2022-2023 Qualified Action Plan Summary of Proposed Changes Resulting From Public Comments

Minnesota Housing's proposed 2022-2023 Qualified Allocation Plan (QAP) aligns Housing Tax Credit (HTC) program policies, processes and procedures with Minnesota Housing's Strategic Plan. The QAP is particularly focused on serving people and places most impacted by housing instability and housing disparities. On June 10, 2020, Minnesota Housing published the initial draft of the 2022-2023 QAP and held a public comment period from June 10 until July 22, which included a public hearing on July 14. In summary, Minnesota Housing received 146 total comment letters with 295 total distinct comments. Most comments were related to geography, tenant selection plans, and permanent supportive housing. Based on the comments submitted, Minnesota Housing is proposing additional changes which are summarized below.

Summary of Additional Proposed Changes to the Self-Scoring Worksheet

Preapplication Requirements

Clarify that a pre-application is required to meet the Innovative Construction Techniques preference and for projects that claim the Permanent Supportive Housing, People with Disabilities, Section 811 points.

Preferences

- **Innovative Construction Methods**
  - Clarify the goal to reduce **total construction costs** by at least 10% as opposed to total development costs, as originally published
  - Publish additional Innovative Construction Technique Guidance on eligibility, the pre-application process and required application materials

Greatest Need Tenant Targeting

- **Permanent Supportive Housing:**
  - **Permanent Supportive Housing for High Priority Homeless (HPH):** In an effort to support a balance of project types to score competitively for 9% HTCs, and as a result of additional analysis, we propose increasing points available for projects targeting 50% to 100% of the total units for HPH, but no fewer than 20 units, from 20 to 30 points.
  - **People with Disabilities that will use Section 811 Project Rental Assistance:** Clarify additional Section 811 program requirements

Serves Lowest Income for Long Durations

- **Rental Assistance**:
  - Remove the Further Restricting Rental Assistance requirement that Rental Assistance Commitment documentation must indicate deeper income restrictions on project-based units

Increasing Geographic Choice

- **Need for More Affordable Housing Options**: Update Tier 2 tracts or cities to include those in the 50th – 79th percentile in the highest share of cost burdened renters or in the lowest share of affordable housing, resulting in more areas achieving points

- **Transit and Walkability**:
    - Update the Greater Minnesota Rural and Small Urban Areas to:
        - Reduce the minimum hours of service for transit operations to same day service, Monday through Friday
        - Combine demand response/dial-a-ride with prior day notice or greater into the same scoring category

Supporting Community and Economic Development

- **Equitable Development:**
    - Clarify the requirement that a Qualified Stakeholder Group, representing Community(ies) Most Impacted (CMI) by housing disparities, must have a significant role in the project proposal in order to receive points
    - Clarify how the applicant can demonstrate that each of the threshold objectives has been met by adding additional guidance detailing the specific information that must be included in the narrative
    - Update language to require a signed letter from the Qualified Stakeholder Group that documents the design process and how the project is responsive to the vision of the Communities Most Impacted
- **Multifamily Award History (methodology changes):** Update this methodology so that cities and townships are evaluated in both the Twin Cities metropolitan area and in Greater Minnesota, recognizing that a county-wide application in Greater Minnesota is too large
- Retitle People of Color and Indigenous-owned/Women Business Enterprise to **Black, Indigenous, and People of Color-owned/Women-owned Business Enterprise (BIPOCBE/WBE)** to make clear this scoring criterion includes Black business enterprises

Preservation

- Move **Preservation** under **Serves Lowest Income for Long Durations** to better highlight point interactions with this scoring criterion

Building Characteristics

- **Enhanced Sustainability**: Clarify how the applicant will be monitored for compliance if selecting either pathway 1 or 2 under the Tier 3 selection criterion

Unacceptable Practices

- Increase the maximum unacceptable practices point to -35 as a result of additional points available in the 2022-2023 Self-Scoring Worksheet

Summary of Additional Proposed Changes to the QAP and HTC Procedural Manual

Proposed changes to the Qualified Allocation Plan (QAP) and the Housing Tax Credit (HTC) Procedural Manual are highlighted below:

- Clarify that if the nonprofit set-aside is not exhausted in Round 1, it will remain in Round 2. If a project is necessary to meet the federal requirement, the project may have priority over applicants
- Clarify that projects that have previously received a partial HTC allocation have priority over other applications

- Clarify possible penalties for violating Minnesota Housing's Fair Housing policy to include negative points (no change), and up to application disqualification (new)
- Increase the unacceptable practices penalty points to -35 points

Consolidated RFP Equity and Inclusion Commitment

We propose including the following statement in the RFP Application Instructions beginning with the 2021 RFP:

> Minnesota thrives because of our diversity of race, ethnicity, sexual orientation, gender identity, (dis)abilities, ages, families, and geographies. Discrimination and lack of access to resources and other barriers have led to disparities which get in the way of us achieving our fullest potential. Minnesota Housing centers communities most impacted by housing instability and disparities in our work to advance equity. This is a core value in all of our actions, including resources administered through the Multifamily Consolidated Request for Proposal process which includes awarding Housing Tax credits and other deferred resources. This RFP is designed to prioritize projects which center communities most impacted.

Tenant Selection Plan Guidance

In addition to the changes proposed to the QAP, we released revised Tenant Selection Plan guidance specific to permanent supportive housing units, units at 30% MTSP and units with rental assistance requiring that the TSPs adhere to housing first principles. Individuals **may not be screened out** based on credit or housing history (including evictions), and criminal background screening procedures must be implemented that reduce barriers to obtaining housing following Minnesota Housing's Tenant Selection Plan Guidance. We requested public comments on whether the proposed policy should be applied more broadly to all housing units. With a focus on equity and after careful consideration, we are proposing to update the Tenant Selection Plan Guidance with the following:

- Separate the tenant screening requirements for permanent supportive housing and all other housing units—the proposed policy no longer includes a separate category for units at 30% MTSP or units with rental assistance.
- All housing units must apply these screening criteria:
  - State that screening out an applicant may not be based on credit score alone or insufficient credit history
  - Cannot reject an applicant based on insufficient rental history or an eviction that was dismissed or occurred three or more years prior to the application
  - Clarify that we do not have a minimum income requirement and limitations on the use of an income to rent ratio
- Add specific criminal background screening for permanent supportive housing units
- Add the requirement that all TSPs must state that an applicant can provide supplemental evidence at the time of application to justify the applicant's predicted performance as a tenant. This information must be evaluated at the time of application to determine acceptance or denial.
- Add the effective date of the revised policy for existing properties, which is December 31, 2022
- Include the list funding sources subject to the Tenant Selection Plan Guidance

Next Steps

Opportunities for public comment are listed below. An additional, 10-day formal comment period will begin on October 12, 2020 and close on October 26, 2020 at 5:00 p.m. CDT. Minnesota Housing will consider all comments received through this deadline. Presentation and final action on the 2022-2023 QAP and on the Tenant Selection Plan Guidance are expected to occur at Minnesota Housing's board meeting held on December 17, 2020.

Date	Activity
October 12, 2020 – October 26, 2020	Public comment period
October 21, 2020	Public hearing (via conference call)
October 26, 2020	Public comment period closes
December 17, 2020	Minnesota Housing board meeting: final action