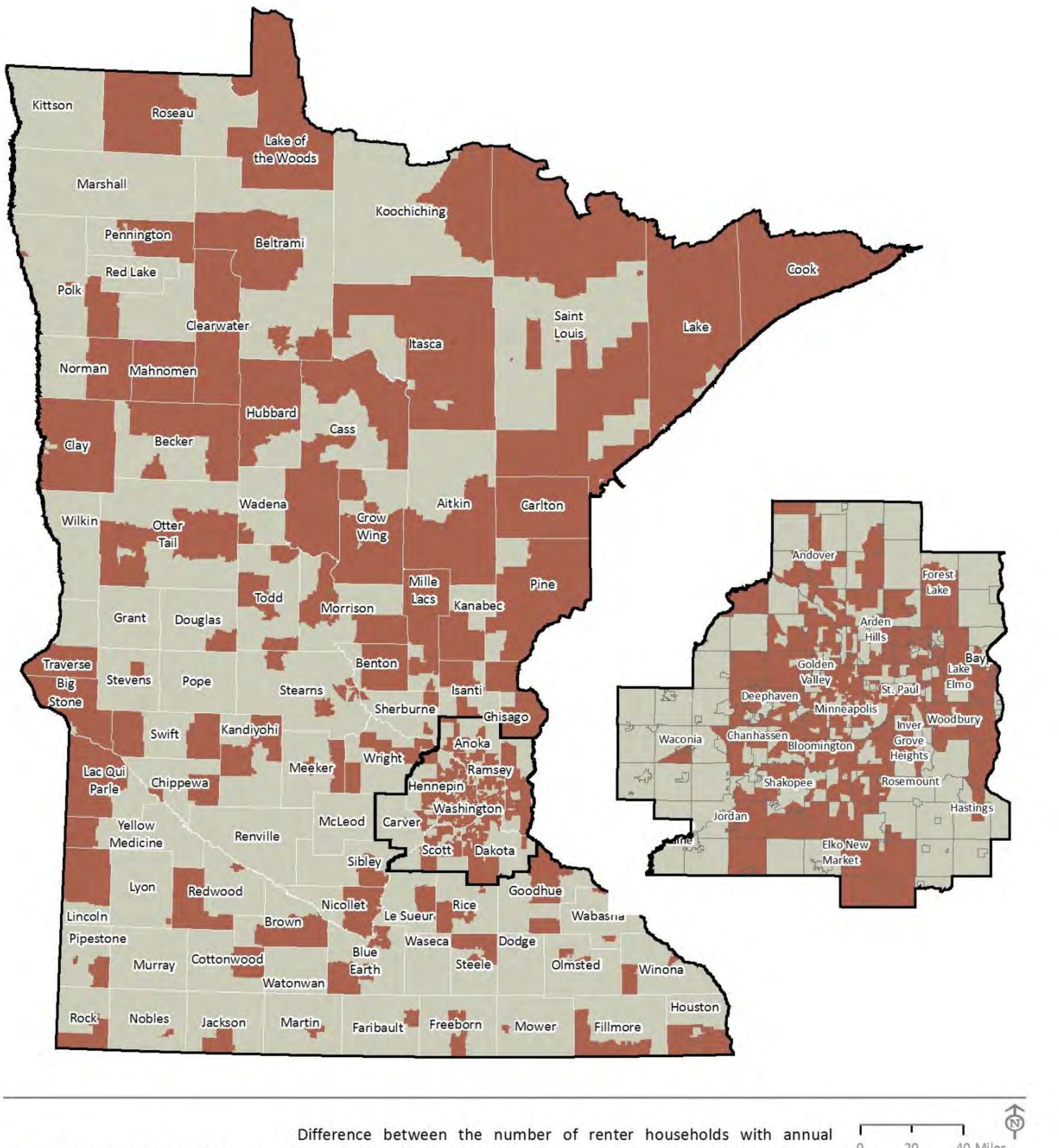
Source: Minnesota Housing analysis of 2000 Census and American Community Survey 2010-2014 data, Date printed: 1/5/2016

3. Communities with an Affordable Housing Gap Methodology

3.1. Supply and Demand Gap of Affordable Rental Housing

To be identified as a community with a gap in affordable housing, census tracts need to have a gap of affordable housing units as calculated by the difference between the number of renters in a tract that have incomes at or below 50% of Area Median Income (AMI) and the number of rental units that are affordable to households at or below 50% AMI. Using HUD's Comprehensive Housing Affordability Strategy (CHAS) data from 2008-2012, a gap of 5 units represents the 50th percentile of census tracts (50% of tracts have a smaller gap). Map 3 on the following page shows the Statewide and Metro areas with large gaps. Areas in maroon depict tracts that achieve this threshold.

Map 3 - Affordable Unit Gap



Affordable Unit Gap 5 Units or More (50% AMI)

Difference between the number of renter households with annual incomes <=50% of area median income (AMI) and the number of rental units affordable to households with annual incomes <=50% AMI.

Minnesota Housing Finance Agency

Source: Minnesota Housing analysis of HUD's 2008-2012 Comprehensive Affordability Housing Strategy (CHAS) data, Date printed: 1/5/2016

2018 QAP – Community Economic Integration Methodology

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

Communities are eligible for these points in the 7-county Twin Cities metropolitan area and areas in and around Duluth, St. Cloud, and Rochester. For applicants to be awarded 7 or 9 points for community economic integration, the proposed housing needs to be located in a community (census tract) with the median family income meeting or exceeding the region's[1] 40th percentile for 7 points and 80th percentile for 9 points, based on data published in the American Community Survey (ACS) for 2014. For each region, the 40 percent of census tracts with the lowest incomes are excluded from receiving points. The census tract must also meet or exceed a regional threshold for low and moderate wage jobs[2] within five miles of the Census tract based on data published by the Local Employment Dynamics program of the US Census Bureau for 2013. In the Twin Cities metro, the 10 percent of census tracts with the fewest low and moderate wage jobs within five miles of the tract are excluded, and in Greater Minnesota, the 20 percent of census tracts with the fewest low and moderate wage jobs are excluded[3]. 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 two tiers of community economic integration as well as a list of census tracts by county for each tier. Maps 1 and 2 display the Census tracts that meet these criteria, and the corresponding tables show the total number of jobs and median incomes needed to achieve the thresholds by region. In the maps we have identified racially/ethnically-concentrated areas of poverty (R/ECAPs), which are a Census tract-based concept developed by HUD[4]. R/ECAPs are not located in tracts eligible for economic integration points. Interactive tools will be made available for applicants and staff to map project locations and determine economic integration points through the community profiles at www.mnhousing.gov > Policy & Research > Community Profiles.

Areas outside the 7-county Twin Cities metropolitan area, Duluth, Rochester, and St. Cloud are not eligible for economic integration or school performance points, but they are eligible for 10 points under the Rural/Tribal Designated Areas.

---

[1] For the purpose of assessing income and access to jobs by region, Minnesota Housing used three regional categories 1) Twin Cities 7 County Metropolitan Area, 2) Counties making up Greater Minnesota MSAs, including: Duluth, St. Cloud, Rochester, Mankato/North Mankato, Grand Forks, and La Crosse, and four Twin Cities MSA counties outside of the 7 county metro, 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.

[2] 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 (2013).

[3] In the case where an urban-sized Census tract (less than 25 square miles) is completely surrounded by a census tract that meets this eligibility, it is also identified as having access to jobs.

[4] R/ECAPs must have a non-white population of 50 percent or more and has a poverty rate that exceeds 40 percent or is three or more times the average tract poverty rate for the metropolitan/micropolitan area, whichever threshold is lower (http://egis.hud.opendata.arcgis.com/datasets/320b8ab5d0304daaa7f1b8c03ff01256_0).

First Tier Community Economic Integration – 9 Points

Meet or exceed the 80^{th} percentile of median family income and meet or exceed the 20^{th} percentile of low and moderate wage jobs within 5 miles of the Census tract in Greater Minnesota and the 10^{th} percentile of low and moderate wage jobs within 5 miles in the Twin Cities Metro.

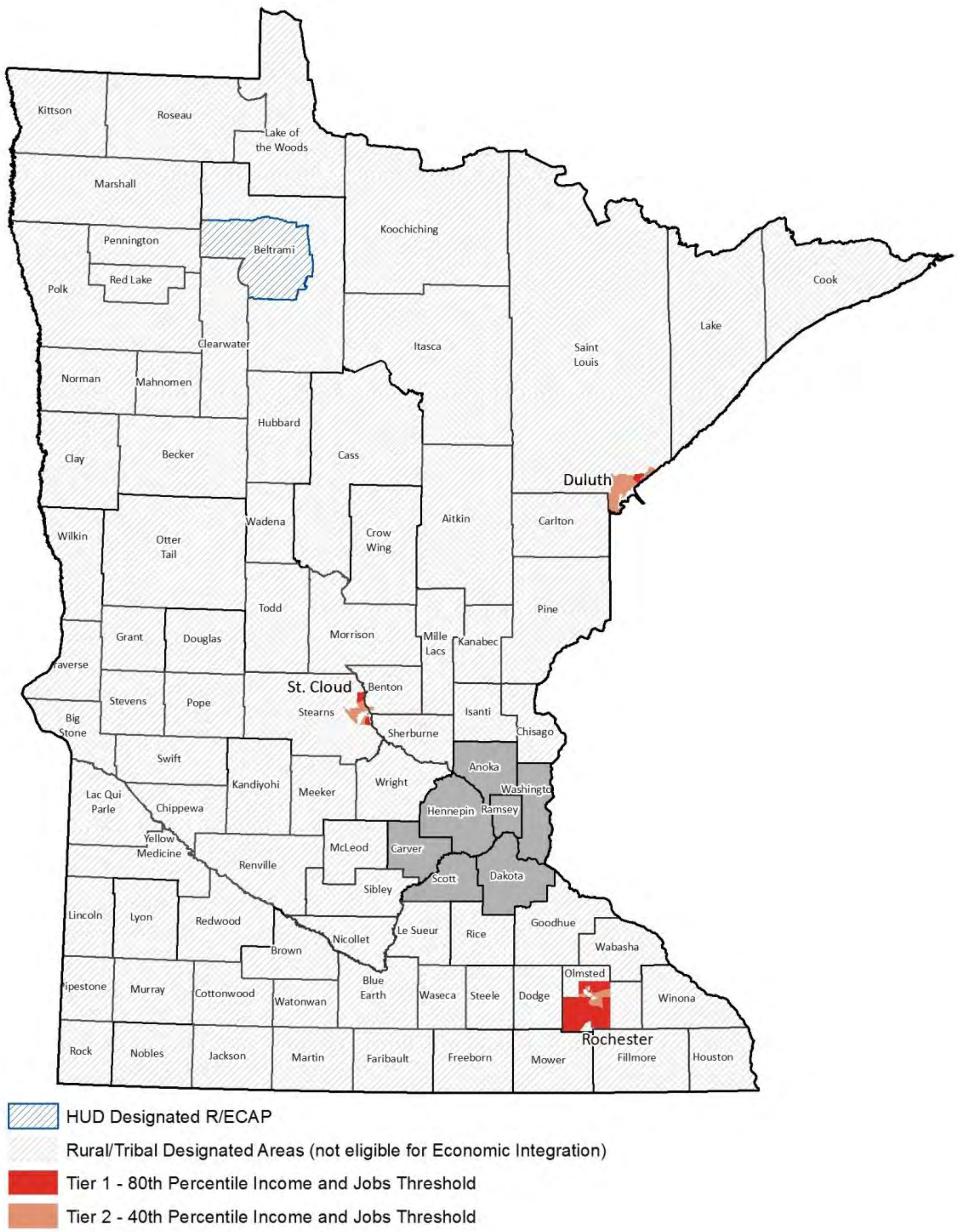
Second Tier Community Economic Integration – 7 Points

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 low and moderate wage jobs within 5 miles of the Census tract in Greater Minnesota and the 10^{th} percentile of low and moderate wage jobs within 5 miles in the Twin Cities Metro.

Table 1 – Jobs and Median Family Income Thresholds by Region.

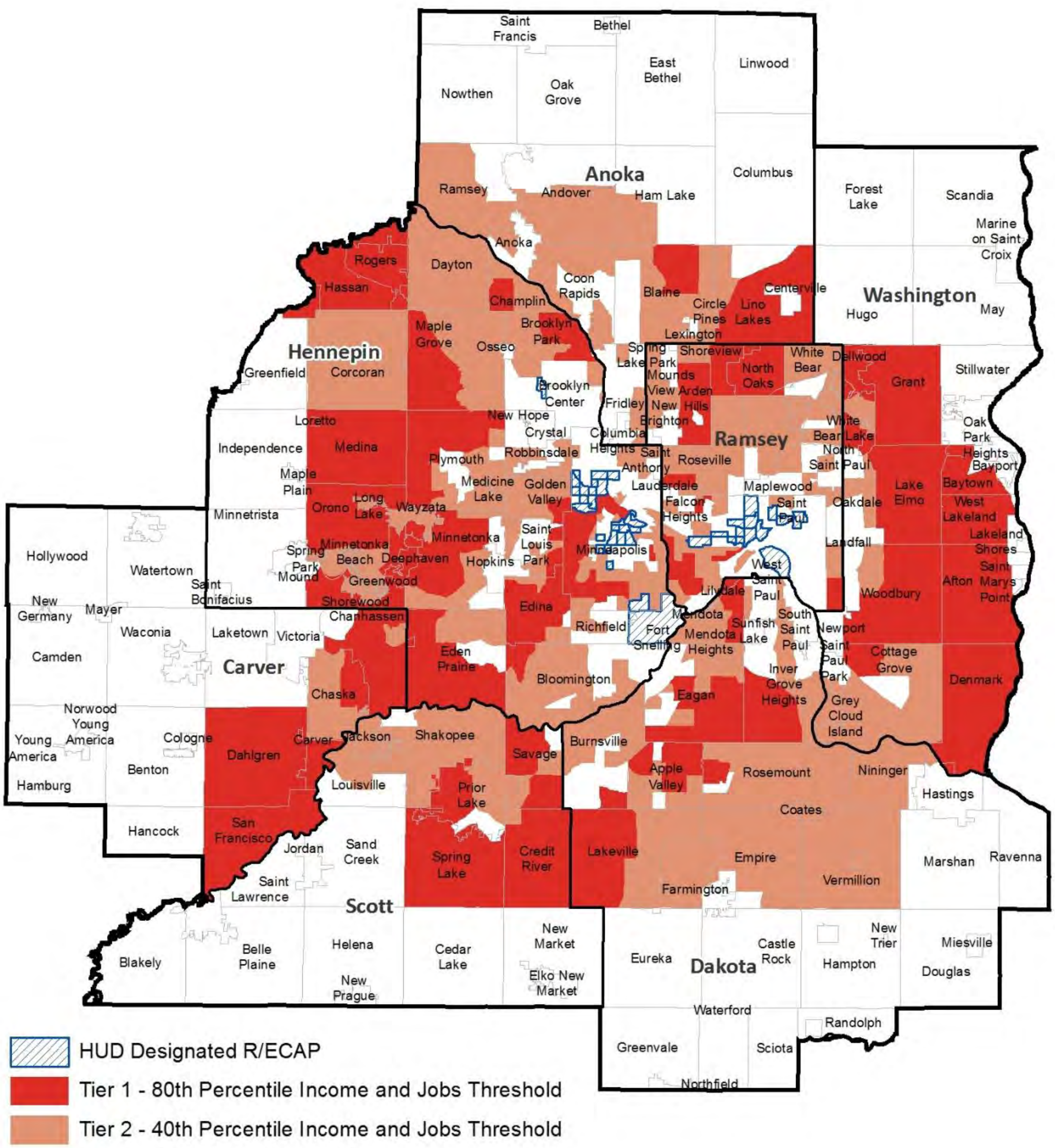
Community Economic Integration *(Twin Cities Metro on next page)*	Non Metro MSAs
Jobs within 5 miles / 20th percentile	3,713
Med Family Income / 40th percentile	$62,083
Med Family Income / 80th percentile	$88,397

MAP 1 – CENSUS TRACTS MEETING REGION'S 40TH AND 80TH PERCENTILE THRESHOLDS FOR MEDIAN INCOME & 20TH PERCENTILE FOR LOW AND MODERATE WAGE JOBS WITHIN 5 MILES (OUTSIDE OF RURAL/TRIBAL AREAS)



MAP 2 – TWIN CITIES 7 COUNTY METRO DETAIL - CENSUS TRACTS MEETING REGION'S 40TH AND 80TH PERCENTILE THRESHOLDS FOR MEDIAN INCOME & 10TH PERCENTILE FOR LOW AND MODERATE WAGE JOBS WITHIN 5 MILES

	Twin Cities 7 County Metro
Jobs within 5 miles / 10th percentile	18,156
Med Family Income / 40th percentile	$73,403
Med Family Income / 80th percentile	$109,718



Census Tract Listing by County for Economic Integration
(denotes tract achieves second tier)*

Anoka	
502.08	*
502.15	*
502.19	*
502.2	*
502.21	*
502.22	*
502.23	*
502.24	*
502.26	*
502.27	*
502.28	*
502.29	*
502.3	
502.36	
502.37	
504.01	*
506.05	*
506.09	*
506.1	*
507.07	*
507.09	*
507.1	*
507.11	*
507.12	*
508.05	*
508.13	*
508.16	*
508.18	
508.19	
508.2	*
508.21	*
509.02	*
510.02	*
512.03	*
513.02	*
515.02	*
Benton	
211.02	*

Carver	
905.02	
905.03	
906.01	*
906.02	
907.01	
907.02	
908	*
909	
910	*
911	
Dakota	
601.03	*
602.01	*
603.02	*
605.06	*
605.07	*
605.08	
605.09	*
606.03	
606.04	*
606.05	*
606.06	
607.09	*
607.1	*
607.13	*
607.14	*
607.16	
607.17	*
607.21	*
607.26	*
607.27	*
607.28	
607.29	
607.3	
607.31	
607.32	
607.33	*
607.34	

607.38	*
607.42	
607.44	
607.47	*
607.48	*
607.49	*
608.06	
608.11	*
608.12	*
608.13	
608.14	
608.15	
608.16	
608.17	*
608.18	*
608.19	*
608.2	
608.21	*
608.22	
608.23	
608.24	*
608.25	
608.26	*
608.29	*
609.02	*
609.06	*
609.07	*
610.01	*
610.03	*
610.04	
610.07	*
610.09	*
Hennepin	
3	*
6.01	*
6.03	*
11	*
81	*
106	

107	
110	*
117.03	
117.04	*
118	*
119.98	*
120.01	*
121.02	*
201.01	*
209.02	*
210.02	*
212	*
214	*
215.04	*
215.05	*
216.01	*
216.02	*
217	*
218	
219	*
222	*
223.01	*
228.01	
228.02	*
229.01	
229.02	
230	*
231	
235.01	*
235.02	
236	
237	
238.01	
238.02	
239.01	
239.02	
239.03	
240.03	*
240.04	*

240.06	
241	*
242	*
245	*
252.05	*
253.01	*
256.01	*
256.03	*
256.05	*
257.01	*
257.02	*
258.01	*
258.02	*
258.05	*
259.03	*
259.05	
259.06	*
259.07	*
260.05	*
260.06	*
260.07	*
260.13	
260.14	
260.15	
260.16	
260.18	
260.21	
260.22	
261.01	*
261.03	*
262.01	
262.02	
262.05	
262.06	
262.07	*
262.08	*
263.01	
263.02	
264.03	*

264.04	
265.05	*
265.07	*
265.08	
265.09	
265.1	*
265.12	*
266.05	
266.06	
266.09	*
266.1	
266.11	*
266.12	
266.13	
267.06	*
267.07	*
267.08	*
267.1	*
267.11	*
267.12	*
267.13	*
267.14	
267.15	
267.16	
268.12	*
268.15	*
268.16	*
268.2	
268.22	
268.23	*
269.03	*
269.06	*
269.07	
269.08	*
269.09	
269.1	*
271.01	
271.02	*
272.01	

272.02	*
272.03	*
273	*
274	
275.01	*
275.03	
275.04	
1012	*
1036	*
1051	
1052.01	*
1054	*
1055	
1065	
1066	
1067	*
1075	*
1076	*
1080	
1089	
1090	*
1091	
1093	*
1098	
1099	*
1102	*
1105	*
1108	*
1109	*
1111	*
1112	
1113	
1114	
1115	
1116	
1226	*
1256	*
1261	
1262	

Olmsted	
1	*
4	
9.01	*
9.02	*
9.03	
10	*
11	*
12.01	
12.02	
12.03	
13.01	*
13.02	*
14.02	
15.01	*
15.02	*
15.03	
16.01	*
16.02	
16.03	
17.01	*
17.03	
22	
23	*
Ramsey	
301	*
302.01	
303	*
306.02	*
321	*
322	*
323	*
332	*
333	*
349	*
350	*
351	
352	*
353	*

355	*
357	
358	
360	*
363	
364	
365	*
366	*
367	*
375	
376.01	*
401	*
402	*
403.01	*
403.02	*
404.02	*
405.03	*
406.01	
406.03	*
406.04	*
407.03	*
407.04	*
407.05	*
407.06	
407.07	
408.01	
408.03	
410.01	*
410.02	*
411.04	*
411.05	*
411.06	*
413.01	
413.02	*
414	*
415	*
416.01	*
417	*
418	*

419	*
421.02	*
423.01	*
424.02	*
425.03	
425.04	*
426.01	*
429	*
430	
Scott	
802.01	
802.02	
802.03	*
802.04	*
802.05	
803.01	*
803.02	*
806	*
807	*
809.03	
809.05	*
809.06	*
810	
St. Louis	
1	
2	*
3	*
4	*
5	
6	*
7	
9	*
10	*
11	
22	*
23	*
30	*
38	*
101	*

102	*
103	*
157	*
Stearns	
4.01	*
4.02	
6.02	*
9.01	*
10.01	*
101.01	
101.02	*
113.01	*
Washington	
703.01	
703.03	
703.04	*
704.03	
704.05	
704.06	
707.01	
709.06	*
709.09	*
710.06	*
710.1	
710.11	
710.13	*
710.14	
710.15	
710.16	
710.17	
710.18	
711.02	
712.06	
712.07	*
714	*

This page intentionally blank.

2018 QAP – Access to Higher Performing Schools Methodology

*Methodology has been updated with the 2014/2015 graduation rates data released by the Minnesota Department of Education following initial publication in February 2016. Areas that became eligible with the new data have been added and areas no longer qualifying have been subtracted.

Access to higher performing schools is based on whether a development is located in an area that meets at least two out of three school performance assessments:

- Share of 3rd graders who are reading proficient - 2014/2015 school year -Need to meet or exceed the statewide rate of 58.7%[1]
- Share of 8th graders who are math proficient - 2014/2015 school year -Need to meet or exceed the statewide rate of 57.8%[1]
- Share of high school students that graduate on time - 2014/2015 school year -Need to meet or exceed the statewide rate of 81.88%[2]

Applicants can receive 4 points if the development is located in an area considered to have access to higher performing schools. The same regions eligible for economic integration points are also eligible for access to higher performing school points. This includes the 7-county Twin Cities metropolitan area, along with areas in and around Duluth, Rochester, and Saint Cloud.

Each elementary school, middle school[3], and high school attendance boundary are assessed separately and then combined for a final score. If a school is equal to or greater than the statewide average, it meets that performance threshold for that measure. If at least two of the three measurements achieve the performance threshold, the area is eligible for points.

Access to higher performing schools is based on elementary attendance boundaries[4]. Points for 8th grade math proficiency and high school graduation rate are assigned to the elementary school that feeds into those middle and high schools. Private, charter, and magnet schools are excluded from this analysis.

This document includes maps of the areas eligible for points given their access to higher performing schools. Interactive tools will be made available for applicants and staff to map project locations and determine the high-performing school points through the community profiles at www.mnhousing.gov > Policy & Research > Community Profiles.

---

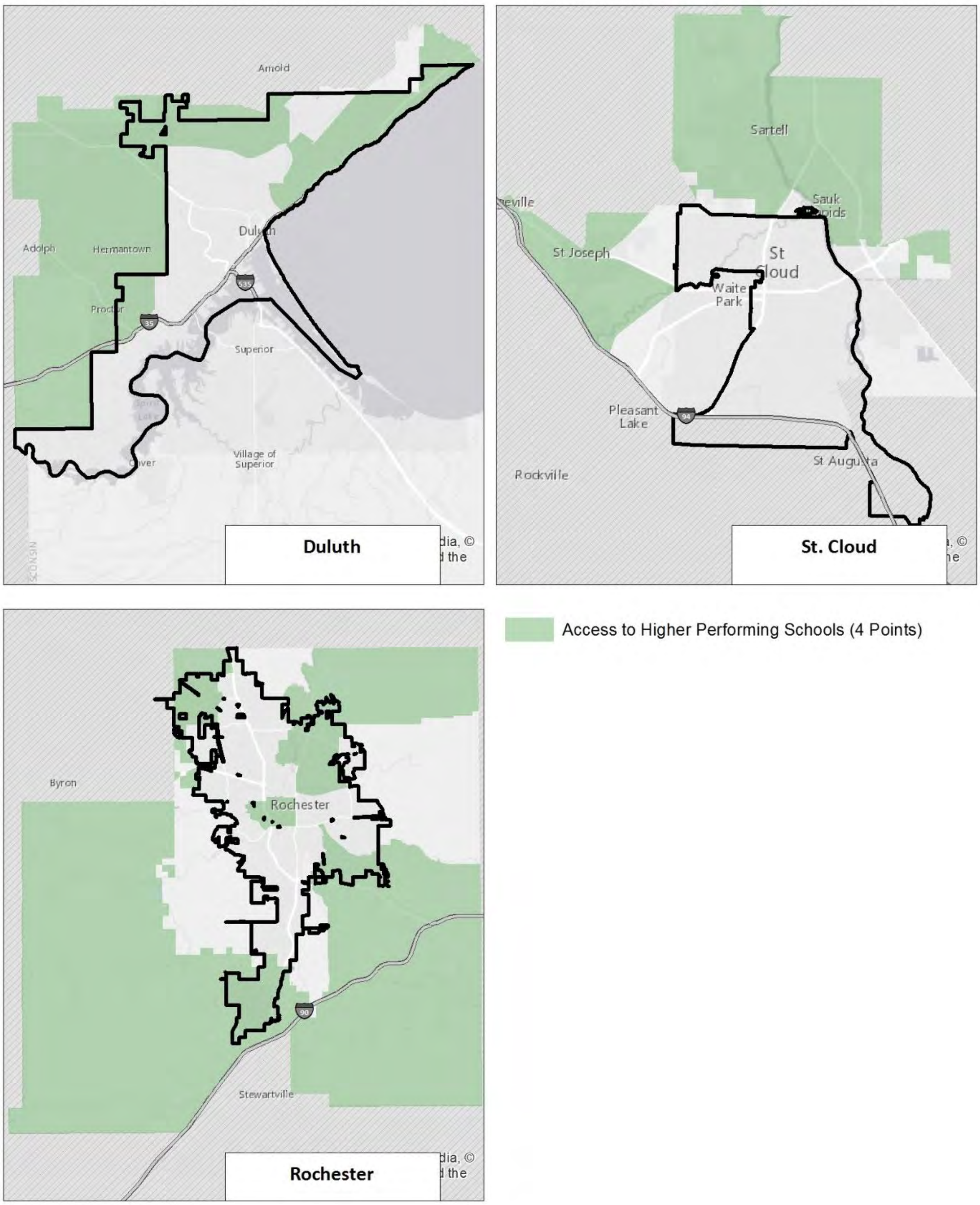
[1] Based on Minnesota Comprehensive Assessments (MCA) Series III test scores by school for 2014/2015 school year – 3rd and 8th grade proficiency. Data source: http://w20.education.state.mn.us/MDEAnalytics/Data.jsp.

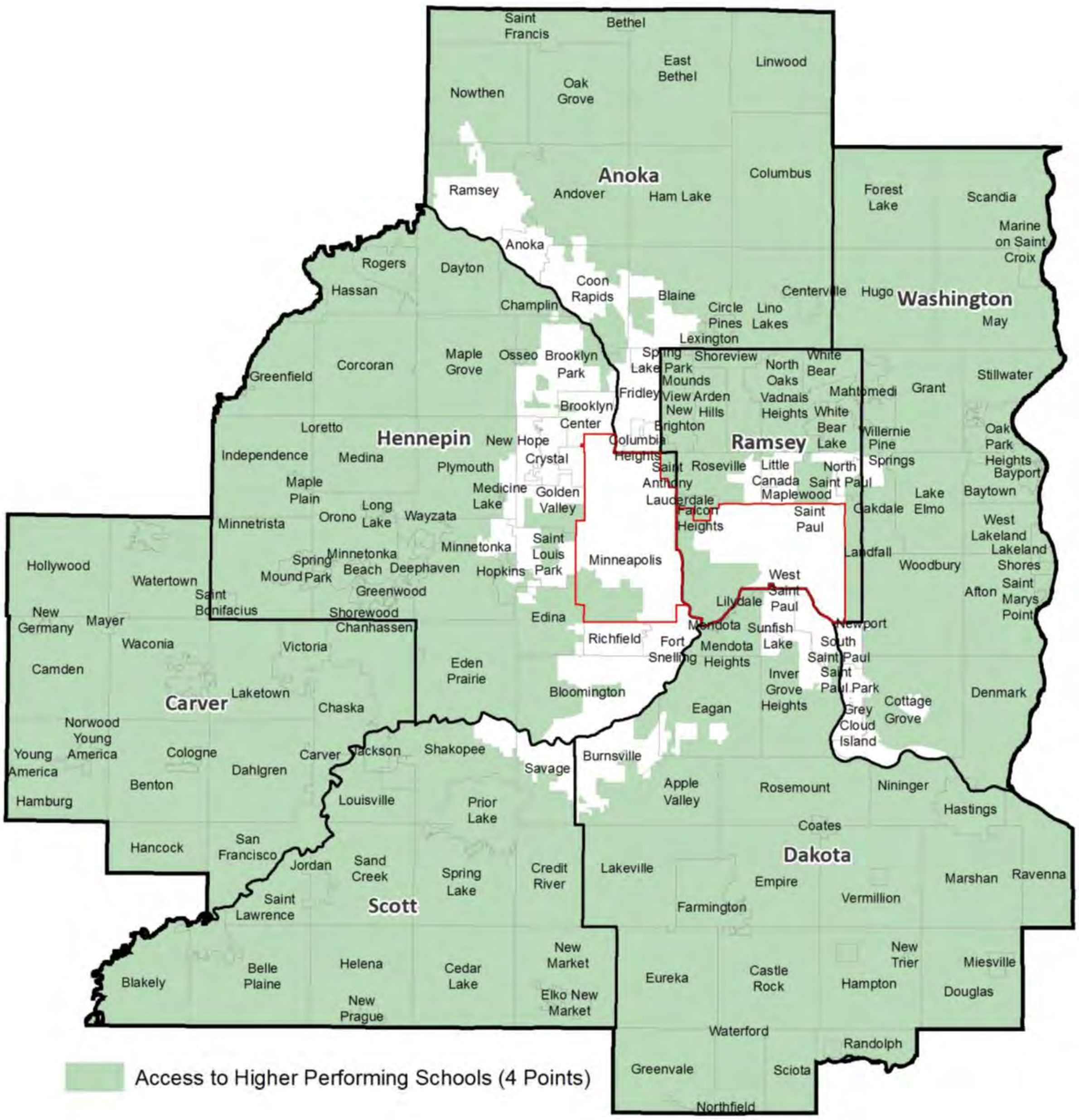
[2] Based on 4-year graduation rates by school for 2014/2015 school year. Data source: http://w20.education.state.mn.us/MDEAnalytics/Data.jsp.

[3] If a middle school attendance boundary is not defined or a middle school does not exist, the high school attendance boundary is used.

[4] Data source Minnesota Department of Education via the Minnesota Geospatial Commons: https://gisdata.mn.gov/organization/us-mn-state-mde.

Areas outside the 7-county Twin Cities metropolitan area, Duluth, Rochester, and St. Cloud are not eligible for school performance or economic integration points, but they are eligible for 10 points under the Rural/Tribal Designated Areas.




Anoka
Hennepin
Ramsey
Washington
Carver
Scott
Dakota
Minneapolis
Saint Paul
Access to Higher Performing Schools (4 Points)

This page intentionally blank.

2018 QAP – Location Efficiency Methodology

Location efficiency is defined by Minnesota Housing through a combination of access to transit and walkability criteria in the Twin Cities Metro and Greater Minnesota.

Twin Cities Metropolitan Area

In the Twin Cities Metro, applicants can receive up to 9 points for location efficiency based on three criteria. First, applicants must achieve one of three levels of access to transit. Second, up to two additional points are available for walkability as measured by Walk Score (www.walkscore.com). Finally, up to two additional points are available for transit oriented design.

• **Access to Transit (one of the following):** *Applicants can map project locations and determine access to transit points at the Minnesota Housing Community Profiles tool: www.mnhousing.gov > Research & Publications > Community Profiles*		
Proximity to LRT/BRT/Commuter Rail Station	Locations within ½ mile of a planned[1] or existing LRT, BRT, or Commuter Rail Station. As of publication, lines include: Hiawatha, Central Corridor, Bottineau, and Southwest LRT, Northstar Commuter Rail, and stations of the Cedar Ave, Snelling, and I-35W BRT lines.	Points 5
Proximity to Hi-Frequency Transit Network	Locations located within ¼ mile of a fixed route stop on Metro Transit's Hi-Frequency Network.	4
Access to Public Transportation	Locations within one quarter mile of a high service[2] public transportation fixed route stop or within one half mile of an express route bus stop or park and ride lot.	2
• **Walkability (one of the following):**		
Walk Score of 70+	Walk Score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated print out of locations' Walk Score from the Walk Score tool.[3]	2
Walk Score of 50-69		1
• **Transit Oriented Development (1 point if 1 item below is achieved, 2 points if 2 or more items are achieved):** *continued on next page*		

[1] Includes planned stations on future transitways that are in advanced design or under construction. To be considered in advanced design, transitways need to meet the following criteria: issuance of a draft EIS, station area planning underway, and adoption by the Metropolitan Council Transportation Policy Plan. Transitways entering into advanced design after publication will be eligible, but data may not be available using Minnesota Housing scoring tools.

[2] 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.

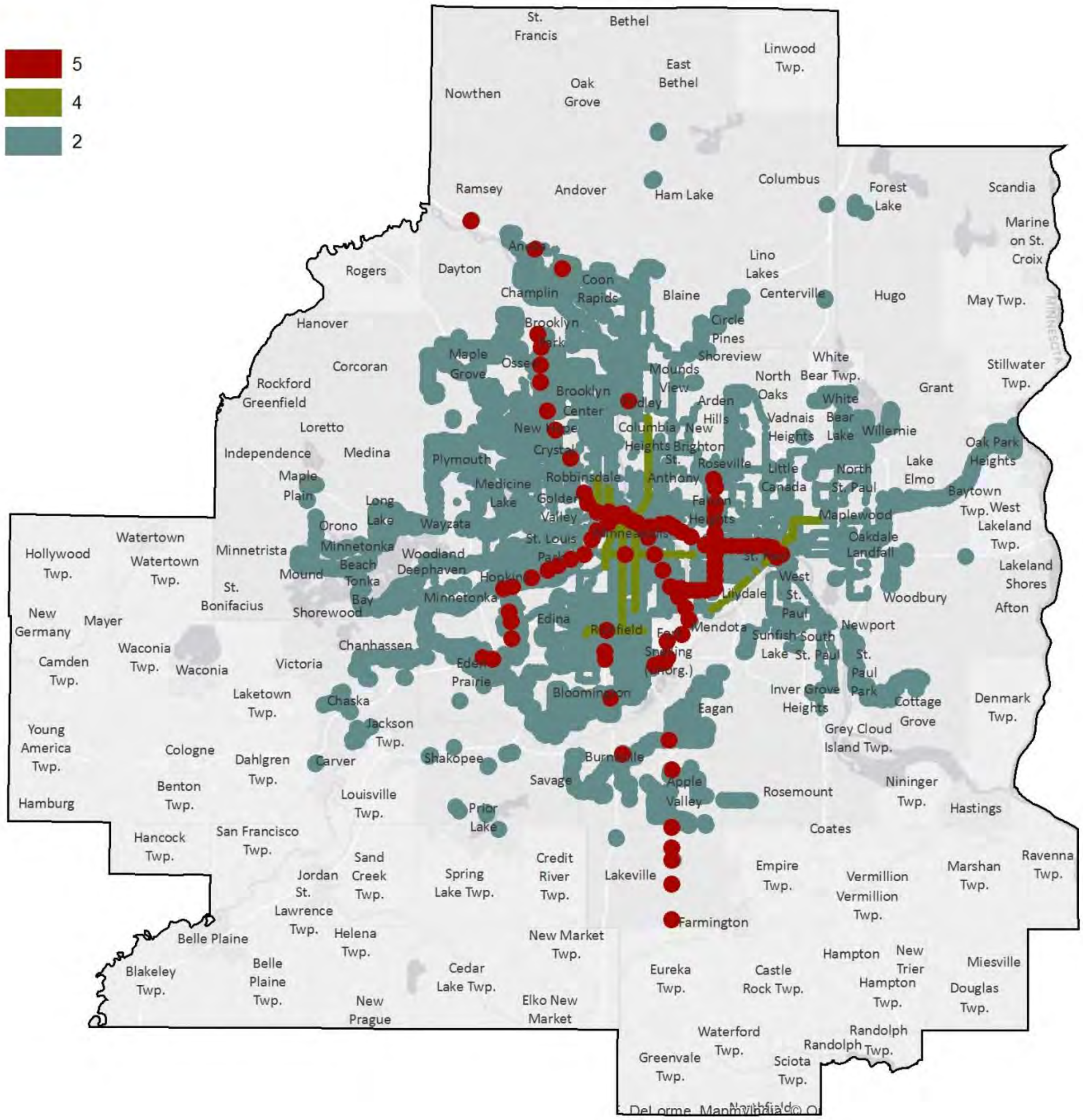
[3] If applicants would like to request revisions of a location's Walk Score, they may contact Walk Score directly with details of the request to mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If an address cannot be found in the Walk Score tool, use closest intersection within ¼ mile of the proposed location.

• **Transit Oriented Development (1 point if 1 item below is achieved, 2 points if 2 or more items are achieved):** *To be eligible for any of these points, the location must be within ¼ mile of a planned or existing LRT, BRT, or Commuter Rail Station.*[4]	
Parking	Parking for residential units or visitors is not more than the smallest allowable parking minimum under local zoning requirements. If no residential parking or visitor parking is required under local zoning, no more than 0.2 visitor parking spaces per residential unit can be provided (i.e. 10 stalls in a 50 unit and 20 stalls in a 100 unit building).
Building Orientation and Connections	There must be existing walkable or bikeable connections from the property to the station area via sidewalk or trail or funding must be secured to create such connections, and there must be at least one accessible building entrance oriented toward such connections, and parking cannot be situated between the building and station area.
Density	Site density must be at the maximum allowable density under the local comprehensive plan.
Alternative Means	Alternatives include car sharing (Where one or more passenger automobiles are provided for common use by residents), bike storage, shared parking arrangements with adjacent property owners, etc. which results in a reduction in the local minimum parking requirement, and parking for residential units is not more than the local minimum parking requirement, or if no residential parking is required under local zoning, 10 or fewer parking stalls are provided.

The following map shows areas with access to transit. An interactive version of this map is accessible at: www.mnhousing.gov > Policy & Research > Community Profiles.

[4] Within 6 months of the date of selection (Minnesota Housing Board selection date) the applicant must provide Minnesota Housing with documentation of local authorization or approval, where such approval is necessary, for points taken under transit oriented development. The documentation must state the terms and conditions and be executed or approved at a minimum by the contributor. Lack of acceptable documentation will result in the reevaluation and adjustment of the tax credits or RFP award, up to and including the total recapture of tax credits or RFP funds.

Figure 1: Transit Access Point Levels in the Twin Cities Metro



Map Source: Minnesota Housing analysis of MetroTransit data on Hi-Frequency Network, Planned and Existing Transit Lines, bus service, and park and rides (obtained January 2016)

Greater Minnesota

For areas in Greater Minnesota with access to fixed route transit, applicants can receive up to 9 points with a combination of access to transit and walkability. For areas without fixed route transit, applicants can receive up to 9 points with a combination of proximity to jobs, and access to dial-a-ride or demand-response transit, and walkability. Tribal lands are exempt from being close to jobs, but must meet the scheduling requirements for each point criteria. These options are described below.

A. For areas with fixed route transit service:

• **Access to Transit (one of the following):**		Points
Within ¼ mile of existing or planned[5] fixed route transit stop		7
Between ¼ mile and ½ mile of existing or planned fixed route transit stop		4
Less than ½ mile from an express bus route stop or park and ride lot		4
• **Walkability (one of the following):**		
Walk Score of 70+	Walk Score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated print out of locations' Walk Score from the Walk Score tool.[6]	2
Walk Score of 50-69		1

B. For areas without fixed route transit service:

• **Access to Transit (one of the following):**	Points
Close to jobs and demand response/dial-a-ride service with no more than 1 hour advance notice required to schedule a pickup and no minimum number of riders are required.	7
Close to jobs and demand response/dial-a-ride service with same day pick-up guaranteed if scheduled by 8:00 a.m. or later and no minimum number of riders are required.	4
Close to jobs and demand response/dial-a-ride service not meeting the scheduling terms above.	2
Tribal lands do not have to meet the proximity to jobs requirement.	
• **Walkability (one of the following):**	
Close to jobs and Walk Score of 50+	2
Close to jobs and Walk Score of 35-49	1
• Jobs: property is located within a census tract that is close to low and moderate wage jobs[1]	

---

[5] Greater Minnesota planned transit stops must be for fixed route service. For a Greater Minnesota planned fixed route-transit stop to be eligible for points under the QAP, applicants must provide detailed location and service information including time and frequency of service and estimated service start date, and provide evidence of service availability from the transit authority providing service. The major, federally funded transit authorities in Greater Minnesota are Duluth Transit Authority, East Grand Forks Transit, La Crescent Apple Express, Moorhead Metropolitan Area Transit, Rochester Public Transit, St. Cloud Metro Bus, and Mankato Transit. Other, smaller transit organizations are also eligible, including Tribal transit organizations, provided these organizations must have established fixed-route bus service.

[6] If applicants would like to request revisions of a location's Walk Score, they may contact Walk Score directly with details of the request to mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If address cannot be found in the Walk Score tool, use the closest intersection within ¼ mile of the proposed location.

- *Dial-a-Ride:* The proposed housing has access to regular demand-response/dial-a-ride transportation service Monday through Friday during standard workday hours (7:00 AM to 5:30 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.
- Walk Score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated print out of locations' Walk Score from the Walk Score tool.

The maps and tables on the following pages provide detail to support the Greater Minnesota transportation priority.

- The maps on page 6 display fixed route stops and ¼ and ½ mile buffers in Duluth, Rochester, Moorhead, Mankato, and St. Cloud.
- The map on page 7 displays the census tracts that are close to low and moderate wage jobs for 2013.
- Table 1 beginning on page 8 lists these census tracts. Interactive maps showing access to low and moderate wage jobs are provided on Minnesota Housing's website: www.mnhousing.gov > Policy & Research > Community Profiles

To receive points under access to fixed route transit, applicants in Greater Minnesota must submit a map identifying the location of the project. For communities that Minnesota Housing does not have data for, applicants must submit a map 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

.

Figure 2: Transit Access Point Levels in Greater Minnesota

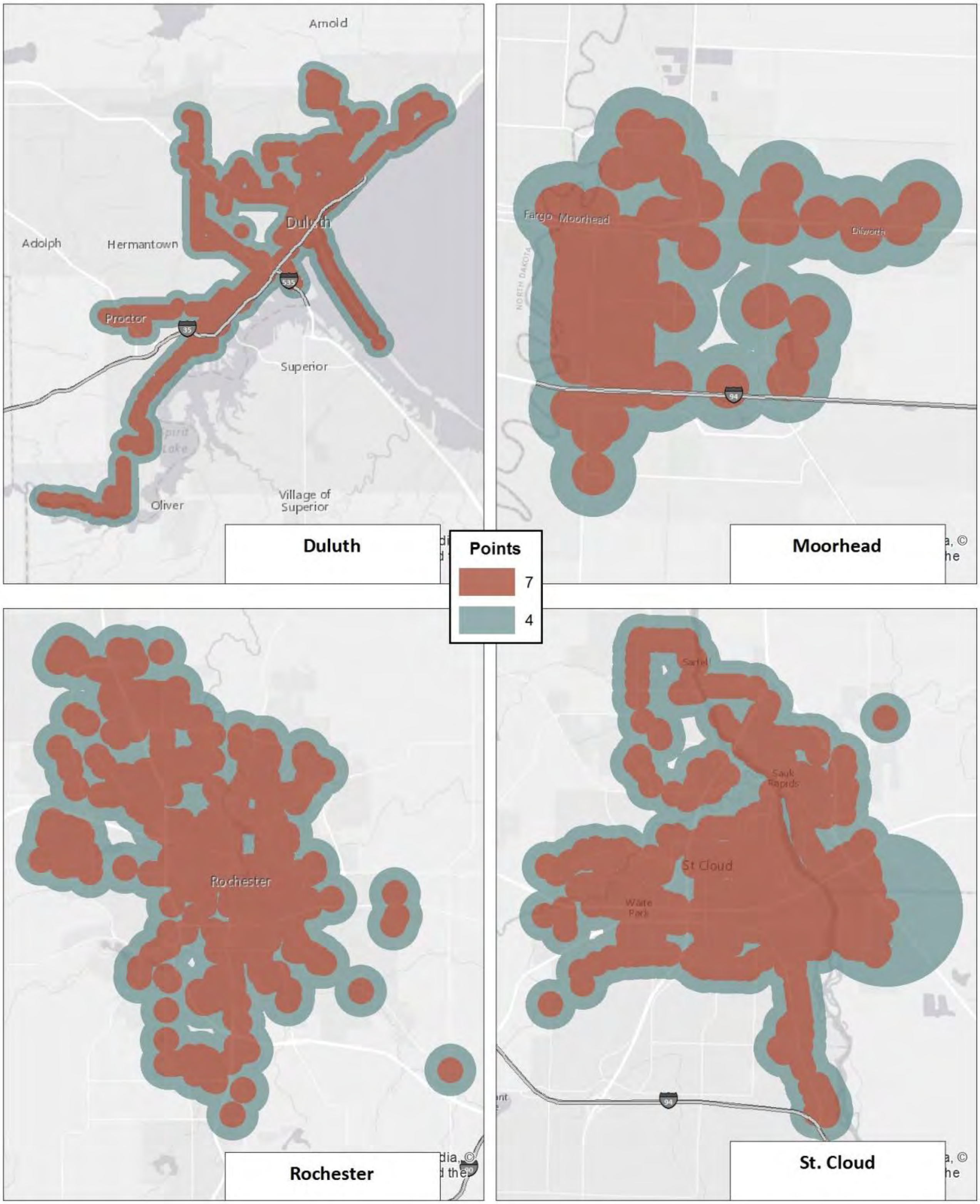
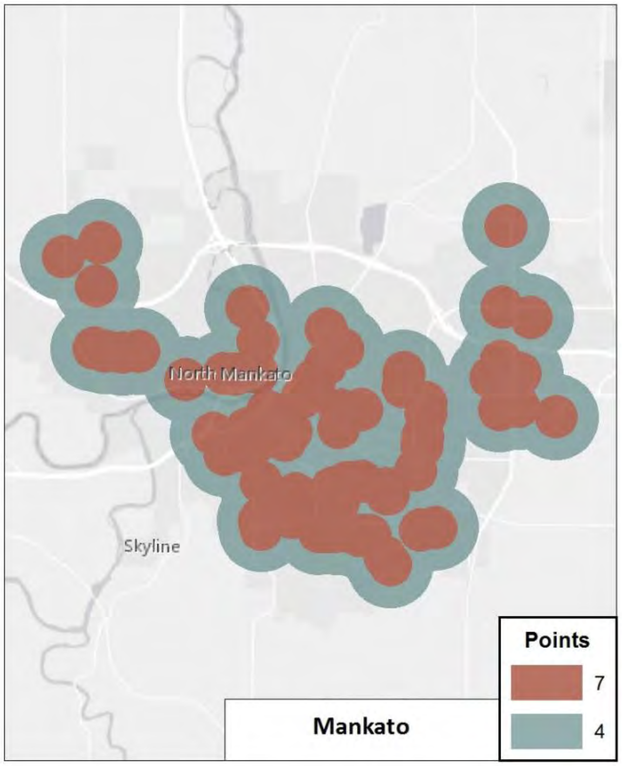
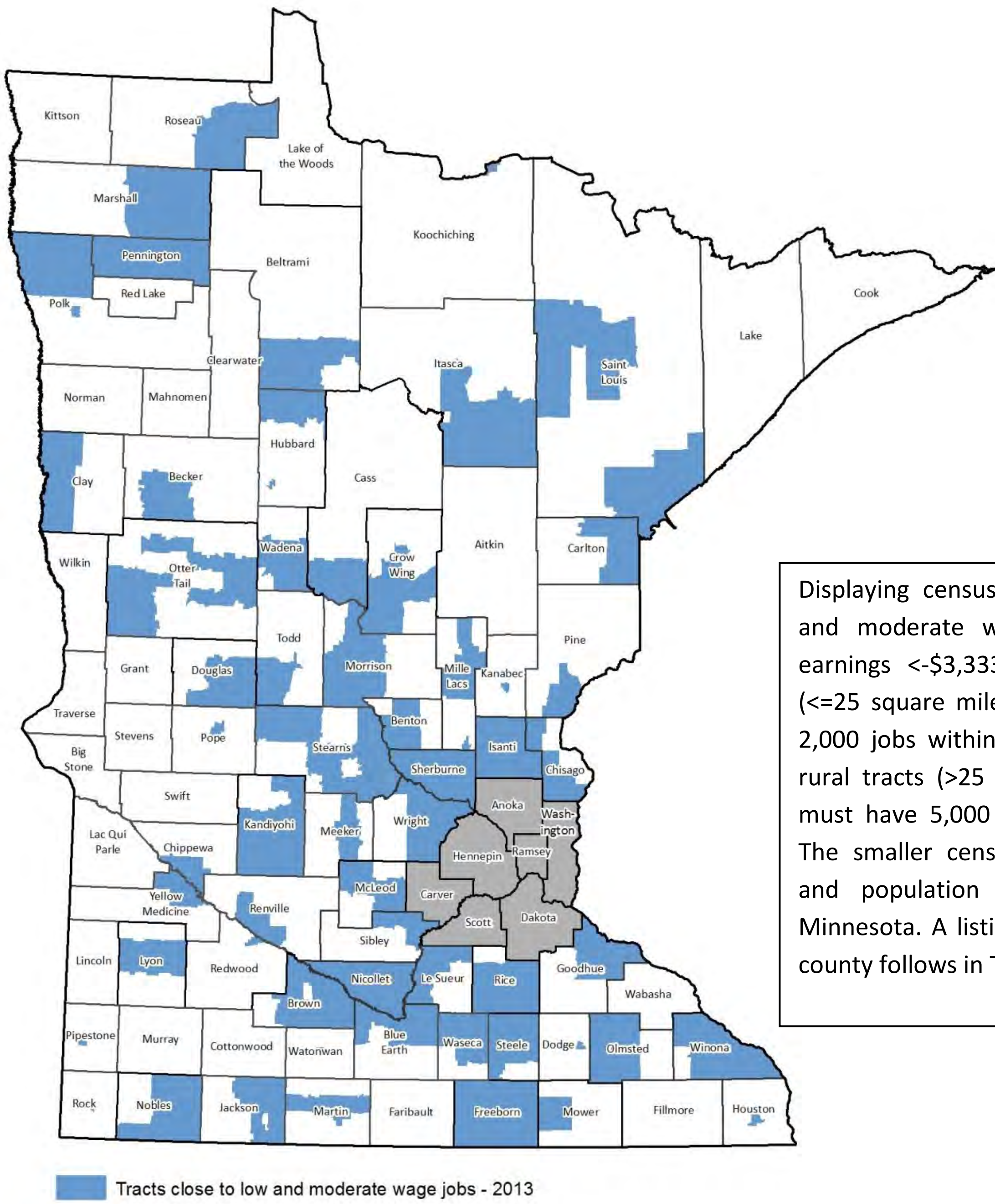


Figure 2: Transit Access Point Levels in Greater Minnesota



Source: Duluth Transit Authority, Rochester Public Works, Saint Cloud Metropolitan Transit Commission, MATBUS (Moorhead), and city of Mankato.

Figure 3: Jobs in Greater Minnesota



Displaying census tracts close to low and moderate wages jobs (monthly earnings <-$3,333). For urban tracts (<=25 square miles), tracts must have 2,000 jobs within 5 miles. For large, rural tracts (>25 square miles), tracts must have 5,000 jobs within 5 miles. The smaller census tracts reflect job and population centers in Greater Minnesota. A listing of these tracts by county follows in Table 1.

Map Source: Minnesota Housing analysis US Census Local Employment Dynamics program data, 2013.

Table 1: Census tracts close to low and moderate wage jobs in Greater Minnesota by county

Becker	**Brown**	301.03	801.01	7806
4503	9601.01	301.04	801.02	7807
4504	9601.02	301.06	802	7808
4505	9602	301.07	803	7810
4506	9603	**Crow Wing**	804	7811
4507	9604	9505.02	**Houston**	7812
4508	9607	9508	205	**Koochiching**
Beltrami	**Carlton**	9509	**Hubbard**	7901
4501	701	9510	701	7902
4502	702	9511	706	**Le Sueur**
4503	703	9512	**Isanti**	9501
4506	704	9513.01	1301	9502
4507.01	9400	9513.02	1302	9506
4507.02	**Cass**	9514	1303.01	**Lyon**
Benton	9608.01	**Dodge**	1303.02	3602
202.02	9608.02	9505	1304	3603
202.05	**Chippewa**	**Douglas**	1305.01	3604
202.06	9503	4505	1305.02	3605
203	9506	4506	1306	**Marshall**
211.01	**Chisago**	4507.01	**Itasca**	801
211.02	1101	4507.02	4803	**Martin**
212	1103.01	4508	4806	7902
Blue Earth	1103.02	4509	4807	7905
1701	1104.01	4510	4808.01	7906
1702	1104.02	**Freeborn**	4808.02	**McLeod**
1703	1105.01	1801	4809	9502
1704	1105.02	1802	4810	9503
1705	1106	1803	**Jackson**	9504
1706	**Clay**	1804	4801	9506
1707	201	1805	**Kanabec**	9507
1708	202.02	1806	4803	**Meeker**
1709	203	1807	**Kandiyohi**	5602
1711.01	204	1808	7709	5603
1712.02	205	1809	7801	5604
1713	206	1810	7804	**Mille Lacs**
1716	301.02	**Goodhue**	7805	1707

9703

Morrison

7802
7803
7806
7807
7808

Mower

1
2
3
4.1
6
8
9
10

Nicollet

4801
4802
4803
4804
4805.01
4805.02
4806

Nobles

1051
1053
1054
1055
1056

Olmsted

1
2
3
4
5
6
9.01
9.02
9.03
10
11
12.01
12.02
12.03
13.01
13.02
14.01
14.02
15.01
15.02
15.03
16.01
16.02
16.03
17.01
17.02
17.03
18
19
21
22
23

Otter Tail

9604
9606
9608
9609
9610
9611
9613
9617

Pennington

901
902
903
904
905

Pine

9506
9507

Pipestone

4602
4603

Polk

201
202
203
204
206
207

Pope

9704

Redwood

7502
7503

Renville

7904

Rice

702
703
704
705.01
705.03
705.04
706.01
706.02
707
708
709.01
709.02

Rock

5702

Roseau

9704

Sherburne

301.01
301.02
302
303
304.02
304.03
304.04
305.02
305.03
305.04
315

Sibley

1701.98

St. Louis

1
2
3
4
10
11
12
13
14
16
17
18
19
20
22
23
24
26
29
30
33
34
36
37
38
101
102
103
104
105
106
111
121
122
123
124
125
126
128
130
131
132
133
134
135
151
152
156
157
158

5
6
7
9
9901
Stearns
3.01
3.02
4.01
4.02
5
6.01
6.02
7.01
8.01
9.01
10.01
101.01
101.02
102
105
106
111
112
113.01
113.04
114
115
116
Steele
9601
9602
9603
9604
9605
9606
9607
Todd
7906
7907
Wadena
4802
Waseca
7901
7903
7904
7905
Watonwan
9502
Winona
6701
6702
6703
6704
6705
6706
6707
6708
6709
Wright
1001
1002.02
1002.03
1002.04
1003
1007.01
1007.02
1007.03
1008.01
1008.02
1009
1010
1011
Yellow Medicine
9701

This page intentionally blank.

2018 QAP – Qualified Census Tracts (QCT), Tribal Equivalent Areas Methodology

QCT are based on Census Tract boundaries, but the boundaries of larger Census Tracts and reservations in greater Minnesota do not always align. Thus, large geographic areas of some low-income reservations are not classified as QCTs. Reservations that meet the criteria for designation as a QCT are treated as a QCT equivalent area if either (1) the entire reservation meets the definition of a QCT or (2) if a tract within the reservation is eligible under current HUD QCT criteria[1] . Applicants will find interactive maps to identify whether a property falls within these areas on Minnesota Housing's website – www.mnhousing.gov > Policy & Research > Community Profiles.

Eligible Areas

The reservations in the table below and identified on the map on the following page are eligible as Tribal QCT equivalent areas. To be eligible, these areas must meet either income or poverty thresholds:

- Areas are eligible based on income thresholds if 50% or more of households have incomes below the average household size adjusted income limit for at least two of three evaluation years (2011-2013).
- Areas are eligible based on the poverty threshold if the poverty rate is 25% or higher for at least two of three evaluation years (2011-2013).

Indian Reservations or Trust Land in Minnesota Based on Characteristics of Eligibility for Qualified Census Tracts

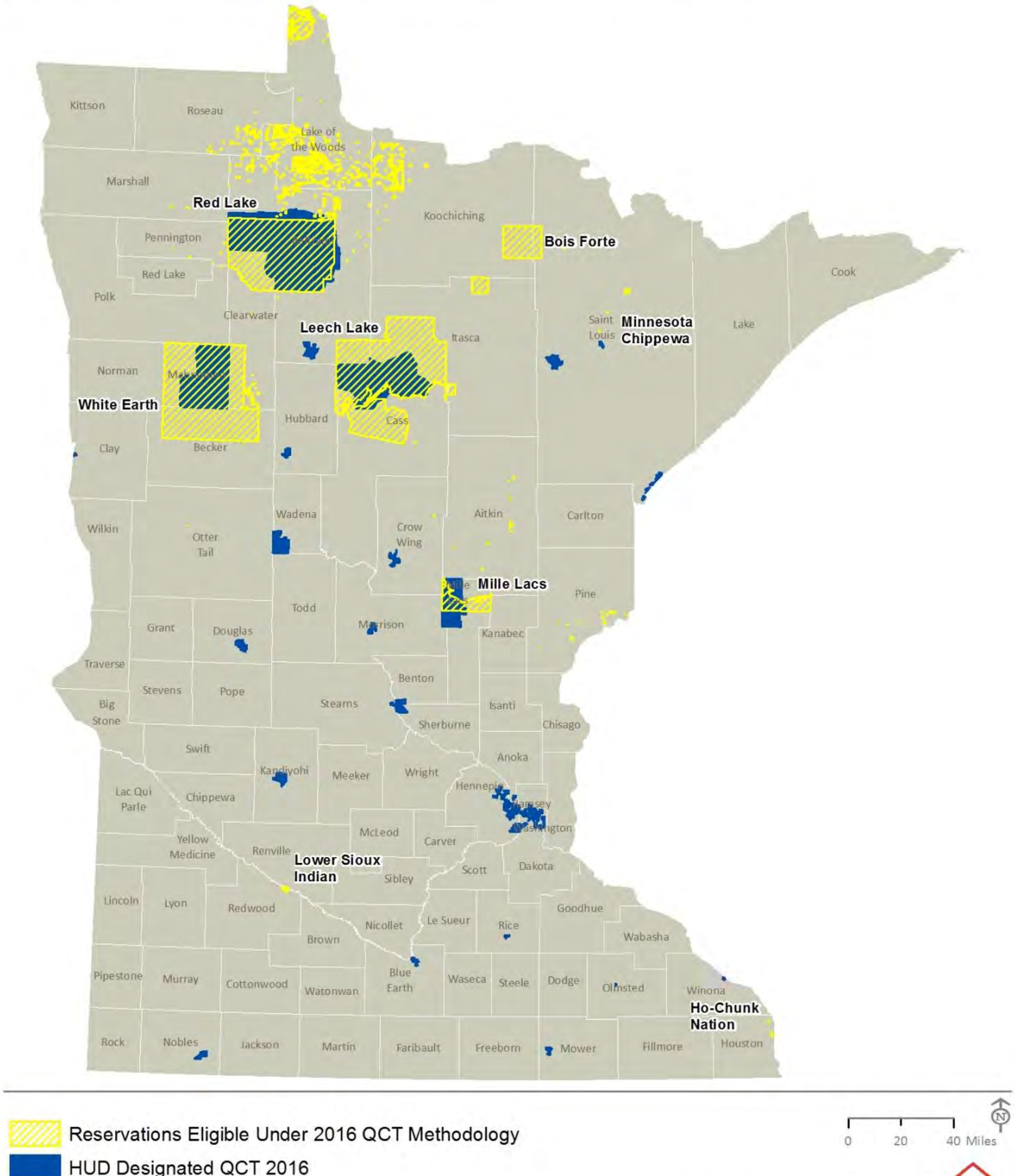
Indian Reservation	Years Eligible Based on Income	Years Eligible based on Poverty
Bois Forte Reservation, MN	2	0
Ho-Chunk Nation Reservation and Off-Reservation Trust Land, WI--MN	3	3
Leech Lake Reservation and Off-Reservation Trust Land, MN	1	2
Lower Sioux Indian Community, MN	1	3
Mille Lacs Reservation and Off-Reservation Trust Land, MN	3	1
Minnesota Chippewa Trust Land, MN	3	0
Red Lake Reservation, MN	3	3
White Earth Reservation and Off-Reservation Trust Land, MN	3	2

Sources: Decennial Census, HUD Income Limits (Statewide for Very Low Income, 50%), American Community Survey 2007-2011, 2008-2012, and 2009-2013 samples.

Minnesota Housing will update the list of Tribal Census tracts or reservations, in accordance with HUD updates to federally designated qualified census tracts.

[1] HUD QCT Designation Algorithm found here: http://qct.huduser.org/tables/QCT_Algorithm_2016.htm

Qualified Census Tracts and Tribal Lands Eligible Under QCT Methods



Source: Minnesota Housing Analysis of American Community Survey Data for three periods, 2009-2013, 2008-2012 and 2007-2011. Tribal lands are 2014 boundaries from the US Census of American Indian, Alaska Native, and Native Hawaiin geographies.

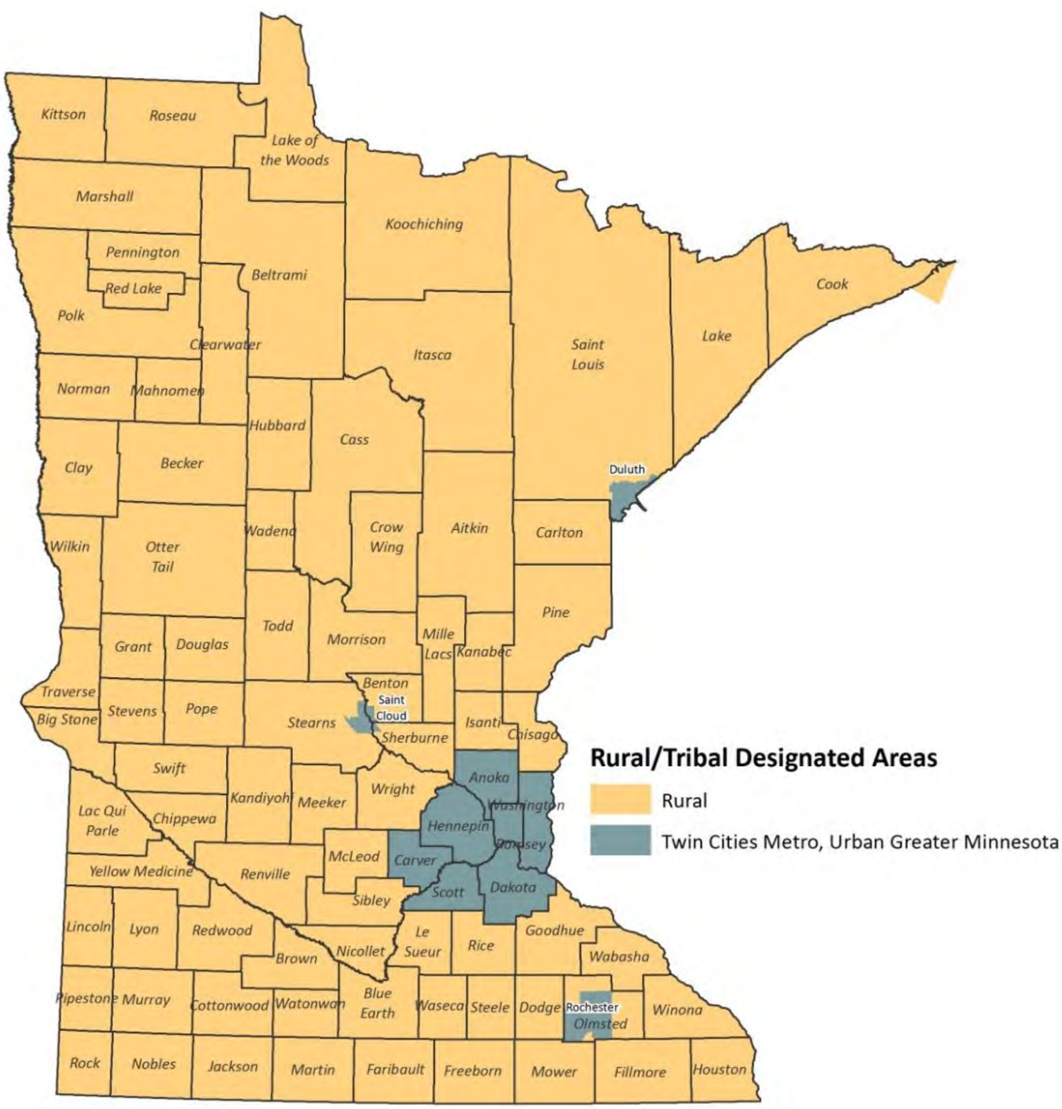
Minnesota Housing Finance Agency

2018 QAP – Rural/Tribal Designated Areas

Because communities in rural parts of Minnesota are not eligible for economic integration or school performance priority points, the selection process has a 10 point criterion for rural communities in order to maintain balance in the allocation plan.

Minnesota Housing defines rural communities as Census tracts outside of the Twin Cities 7 County Metropolitan Area and Census tracts largely outside Greater Minnesota cities with a population over 50,000. These cities include tracts in, Duluth, Rochester, and St Cloud.

The map below shows areas receiving the rural/tribal designation points in orange. The following pages list the tracts eligible by county.



Tracts Eligible for Rural/Tribal Designation Points

Aitkin
7701
7702
7703
7704
7905.01
7905.02
Becker
4501
4502
4503
4504
4505
4506
4507
4508
4509
9400
Beltrami
4501
4502
4503
4504
4505
4506
4507.01
4507.02
9400.01
9400.02
Benton
201
202.02
202.03
202.05
203
Big Stone
9501
9502
9503
Blue Earth

1701
1702
1703
1704
1705
1706
1707
1709
1710
1713
1714
1715
1708
1712.02
1716
1711.01
Brown
9601.01
9601.02
9602
9603
9604
9605
9606
9607
Carlton
701
702
703
704
705
706
9400
Cass
9400.01
9400.02
9601
9602
9603.01
9603.02

9606
9607
9608.01
9608.02
Chippewa
9503
9504
9505
9506
Chisago
1101
1102
1103.01
1103.02
1104.02
1105.01
1105.02
1106
1107
1104.01
Clay
201
202.02
203
204
205
206
301.02
301.07
302.01
302.02
301.06
301.03
301.04
Clearwater
1
2
3
Cook
4801

4802
Cottonwood
2701
2702
2703
2704
Crow Wing
9501
9502.04
9504
9505.01
9505.02
9507
9508
9509
9510
9511
9512
9513.01
9513.02
9514
9516
9517
Dodge
9501
9502
9503
9504
9505
Douglas
4501
4502
4505
4506
4507.01
4507.02
4508
4509
4510
Faribault

4601
4602
4603
4604
4605
4606
Fillmore
9601
9602
9603
9604
9605
9606
Freeborn
1801
1802
1803
1804
1805
1806
1807
1808
1809
1810
Goodhue
801.01
801.02
802
803
804
805
806
807
808
809
Grant
701
702
Houston
201

202
203
205
209
Hubbard
701
702
703
704
705
706
707
Isanti
1301
1302
1303.01
1303.02
1304
1305.01
1305.02
1306
Itasca
4801
4803
4804
4805
4806
4807
4808.01
4808.02
4809
4810
9400
Jackson
4801
4802
4803
4804
Kanabec
4801
4802

4803
4804
Kandiyohi
7709
7801
7802
7803
7804
7805
7806
7807
7808
7810
7811
7812
Kittson
901
902
Koochiching
7901
7902
7903
7905
Lac Qui Parle
1801
1802
1803
Lake
3701
3703
3704
Lake of the Woods
4603
4604
Le Sueur
9501
9502
9503
9504
9505

9506
Lincoln
2010.01
2010.02
Lyon
3601
3602
3603
3604
3605
3606
3607
Mahnomen
9401
9403
Marshall
801
802
803
804
Martin
7901
7902
7903
7904
7905
7906
McLeod
9501
9502
9503
9504
9505
9506
9507
Meeker
5601
5602
5603
5604
5605

5606
Mille Lacs
1704
1705
1706
1707
9701
9702
9703
Morrison
7801
7802
7803
7804
7805
7806
7807
7808
Mower
1
2
3
10
12
13
14
4.1
6
8
9
Murray
9001
9002
9003
Nicollet
4801
4802
4803
4804
4806
4805.01

4805.02
Nobles
1051
1052
1053
1054
1055
1056
Norman
9601
9602
9603
Olmsted
18
19
20
21
Otter Tail
9601.02
9601.03
9603
9604
9605
9606
9607
9608
9609
9610
9611
9612
9613
9614
9615
9616
9617
Pennington
901
902
903
904
905

Pine
9501
9502
9503
9504
9505
9506
9507
9508
Pipestone
4601
4602
4603
4604
4605
Polk
201
202
203
204
205
206
207
208
209
210
Pope
9701
9702
9703
9704
Red Lake
101
102
Redwood

7501
7502
7503
7504
7505
7506
Renville
7901
7902
7903
7904
7905
7906
Rice
701
702
703
704
705.01
705.03
705.04
706.01
706.02
707
708
709.01
709.02
Rock
5701
5702
5703
Roseau
9701
9702
9703

9704
9705
Saint Louis
104
105
106
111
112
113
114
126
127
128
130
131
132
133
134
135
136
138
139
140
141
151
152
153
154
155
121
122
123
124
125
Sherburne

301.01
301.02
302
303
304.02
304.03
304.04
305.02
305.03
305.04
Sibley
1701.98
1702
1703
1704
Stearns
102
104.01
104.02
104.03
105
106
109
110
111
112
113.02
113.04
114
115
Steele
9601
9602
9603
9604

9605
9606
9607
9608
Stevens
4801
4802
4803
Swift
9601
9602
9603
9604
Todd
7901
7902
7903
7904
7905
7906
7907
7908
Traverse
4601
4602
Wabasha
4901
4902
4903
4904
4905
4906

2018 QAP – Cost Containment Methodology

Background

Cost containment points are awarded to the 50% of proposals with the lowest total development costs (TDC) per unit in each of the following four groups:

1. New Construction – Metro
2. New Construction – Greater MN
3. Rehabilitation – Metro
4. Rehabilitation – Greater MN

To address the issue of varying costs among developments for singles, families, and large families, the calculation of TDC per unit includes adjustment factors to bring these costs into equivalents terms. The adjustments reflect historical differences. For example, new construction costs for family/mixed developments are typically 16% higher than the costs for developments for singles. Thus, to make the costs for singles equivalent to those for families/mixed, TDCs per unit for singles are increased by 16% when making cost comparisons.

This cost containment criterion only applies to the selections for competitive 9% credits. It does not apply to 4% credits with tax-exempt bonds.

The purpose of the criterion is to give developers an incentive to "sharpen their pencils" and eliminate unnecessary costs and/or find innovative ways to minimize costs. Minnesota Housing does not want developers to compromise quality, durability, energy-efficiency, location desirability, and ability to house lower-income and vulnerable tenants. To ensure that these priorities are not compromised, all selected developments must meet Minnesota Housing's architectural and green standards. In addition, the Agency has intentionally set the points awarded under the cost containment criterion (6 points) to be equal to or less than the points awarded under other criterion, including economic integration, location efficiency, workforce housing, permanent supportive housing for households experiencing homelessness, and others.

Process for Awarding Points

To carry out the competition, the following process will be followed for all proposals/applications seeking competitive 9% credits:

- Group all the 9% tax credit proposals into the 4 development type/location categories:
    - New Construction – Metro
    - New Construction – Greater Minnesota
    - Rehabilitation – Metro
    - Rehabilitation – Greater Minnesota

- Adjust the costs for developments for singles and large families to make them equivalent to the costs for family/mixed developments. See the second column of Table 1 for the adjustments. For example, the TDC per unit for large-family new-construction projects is multiplied by 0.95 to make it equivalent to the costs for a family/mixed development. Specifically, if the TDC per unit is $240,000 for a large-family new-construction development, it is multiplied by 0.95 to compute the equivalent cost of $228,000.

- After adjusting the costs for single and large-family developments, order all the proposals by TDC per unit within each of the four groups from lowest to highest.

- Within each group, award 6 points to the 50% of proposals with the lowest TDCs per unit.

  - If the number of proposals in a group is even, the number of proposals eligible to get points =
    (Number of proposals in group)/2

  - If the number of proposals in a group is odd, the number of proposals eligible to get points =
    (Number of proposals in group)/2
    Rounded down to nearest whole number

    However,

    - If the next proposal in the rank order (of those not already receiving points) meets that group's threshold (see the third column of Table 1), that proposal is also eligible to get points, or
    - If that proposal's TDC per unit is higher than the threshold, it does not get points.

Only proposals that claim cost containment points on the self-scoring worksheet and are in the lowest half of the costs for their group will actually receive the cost containment points.

The cost thresholds in the third column reflect the historical mid-point costs for family/mixed developments in each group.

Table 1: 2018 QAP - Adjustment Factors and Thresholds to Determine if Middle Proposal Gets Points if Odd Number in Group

	Cost Adjustment to Families/ Mixed	Threshold Test if Odd Number of Proposals
New Construction Metro for Singles	1.16	$247,000
New Construction Metro for Families/Mixed	1.00	
New Construction Metro for Large Families	0.95	
New Construction Greater MN for Singles	1.16	$196,000
New Construction Greater MN for Families/Mixed	1.00	
New Construction Greater MN for Large Families	0.95	
Rehabilitation Metro for Singles	1.23	$197,000
Rehabilitation Metro for Families/Mixed	1.00	
Rehabilitation Metro for Large Families	0.83	
Rehabilitation Greater MN for Singles	1.23	$156,000
Rehabilitation Greater MN for Families/Mixed	1.00	
Rehabilitation Greater MN for Large Families	0.83	

- "Metro" applies to the seven-county Twin Cities metro area, while "Greater MN" applies to the other 80 counties.
- "Singles" applies to developments where the share of efficiencies and 1 bedroom units is 75% or greater.
- "Large Families" applies to developments where the share of units with 3 or more bedrooms is 50% or greater.
- "Families/Mixed" applies to all other developments.
- "New Construction" includes regular new construction, adaptive reuse/conversion to residential housing, and projects that mix new construction and rehabilitation if the new construction gross square footage is greater than the rehabilitation square footage.

Implementation Details

To recognize the unique costs and situation of projects on Tribal lands, these projects will receive a 15% adjustment to their costs. Their costs will be reduced by 15% when they compete for the cost-containment points.

A different process occurs for the second round of tax credit selections. For each of the four competition groups, the cost per unit of the proposal at the 50th percentile in round 1 (using the identification process and adjustments outlined earlier) will determine the cut point or threshold for receiving points in round 2.

In the self-scoring worksheet, all proposals that believe they have contained their costs should select these points; however, during the final scoring by the Agency, staff will take away the points from those proposals not in the lower half of costs for each of the four categories. (To identify the 50% of proposals with the lowest costs in each category, the Agency will include the costs of all proposals/applications seeking 9% tax credits, not just those electing to participate in the competition for cost containment points by claiming the points in the self-scoring worksheet. However, only those electing to participate in the competition by claiming the points in the self-scoring worksheet will be eligible to receive the points if they are in the lower half of project costs.)

If a project receives points under this criterion, failure to keep project costs under the applicable cost threshold will be considered an unacceptable practice and result in negative 4 points being awarded in the applicant's next round of tax credit submissions.

The "applicable cost threshold" will be determined by the cost-containment selection process. Within each of the 4 development/location types, the cost per unit of the proposal at the 50th percentile (using the identification process identified earlier) will represent the "applicable cost threshold" that projects receiving cost-containment points will need to meet (with appropriate adjustments for single, family/mixed, and large family developments). For example, if the 50th percentile proposal for new construction in Greater Minnesota is a family/mixed development with a per unit cost of $195,000, all new construction developments in Greater Minnesota receiving the cost-containment points will need to have a final cost per unit at or below this threshold when the project is completed. In making the assessment, the final costs for new-construction single developments will be multiplied by 1.16 and compared with the $195,000 threshold. Likewise, the final costs for large family developments will be multiplied by 0.95.

Under this process, there will be some cushion for cost overruns for projects that have proposed costs less than the applicable cost thresholds. However, the project at the 50th percentile, which is the basis of the applicable cost threshold, will have no cushion. Its actual costs will have to be at or below its proposed costs to avoid the negative 4 points. Because applicants will not know if their project is the one at the 50th percentile until after applications have been submitted and funding decisions have been made, all applicants need to carefully assess their proposed costs and the potential for cost increases.

This cost containment competition does not apply to proposals/applications seeking 4% tax credits with tax exempt bonds. However, as discussed below, Minnesota Housing will assess the cost reasonableness of all tax credit proposals, including 4% credits, using the Agency's predictive cost model.

If developers are concerned about their costs and keeping them within the "applicable cost threshold", they should not claim the cost-containment points in the self-scoring worksheet.

Predictive Cost Model And Cost Reasonableness

Besides awarding cost-containment points under this criterion, Minnesota Housing will also evaluate "cost-reasonableness" of all proposed tax credits developments (even those that do not receive points under this criterion) using the Agency's predictive cost model. The model is a regression analysis that predicts total development costs using data from developments that the Agency has financed in the past (adjusted for inflation) and industry construction costs from RSMeans. The model measures the individual effect that a set of explanatory variables (which includes building type, building characteristics, unit characteristics, type of work carried out, project size, project location, population served, financing, etc.) have on costs. During the process of evaluating projects for funding, Minnesota Housing compares the proposed total development costs for each project with its predicted costs from the model. The Agency combines the model's results with the professional assessment of the Agency's architects and underwriters to assess cost reasonableness overall. The purpose of the cost-reasonableness testing (on top of the cost-containment scoring) is to ensure that all developments financed by Minnesota Housing have reasonable costs, even 4% credits and the 50% that do not receive points under the cost-containment criterion.

2018 QAP – Continuum of Care (CoC) Priorities

Priority Household Type Options: Singles, Families, Youth (age 24 and younger; includes singles or parenting youth)

Central	
County	**Household Type**
Benton	Singles
Cass	Families
Chisago	Singles
Crow Wing	Singles
Isanti	Singles
Kanabec	Families
Mille Lacs	Families
Morrison	Singles
Pine	Families
Sherburne	Families
Stearns	Singles
Todd	Singles
Wright	Families
Hennepin County	
Hennepin	Families
Northeast	
Aitkin	Singles
Carlton	Singles
Cook	Families
Itasca	Families
Koochiching	Singles
Lake	Families
Northwest	
Beltrami	Youth
Clearwater	Families
Hubbard	Families
Kittson	Families
Lake of the Woods	Families
Mahnomen	Families
Marshall	Families
Norman	Families
Pennington	Families
Polk	Families
Red Lake	Families
Roseau	Families
Ramsey County	
Ramsey	Singles

Southeast	
County	**Household Type**
Blue Earth	Singles
Brown	Singles
Dodge	Families
Faribault	Singles
Fillmore	Families
Freeborn	Families
Goodhue	Families
Houston	Families
Le Sueur	Singles
Martin	Singles
Mower	Families
Nicollet	Singles
Olmsted	Families
Rice	Families
Sibley	Singles
Steele	Families
Wabasha	Families
Waseca	Families
Watonwan	Singles
Winona	Families
St Louis County	
St Louis	Singles
Southwest	
Big Stone	Singles
Chippewa	Singles
Cottonwood	Singles
Jackson	Singles
Kandiyohi	Families
Lac qui Parle	Singles
Lincoln	Singles
Lyon	Singles
McLeod	Families
Meeker	Families
Murray	Families
Nobles	Families
Pipestone	Families
Redwood	Singles
Renville	Families
Rock	Families
Stone	Singles
Yellow Medicine	Singles

Suburban Metro Area	
County	**Household Type**
Anoka	Singles
Carver	Singles
Dakota	Singles
Scott	Singles
Washington	Singles
West Central	
Becker	Families
Clay	Families
Douglas	Families
Grant	Families
Otter Tail	Families
Pope	Families
Stevens	Families
Traverse	Families
Wadena	Families
Wilkin	Families

These priorities were determined and approved by each COC governing body. The COC is required to invite broad community input, including tribal representatives if the COC region includes tribal land, and must broadly advertise the meeting to vote on the priority. The COC must use the most recent, reliable local data and needs assessment to determine the priority. Recommended methodology is to use the local Point in Time Data (PIT), Housing Inventory Chart (HIC), and the HUD HDX formula for calculating need. Data from coordinated entry or local housing studies may also be used. The Minnesota Interagency Council on Homelessness verifies that the prioritization process is valid.

This page intentionally blank.

Board Agenda Item: 7.C
Date: 5/26/2016

Item: Approval of Participants for the Minnesota City Participation Program

Staff Contact(s):
Nicola Viana 651.297.9510, nicola.viana@state.mn.us
Devon Pohlman 651.296.8255, devon.pohlman@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☒ Resolution	☐ Information

Summary of Request:
Staff requests approval of cities for participation in the Minnesota City Participation Program (MCPP). The program allows Minnesota Housing to access the annual private activity bond volume cap allocated by Minnesota Statutes Section 474A.03, subdivision 1 to the Housing pool, $56,298,352 of which is available in 2016 for single family housing programs authorized by Minnesota Statutes Section 474A.061, subdivision 2a to enable cities and counties to provide first-time homebuyer loans in their communities.

Fiscal Impact:
Minnesota Housing accesses more than $56 million in additional bonding authority as a result of administering the Minnesota City Participation Program.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background and Recommendation
- Table 1: 2016 MCPP Allocations to Applicants
- Resolution

Background:
Under the Minnesota City Participation Program (MCPP), Minnesota Housing sells bonds on behalf of local governments to assist them to meet local housing goals pursuant to Minnesota Statutes Section 474A.061, subdivision 2a. In accordance with that statute, cities (which include counties and consortia of local government units, as defined in Statute) applied for such authority in January 2016. This statute also allows Minnesota Housing to apply for any bonding authority in the housing pool that is available after July 15.

In addition, Minnesota Statutes Section 474A.091, subdivision 3 provides for application by the Minnesota Housing Finance Agency for bonding authority remaining in the unified pool during the period between October 1 and November 30 on behalf of cities that applied in January and received an allocation under Minnesota Statues Section 474A.061, subdivision 2a, in the same calendar year. Under the statute, the additional bonding authority allocated to the Minnesota City Participation Program from the housing pool after July 15 and from the unified pool after October 1 is made available to the participating cities in a single pool on a first come, first served basis.

In their application, cities and counties confirm that MCPP helps the community meet an identified housing need and the program is economically viable in their community. Loans are eligible for MCPP if they meet all requirements below:

- The loan is an eligible first-time homebuyer Start Up loan.
- The property is located in the applicants' jurisdiction as stated on their application.
- The borrower's income must not exceed 80% of the area median income.

Recommendation:
Approve applying cities for participation in the Minnesota City Participation Program and further, approve any additional calendar year 2016 applications for bonding authority available to Minnesota Housing on behalf of the same eligible cities under the above-cited statutes.

Grant approval for Minnesota Housing to take necessary action to apply to Minnesota Management and Budget for amounts available from the housing pool and the unified pool for tax-exempt bonding authority on behalf of the 2016 Minnesota City Participation Program participants.

Table 1: 2016 MCPP Allocations to Applicants

Participant Name (County)	Amount Allocated
Albert Lea and Freeborn County	$ 536,792
Alexandria (Douglas)	$ 229,509
Anoka County	$ 5,965,146
Barnesville (Clay)	$ 100,000
Bluff Country HRA	$ 688,579
Breckenridge (Wilkin)	$ 100,000
Carver County	$ 1,691,667
Chippewa County	$ 211,228
Chisago County	$ 942,516
Crow Wing County	$ 1,103,339
Dilworth (Clay)	$ 100,000
Fulda (Murray)	$ 100,000
Glyndon (Clay)	$ 100,000
Grant County	$ 103,124
Headwaters Regional Development Commission (Beltrami, Clearwater, Hubbard, Lake of the Woods, Mahnomen)	$ 1,472,674
Hennepin County (excluding Minneapolis)	$ 13,919,005
Kandiyohi County	$ 735,745
Little Falls (Morrison)	$ 153,337
McLeod County	$ 625,779
Moorhead (Clay)	$ 716,994
Mower County	$ 685,219
North Mankato (Nicollet)	$ 236,961
NW MN Multi-County HRA (Kittson, Norman, Pennington, Polk, Marshall, Red Lake, Roseau)	$ 1,222,499
Otter Tail County	$ 1,003,071
Owatonna (Steele)	$ 446,761
Ramsey County (excluding St. Paul)	$ 4,002,132
Red Wing (Goodhue)	$ 287,365
Rice County	$ 1,134,835
Scott County	$ 2,415,347
SE MN Multi-County HRA (Goodhue, Wabasha, Winona – excluding City of Red Wing and City of Winona)	$ 1,303,703
Sherburne County	$ 1,469,297
St. Cloud (Stearns)	$ 1,157,156
St. James (Watonwan)	$ 100,000
St. Louis County	$ 3,496,783
Stevens County	$ 171,253
Swift County	$ 164,584
Washington County	$ 4,337,185
Wells (Faribault)	$ 100,000
Winona (Winona)	$ 480,207
Worthington (Nobles)	$ 226,097
Wright County	$ 2,262,463
Total	**$ 56,298,352**

Agenda Item: 7.C
Attachment: Resolution

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, MN 55101

RESOLUTION NO. MHFA 16-

RESOLUTION AUTHORIZING APPLICATION FOR HOUSING POOL AND UNIFIED POOL AUTHORITY ON BEHALF OF THE 2016 MINNESOTA CITY PARTICIPATION PROGRAM PARTICIPANTS

WHEREAS, Minnesota Statutes, Section 474A.061 subdivision 2a, paragraph (e) authorizes the Minnesota Housing Finance Agency to request an allocation of bonding authority for the applicants who applied in January of 2016 and choose to have the Minnesota Housing Finance Agency issue bonds on their behalf, and the participating applicants are eligible for bonding authority from the housing pool in the total amount of $56,298,352; and

WHEREAS, Minnesota Statutes, Section 474A.061 subdivision 2a, paragraph (c) provides that any amounts remaining in the housing pool after July 15 are available for single-family housing programs to cities that applied under paragraph (e) in January and received an allocation; and

WHEREAS, Minnesota Statutes, Section 474A.091 subdivision 3a provides that bonding authority remaining in the unified pool on October 1 is available to cities that applied in January and received an allocation under section 474A.061, subdivision 2a, in the same calendar year and authorizes the Minnesota Housing Finance Agency to request an allocation on behalf of the cities; and

WHEREAS, the Minnesota Housing Finance Agency would like to take those actions necessary to make the volume cap available under these provisions available to the Minnesota City Participation Program participants.

NOW THEREFORE, BE IT RESOLVED:

THAT the Commissioner of the Minnesota Housing Finance Agency is hereby granted the authority through November 30, 2016, to take all actions necessary to apply to the Commissioner of Management and Budget for amounts available from the housing pool and the unified pool for tax-exempt bonding authority during the times set forth in the appropriate statutes on behalf of the 2016 Minnesota City Participation Program participants as listed below pursuant to MN Statutes, Sections 474A.061, Subdivision 2a and 474A.091, subdivision 3a.

Participant Name (County)	Amount Allocated
Albert Lea and Freeborn County	$ 536,792
Alexandria (Douglas)	$ 229,509
Anoka County	$ 5,965,146
Barnesville (Clay)	$ 100,000
Bluff Country HRA	$ 688,579
Breckenridge (Wilkin)	$ 100,000
Carver County	$ 1,691,667
Chippewa County	$ 211,228
Chisago County	$ 942,516
Crow Wing County	$ 1,103,339
Dilworth (Clay)	$ 100,000
Fulda (Murray)	$ 100,000
Glyndon (Clay)	$ 100,000
Grant County	$ 103,124
Headwaters Regional Development Commission (Beltrami, Clearwater, Hubbard, Lake of the Woods, Mahnomen)	$ 1,472,674
Hennepin County (excluding Minneapolis)	$ 13,919,005
Kandiyohi County	$ 735,745
Little Falls (Morrison)	$ 153,337
McLeod County	$ 625,779
Moorhead (Clay)	$ 716,994
Mower County	$ 685,219
North Mankato (Nicollet)	$ 236,961
NW MN Multi-County HRA (Kittson, Norman, Pennington, Polk, Marshall, Red Lake, Roseau)	$ 1,222,499
Otter Tail County	$ 1,003,071
Owatonna (Steele)	$ 446,761
Ramsey County (excluding St. Paul)	$ 4,002,132
Red Wing (Goodhue)	$ 287,365
Rice County	$ 1,134,835
Scott County	$ 2,415,347
SE MN Multi-County HRA (Goodhue, Wabasha, Winona – excluding City of Red Wing and City of Winona)	$ 1,303,703
Sherburne County	$ 1,469,297
St. Cloud (Stearns)	$ 1,157,156
St. James (Watonwan)	$ 100,000
St. Louis County	$ 3,496,783
Stevens County	$ 171,253
Swift County	$ 164,584
Washington County	$ 4,337,185
Wells (Faribault)	$ 100,000
Winona (Winona)	$ 480,207
Worthington (Nobles)	$ 226,097
Wright County	$ 2,262,463
Total	**$ 56,298,352**

Adopted this 26th day of May, 2016

____

Chairman

This page intentionally blank.

Board Agenda Item: 8.A
Date: 5/26/2016

Item: Summary of Legislative Session

Staff Contact(s):
Ryan Baumtrog, 651.296.9820, ryan.baumtrog@state.mn.us
Katie Topinka, 651.296.3706, katie.topinka@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:
The 2016 legislative session will conclude on Monday, May 23. Staff will provide a summary of legislative actions at the meeting.

Fiscal Impact:
To be shared at the meeting.

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- To be provided at the meeting

This page intentionally blank.

Board Agenda Item: 8.B
Date: 5/26/2016

Item: Twin Cities Habitat for Humanity (TCHFH) Structured Finance Fund

Staff Contact(s):
Kevin Carpenter 651.297.4009, kevin.carpenter@state.mn.us
Matt Dieveney 651.282.2577, matthew.dieveney@state.mn.us
Tal Anderson 651.296.2198, tal.anderson@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:
Agency staff is contemplating an investment of over $8 million (over 4 years) in a structured finance fund that would provide capital, along with other local non-profit and private sector funders, to allow TCHFH to leverage up to $40 million in donated funds to greatly accelerate the pace of providing affordable homeownership opportunities for low income families, particularly immigrant communities, in the Twin Cities. Staff will brief the Board on the general terms being discussed for such an investment and seek guidance on certain parameters of the investment, particularly the pre-commitment for future Pool 3 resources.

Fiscal Impact:
A portion (perhaps 60%) of the investment, funded using Pool 2 dollars, would likely earn interest at a rate of approximately 5%; the remaining portion, funded using Pool 3 dollars, would likely earn interest at a rate of approximately 1%. The investment would likely have a very long duration, perhaps approaching 25 years.

Meeting Agency Priorities:
- ☒ Address Specific and Critical Local Housing Needs
- ☒ Finance Housing Responsive to Minnesota's Changing Demographics
- ☐ Preserve Housing with Federal Project-Based Rent Assistance
- ☐ Prevent and End Homelessness
- ☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background

Background

From time to time, the Agency is approached by various outside partners with investment opportunities that also further the Agency's mission. The Agency's 2012 investment with SHOP LLC (the "Bridge to Success" fund) is one example. When presented with these opportunities, finance and program personnel assess the investment through both a financial risk/return lens and a programmatic, mission-furthering lens.

In the fall of 2015, staff and financial consultants working with TCHFH approached the Agency to consider an investment in a new "Impact Fund" (sponsored by TCHFH) that was being developed as a way for private, non-profit and governmental agencies to pool their investment capital. TCHFH proposes to combine this investment capital with funds raised through a significant capital campaign to greatly expand TCHFH's ability to provide a more sustainable model for substantially more low-income families to achieve home ownership. TCHFH currently serves about 50 families per year, and projects that the "Impact Fund" would allow them to more than double the number of families they serve.

Since that time, a number of conversations have ensued between the parties, and Agency staff is preparing to negotiate final terms with TCHFH. In addition, the fund sponsors have had numerous conversations with other potential lead investors, and TCHFH has begun to lay the groundwork for their capital campaign in support of this initiative.

Over the last decade, through the Affordable Housing Plan process, the Agency has made an annual commitment of $2 million ($1 million from Pool 2 and $1 million from Pool 3) to the Next 1,000 Homes Fund of Habitat for Humanity Minnesota. These funds have provided a secondary market for no-interest loans originated by Habitat affiliates in Minnesota. The vast majority (80-90%) of those loans have been provided to borrowers in the metro area by TCHFH.

The fundamental premise of this investment for the Agency is a commitment this year, to fund, over the next four years, a minimum of $8 million to invest in class D and class E participations (roughly $4.25 million in class D and $3.75 million in class E) in the TCHFH Impact Fund. Relatedly, the Agency would no longer be asked to provide capital to the TCHFH Next 1,000 Homes Fund (at least for the next four years). There is ongoing discussion around the Agency potentially investing an additional amount (most likely no more than $1-2 million) from Pool 2 in class D.

In considering the investment merits of the class D participations, which would be funded with Pool 2 dollars, the Agency will only make the investment if the risk/reward characteristics are relatively consistent with other likely investment options for Pool 2 dollars, and provide a reasonable diversification of risk/ reward parameters within Pool 2. As with all Pool 2 funded investments, the relationship of the program activity that the investment or loan is financing to the Agency's strategic goals and mission is also considered, as staff seeks to support a wide variety of programs with Pool 2 dollars.

We seek the Board's input and direction on the aspect of pre-committing Pool 3 dollars that would fund the investment in the class E participations over a period of four years. The Agency's normal practice allocates Pool 3 dollars on an annual basis via the Affordable Housing Plan. Because it has been the Agency's recent practice of awarding $1 million annually from Pool 3 to the Habitat Next 1,000 Homes fund, it is likely that the cumulative commitment of Pool 3 dollars over the next 4 years to TCHFH Impact Fund would be largely the same. However, the fund structure requires an actual commitment of future dollars to this investment, and therefore making this commitment now reduces future flexibility in Pool 3 allocations. To compensate, in part, for this situation, staff has negotiated that the class E investment will have some nominal interest rate (unlike most Pool 3 investments or loans that are non-interest bearing and never repaid). Staff believes that this total investment (combined with the investments of other parties and the fund-raising from TCHFH) can achieve a significant impact in jump-starting home ownership opportunities within racially diverse populations served by TCHFH. This makes the investment package worthy of consideration, notwithstanding the unusual pre-commitment of Pool 3 dollars.

Importantly, Habitat Minnesota will be able to recycle existing loan funds to Habitat affiliates in Greater Minnesota so there will be ongoing loan funding available for all affiliates statewide.

As the fund structure requires multiple investors to commit to the various classes of participations, the investment commitment will only be made if all classes are subscribed for, and will be subject to full documentation yet to be developed and negotiated. In addition, all investors, including the Agency, will only fund their commitment as required to originate the underlying loans, and to the extent there is actual demand for the loan product.

We look forward to discussing this matter with the Board at the upcoming meeting.

This page intentionally blank.

Board Agenda Item: 9.A
Date: 5/26/2016

Item: 2016 Affordable Housing Plan and 2016-19 Strategic Plan: Second Quarter Progress Report

Staff Contact(s):
John Patterson, 651.296.0763, john.patterson@state.mn.us

Request Type:

☐ Approval	☒ No Action Needed
☐ Motion	☐ Discussion
☐ Resolution	☒ Information

Summary of Request:
Staff has attached for your review the second quarter progress report for the 2016 Affordable Housing Plan and the 2016-19 Strategic Plan.

Fiscal Impact:
None.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- 2016 Affordable Housing Plan and 2016-19 Strategic Plan: Second Quarter Progress Report

2016 Affordable Housing Plan and 2016-19 Strategic Plan
Second Quarter Progress Report
(October 1, 2015 – September 30, 2016)
May 19, 2016

Overview

Overall, the Agency has had strong activity in the first half of the 2016 AHP. Tables 1-3 summarize the activities. The notes after the tables provide a brief discussion of each line item. The story in this second quarter report is very similar to the report after the first quarter.

1. Single family mortgage production continues to be very robust. If lending trends from the first half of the AHP continue, production in 2016 should reach over $600 million and about 4,000 loans. Because regulatory changes and the possibility of rising interest rates and home prices made the expected level of 2016 lending uncertain, we only budgeted $510 million for the Home Mortgage Loan program, rather than the $680 million reached in 2015. While we will be unlikely to reach 2015 lending levels, we should easily exceed the $510 million originally forecasted for 2016.

2. Overall production for owner-occupied home improvement and rehabilitation is relatively on track; however, very strong production under the owner-occupied rehabilitation portion of the Impact Fund RFP offsets slower than forecasted activity under the Fix-Up program.

3. We will likely fall short of our forecasted production for multifamily new construction and rehabilitation. Minnesota Housing funding per unit for these developments was higher than expected. The line notes later in this document provide more details. Tables 4-5 provide historical data on total development costs and agency funding per unit.

Table 6 at the end of this document shows funding changes in the 2016 AHP since the Board originally approved it in September of 2015.

Table 1: Production (Units with Funding Commitments), Programmatic, and Financial Measures

Quarter 2 of 2016 AHP (50% through AHP)

	Original AHP Forecast	Actual To-Date	Portion of AHP Forecast Completed
Single Family Production – Homes			
1. First Mortgages (Net Commitments)	3,543	1,716	48%
2. Other Opportunities*	231	210	91%
3. Owner-Occupied Home Improvement/Rehabilitation	1,431	677	47%
4. Total	*5,205*	*2,603*	*50%*
Homebuyer Education, Counseling and Training - Households			
5. Homebuyer Education*	13,540	5,228	39%
Multifamily Production – Rental Units			
6. New Rental Construction	791	569	72%
7. Rental Rehabilitation	2,799	1,060	38%
8. Asset Management	138	0	0%
9. Total	*3,728*	*1,629*	*44%*
Rental Assistance and Operating Subsidies - Households			
10. Agency Funded Rental Assistance and Operating Subsidies*	4,082	2,836	69%
11. Section 8 and 236 Contracts	30,786	31,254	102%
12. Total	*34,868*	*34,090*	*98%*
Homeless Prevention			
13. Family Homeless Prevention and Assistance Program (FHPAP)* & Housing Opportunities for Persons with AIDS (HOPWA)	7,621	3,750	49%
Build Sustainable Housing			
14. Percentage of New Construction or Rehabilitation Units that Meet Standard of Green Communities Certification or B3:			
a. Single Family	50%	57%	**
b. Multifamily	95%	84%	**
Increase Homeownership for Households of Color			
15. Percentage of First-Time Homebuyer Mortgages Going to Households of Color or Hispanic Ethnicity	27%	33.6%	**
Earn Revenue to Sustain Agency and Fund Pool 3			
16. Return on Net Assets – State Fiscal Year 2016 (YTD)	***	$11.0 million	**
17. Annualized Return on Net Assets (%) – State Fiscal Year 2016	***	2.1%	**

* Funds for Habitat for Humanity, homebuyer education, multifamily rent assistance and operating subsidies, and FHPAP are committed by the Board in July-September, at the end of an AHP. Thus, funds committed under the 2015 AHP (in July-September 2015) fund program activity in 2016 (October 1, 2015 to September 30, 2016). To reflect 2016 program activity for these programs, this table shows the households supported in 2016 with 2015 AHP funds. For all other programs, the table shows the households and housing units supported by funds provided in the 2016 AHP.

** Not Applicable.

*** Minnesota Housing does not forecast return on net assets.

Table 2: Distribution of Resources
Quarter 2 of 2016 AHP (50% through AHP)

	AHP Forecast	Actual To-Date
18. Percentage of Originally Budgeted Funds that are Committed Under the AHP	>95% by end of the year	55%

Table 3: Management of Loan Assets
Quarter 2 of 2016 AHP (50% through AHP)

	AHP Forecast/Benchmark	Actual To-Date
19. Delinquency Rate for Combined Whole Loan & MBS Single-Family Portfolio (3/31/16)	2.23%*	3.57%**
20. Foreclosure Rate for Combined Whole Loan & MBS Single-Family Portfolio (3/31/16)	0.48%*	1.07**
21. Percentage of Multifamily Developments with Amortizing Loan on Watch List	Under 10%	7.3%
22. Percentage of Outstanding Multifamily Loan Balances on Watch List	Under 10%	4.6%

* This is a benchmark, rather than a forecast, and it is based on a Minnesota Housing analysis of all mortgages in the state as reported by the Mortgage Bankers Association. The benchmark applies to December 2015.
**The information presented is on an Agency-wide basis and includes both whole loan and MBS production as part of the loan portfolio. As such, the information is not directly relevant to the security of any bonds of the Agency and should not be relied upon for that purpose. The Agency publishes separate disclosure reports for each of its bond resolutions.

Discussion of Items in the Table

- **Line 1:** Lending for single-family first mortgages continues to be strong, with production at 48% of the original forecast when we are 50% of the way through the year, and we have not yet reached the prime home-buying season of spring and summer. If lending trends from the first half of the AHP continue, production in 2016 should reach over $600 million and about 4,000 loans, when we originally forecasted $510 million and just over 3,500 loans.

- **Line 2:** These housing opportunities include new construction and acquisition/rehabilitation funded through the Single-Family Division's Impact Fund. With the completion of the Impact Fund's RFP, we have nearly reached our forecasted production for the year. This line item also includes the Habitat for Humanity Initiative, which will see additional activity during the year as more homes are financed.

- **Line 3:** Overall, production for owner-occupied home improvement and rehabilitation is relatively on track. Very strong production under the owner-occupied rehabilitation portion of the Impact Fund RFP has offset slower than forecasted activity under the Fix-Up program. Demand for the Fix-Up program continues to be lower than we would ideally want, in all likelihood, because home values are up and homeowners are using refinancing and home equity lines of credit for their financing.

- **Line 4:** Overall, production in the Single Family – Homes category was been strong, particularly for first-mortgage lending and the Impact Fund.

- **Line 5:** Production for Homebuyer Education is a little behind the second quarter benchmark of 50%, which applies to pipeline programs. However, we have not hit the prime home-buying season of spring and summer. Production should pick up in the next few months.

- **Line 6**: After completing the selection process for the Multifamily Division's Consolidated RFP, we are a little short of our forecasted production of 791 new rental units. With the possibility of some pipeline deals, production may rise. However, we achieved the current production by devoting 15% more funding than anticipated to new construction. Given the state's low vacancy rates, additional funding for new construction is appropriate.

  As Table 4 shows, our funding per unit for new construction in 2016 is much higher than in previous years. The per-unit funding level was $173,000, when we forecasted $108,000. There are several explanations for this outcome.

  - As shown in Table 5, the average TDC per unit in 2016 was been higher than expected - $229,000 rather than the anticipated $200,000 to $210,000. Construction costs are currently rising faster than the general rate of inflation, primarily because of labor costs. Developers may have added extra costs to their proposed construction budgets this year with the expectation that this trend would continue. Also, we have anecdotally heard that some developers have decided to not pursue and claim cost-containment points when applying for housing tax credits because of the uncertainty in containing construction costs. In the draft 2018 Qualified Allocation Plan (QAP) for tax credits, we are proposing to increase the cost containment priority from 4 to 6 points, which will increase the incentive for developers to pursue cost containment.

Table 4: Average Minnesota Housing Funding per Unit, by AHP Year

	2013	2014	2015	2016*	2013-2014 Combined**	2015-2016 Combined**
New Construction	123,000	94,000	87,000	173,000	$109,000	$112,000
Rehabilitation	47,000	36,000	36,000	100,000	$40,000	$48,000

*Partial year activity
**Weighted average. With respect to 2015-16, more developments and units were funded in 2015 than 2016.
SOURCE: Minnesota Housing, Results Management Reports - RFP Programs

Table 5: Average Total Development Costs (TDC) per Unit, by AHP Year

	2013	2014	2015	2016	2013-2014 Combined	2015-2016 Combined
New Construction	$208,000	$210,000	189,000	229,000	$209,000	$200,000
Rehabilitation	$106,000	$115,000	98,000	128,000	$109,000	$103,000

SOURCE: Minnesota Housing, RFP Selection Reports for the Board

  - The projects funded under the 2016 AHP were less effective in leveraging other resources. For example, the projects (both new construction and rehabilitation) that we funded under the 2015 AHP will receive about $84 million of syndication proceeds from 4% tax credits, while projects funded under the 2016 AHP are only expected to receive $19 million. The 2015 AHP was unusual because it included $80 million of Housing Infrastructure Bond proceeds, which is a great resource to pair with and leverage 4% tax credits. The 2016 AHP only has $22 million of Housing Infrastructure Bond proceeds. Nevertheless, we had hoped that the 2016 projects would access a little over $34 million in syndication proceeds from 4% credits, rather than the $19 million that occurred.

  - In some years, the stars align, and developers propose projects that use housing resources from the Agency very efficiently; in other years, they do not align as well. Last year (2015) was a great year. As shown in Tables 4 and 5, TDC and agency-funding per unit were substantially lower than other years. This year (2016) was not a great year. However, if you combine the two years, the averages are similar to what we have seen in previous years, as shown in the last two columns of each table.

  While the TDC and funding levels per unit for 2016 are a concern, outcomes from just one year do not make a trend. Nevertheless, we will continue to monitor and evaluate costs and funding levels and take action if needed.

- **Line 7:** After completing the selection process under the Multifamily Division's Consolidated RFP, we only reached 38% of our forecasted production for rental rehabilitation. There are two primary explanations:

  - The factors leading to the higher costs and limited leveraging that applied to new construction also apply to rehabilitation. See the rehabilitation lines of Tables 4 and 5.

  - Finally, so far this year, we have only awarded 49% of the anticipated funding for rehabilitation. While a shift of funds to new construction accounted for part of the shortfall, unused funds account for the rest. There is a sizable amount of funding still available for pipeline deals, including first mortgages and deferred loans. For example, there are currently over $5 million available from the Preservation Affordability Rental Investment Fund (PARIF); and with the recent federal appropriations, there are over $6 million available for preservation through the HOME program.

- **Line 8:** There has been no new production under Asset Management. We have reoriented this program to focus on shorter-term and immediate needs of the properties in our portfolio, and we are directing properties to the RFP funding process for longer-term and permanent needs. By targeting the program on shorter-term and immediate needs, forecasting the amount and timing of program demand is more uncertain.

- **Line 9:** Overall, as discussed in the previous discussion, rental production has been lower than forecasted.

- **Line 10:** Production for rental assistance and operating subsidies is right on track. The rent assistance programs are serving about 80% of their forecasted households. With the turnover of vouchers to new households, the programs will come closer to their forecasted production by the end of the year.

- **Line 11:** The administration of Section 8 contracts is performing as expected. This is a very stable program with consistent funding and households served.

- **Line 12:** Overall, rent assistance and operating subsidy production (federal and state) is performing as expected.

- **Line 13:** FHPAP is performing as expected, reaching 49% of the forecasted households after the first quarter.

- **Line 14:** The majority of Minnesota Housing's production meets sustainable design criteria.

  On the single-family side, all of the homes receiving funds under the Community Homeownership Impact Fund for new construction or rehabilitation meet the standard. However, the Fix-Up Fund (FUF) home improvement program is market driven, and borrowers are not required to follow sustainable design criteria in their home improvement efforts. Thus, the single-family percentage is well below 100%.

  Typically, the multifamily percentage is typically close to 100%. In a given year, a few projects have circumstances that make them exempt from the sustainable design criteria.

- **Line 15:** The Agency continues to meet its goal of serving communities of color or Hispanic ethnicity through homeownership. The Agency estimates that just over 25% of renter households that are income eligible for Minnesota Housing first mortgages are of color or Hispanic ethnicity. The achievement of nearly 34% indicates that the Agency is effectively reaching these households.

- **Lines 16 and 17:** In the first nine months of state fiscal year 2016, we achieved a 2.1% annualized return on our net assets, which is lower than we would ideally want but consistent with a low-interest rate environment.

- **Line 18:** We committed 55% of the funds originally budgeted in the 2016 AHP in the first half of the year, which is on track. While we expect pipeline programs to commit about 50% of their funds in the first half of the year, we have already completed a few RFPs, which commit all their funds at one time. The Agency's two largest programs (Home Mortgage Loans with $510 million and Section 8

Contract Administration with $181 million) operate on a pipeline basis with funding spread throughout the year.

- **Lines 19-20:** The Agency's 60+ day delinquency rate (3.57%) for single family first mortgages (whole loan and MBS) is higher than the market-wide benchmark (2.23%) for Minnesota, which is based on data from the Mortgage Bankers Association. The delinquency rate includes loans in foreclosure but a sheriff sale has not occurred. Minnesota Housing often lends to borrowers who face a barrier to homeownership.

  The Agency also looks closely at delinquency rates for recently purchased loans that go into our Mortgage Backed Securities (MBS) to determine if our current policies and practices need to be adjusted. According to US Bank, which services our MBS loans, our 30+ delinquency rate for loans purchased in the last 24 months (including loans in foreclosure) was 2.71% in March 2016, which is below our "peer" benchmark of 2.77%, which is based on data from other housing finance agencies.

- **Line 22-23**: The Agency is meeting its goal for minimizing the number and share of loans on its multifamily watch list.

Changes to 2016 AHP Funding Levels

Table 6 presents funding changes to the 2016 AHP since the plan was approved by the Board in September 2015.

2016 AHP with Updates

		Original Budget	Delegated Change	Board Approved Amendment	Revised Budget
	Homebuyer Financing and Home Refinancing	**$553,700,000**	**$1,826,044**	**$7,929,550**	**$563,455,594**
1	Home Mortgage Loans	$510,000,000	$0	$0	$510,000,000
2	Targeted Mortgage Opportunity Program	$4,000,000	$0	$0	$4,000,000
3	Mortgage Credit Certificates (MCC)	$15,400,000	$0	$2,500,000	$17,900,000
4	Deferred Payment Loans	$11,000,000	$1,538,944	$1,429,550	$13,968,494
5	Monthly Payment Loans	$11,300,000	$287,100	$4,000,000	$15,587,100
6	Habitat for Humanity Initiative	$2,000,000	$0	$0	$2,000,000
	Homebuyer/Owner Education and Counseling	**$2,267,000**	**$898**	**$15,000**	**$2,282,898**
7	Homebuyer Education, Counseling & Training (HECAT)	$1,517,000	$898	$15,000	$1,532,898
8	National Foreclosure Mitigation Counseling (NFMC)	$0	$0	$0	$0
9	Enhanced Homeownership Capacity Initiative	$750,000	$0	$0	$750,000
	Home Improvement Lending	**$25,980,000**	**$520,796**	**$0**	**$26,500,796**
10	Home Improvement Loan Program	$17,380,000	$0	$0	$17,380,000
11	Rehabilitation Loan Program (RLP)	$8,600,000	$520,796	$0	$9,120,796
	Rental Production- New Construction and Rehabilitation	**$128,395,925**	**$10,624,653**	**$0**	**$139,020,578**
12	Low and Moderate Income Rental (LMIR)	$70,000,000	$0	$0	$70,000,000
13	MAP Lending (Multifamily Accelerated Processing)	$15,000,000	$0	$0	$15,000,000
14	Flexible Financing for Capital Costs (FFCC)	$3,500,000	$0	$0	$3,500,000
15	Low-Income Housing Tax Credits (LIHTC)	$9,308,770	$727,029	$0	$10,035,799
16	Housing Trust Fund (Capital from Housing Infrastructure Bonds)	$10,849,200	$3,654,483	$0	$14,503,683
17	Preservation - Affordable Rental Investment Fund (PARIF)	$9,492,171	$212,666	$0	$9,704,837
18	Preservation - HOME	$814,938	$6,062,264	$0	$6,877,202
19	Preservation - Publicly Owned Housing Program (POHP)	$1,300,378	$42,648	$0	$1,343,026
20	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$8,130,468	-$74,437	$0	$8,056,031
	Rental Assistance Contract Administration	**$181,322,117**	**$0**	**$0**	**$181,322,117**
21	Section 8 - Performance Based Contract Administration	$129,000,000	$0	$0	$129,000,000
22	Section 8 - Traditional Contract Administration	$52,000,000	$0	$0	$52,000,000
23	Section 236	$322,117	$0	$0	$322,117
	Resources to Prevent and End Homelessness	**$30,325,667**	**$2,259,696**	**$0**	**$32,585,363**
24	Housing Trust Fund (HTF)	$13,948,678	$2,074,477	$0	$16,023,155
25	Ending Long-Term Homelessness Initiative Fund (ELHIF)	$1,722,601	$0	$0	$1,722,601
26	Bridges	$4,695,108	$55,451	$0	$4,750,559
27	Section 811 Demonstration	$1,217,100	$100,504	$0	$1,317,604
28	Family Homeless Prevention and Assistance Program (FHPAP)	$8,594,184	$23,486	$0	$8,617,670
29	Housing Opportunities for Persons with AIDS (HOPWA)	$147,997	$5,778	$0	$153,775
	Rental Portfolio Management	**$3,444,176**	**$0**	**$0**	**$3,444,176**
30	Asset Management	$0	$0	$0	$0
31	Asset Management - Financing Adjustment Savings	$3,444,176	$0	$0	$3,444,176
	Multiple Use Resources	**$36,995,322**	**-$1,229,886**	**-$1,444,550**	**$34,320,886**
32	Economic Development and Housing/Challenge (EDHC) - Regular	$19,575,000	$8,387	$0	$19,583,387
33	EDHC - Housing Infrastructure Bonds (HIB)	$9,480,800	-$1,397,850	$0	$8,082,950
34	EDHC - Community-Owned Manufactured Home Parks	$2,000,000	$0	$0	$2,000,000
35	Single Family Interim Lending	$1,562,000	$0	-$429,550	$1,132,450
36	Technical Assistance and Operating Support	$2,377,522	$159,577	$0	$2,537,099
37	Organizational Loans	$0	$0	$0	$0
38	Strategic Priority Contingency Fund	$2,000,000	$0	-$1,015,000	$985,000
	Other	**$3,853,641**	**$32,835**	**$0**	**$3,886,476**
39	Housing Infrastructure Bond Issuance and Other Costs	$900,000	$0	$0	$900,000
40	Manufactured Home Relocation Trust Fund	$1,196,644	-$24,913	$0	$1,171,731
41	Flood Disaster	$0	$0	$0	$0
42	Disaster Relief Contingency Fund	$1,756,997	$57,748	$0	$1,814,745
	Total	**$966,283,848**	**$14,035,036**	**$6,500,000**	**$986,818,884**

This page intentionally blank.

Board Agenda Item: 9.B
Date: 5/26/2016

Item: Report of Complaints Received by Agency or Chief Risk Officer

Staff Contact(s):
Will Thompson, 651.296.9813, will.thompson@state.mn.us
Tom O'Hern, 651.296.9796, tom.o'hern@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☐ Discussion
- ☒ Information

Summary of Request:
The Agency and the Chief Risk Officer have developed procedures for the receipt, retention and treatment of complaints received by the Agency or the Chief Risk Officer regarding conflict of interest, misuse of funds and fraud that have been submitted by any person external or internal to the Agency.

Update from the Chief Risk Officer regarding complaints of potential conflict of interest, alleged misuse of funds and alleged fraud that have been reported to the Agency or the Chief Risk Officer since the Board adopted Reporting Non-Compliance with Agency Policy and Procedures on January 27, 2011.

Fiscal Impact:
There were 58 instances of potential conflicts of interests, alleged misused funds and alleged fraudulent activity for the 64-month period beginning December 2010 and ending April 2016. A total of $523,217 has not been recovered: $445,674 in misused funds (unchanged from last quarter), and $77,543 in fraudulent activity (unchanged from last quarter).

Meeting Agency Priorities:
- ☐ Address Specific and Critical Local Housing Needs
- ☐ Finance Housing Responsive to Minnesota's Changing Demographics
- ☐ Preserve Housing with Federal Project-Based Rent Assistance
- ☐ Prevent and End Homelessness
- ☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
Reporting Non-Compliance with Agency Policy and Procedures.

Board Agenda Item: 9.B
Attachment: Report

Reporting Non-Compliance with Agency Policy and Procedures

This reporting is designed to convey to the Board any complaints received, their current status, and their resolution, if one has been reached.

An updated report will be delivered to the Board quarterly, with the next report due August 25, 2016.

Complaints Received by Agency or Chief Risk Officer

Complaint	Status		
Resolution	Closed	In Process	Grand Total
Conflict of Interest	**14**		**14**
External Employment Approved	2		2
Insufficient Evidence	3		3
Seller Repurchase	2		2
Issue Resolved	2		2
Seller Indemnification	5		5
Fraud / Embezzlement	**7**		**7**
Funding Transferred to Different Entity	1		1
Insufficient Evidence	3		3
FBI Investigation Initiated	1		1
Seller Repurchase	2		2
Misuse of Funds	**34**	**3**	**37**
Insufficient Evidence	4		4
Issue Cured	4		4
Negotiated Settlement	10		10
None – Nonviable Counterparty	2		2
OLA Forwarded Complaint to County	1		1
Revenue Recapture	4		4
Entry of Judgment	2		2
None Yet		3	3
None - Affordability Period Expired	3		3
Funds Returned to Agency	4		4
Grand Total	**55**	**3**	**58**

Key Trends:
- One new alleged misuse of funds case opened from February 2016 through April 2016
- No cases closed from February 2016 through April 2016

Report Legend:
- Complaint: An allegation or inquiry of non-compliance with Agency policy and procedures
- Status: Can be either In Process or Closed
- Resolution: How was the complaint resolved (Closed Status) or current disposition (In Process)