

<p style="text-align: center;">Minnesota Housing Finance Agency 2005 Housing Tax Credit Program, QAP and Procedural Manual Proposed Revisions</p>
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Statutory

No statutory changes are proposed.

Qualified Allocation Plan (QAP) and/or HTC Procedural Manual (MAN)

1. Revise Tie Breaker Criteria (QAP & MAN.)

Revise the tiebreaker criteria to include a preference for readiness to proceed and financial feasibility.

The current tie breakers give priority proposals based on the following criteria: first to proposals with the highest preference priority score, second to proposals located in underserved city, third to proposals with lowest percentage of intermediary costs and finally by lot. This change would allow staff to select the development that has the highest level of funding in place and therefore most likely to succeed.

2. Provide a definition of Persons Experiencing Long-Term Homelessness (QAP)
Members of the MHFA internal work group for Persons Experiencing Long-Term Homelessness developed this definition.

To Article 1 Definitions add the following definition of Persons Experiencing Long-Term Homelessness:

Any "individuals, unaccompanied youth, or families with children who have lacked a permanent place to live either continuously for a year or more or at least four times in the past three years. Any period of institutionalization or incarceration shall be excluded from the determination of the duration of homelessness."

3. Provide Post Year 15 Compliance Plan (QAP, MAN.)

Based on the requirements of the Declaration specified in the Section 42 regulations and in the Declaration itself, the MHFA has the authority to establish different criteria for eligible/ineligible student households, available unit rule, unit transfers, and the process for performing annual recertifications, as long as income and rent restrictions, general use requirements (fair housing), Section 8 acceptance, minimum set-aside, applicable fraction, and initial and annual recertifications are required. Staff developed alternative compliance monitoring procedures for years 16-30. This plan is outlined in detail in the Post Year 15 Compliance and Monitoring Plan article also found on the MHFA web site at: http://www.mhfa.state.mn.us/managers/property_tax.htm.

Scoring Criteria

1. Provide Preference criteria and additional points for housing for Persons Experiencing Long-Term Homelessness.

Promote housing for the persons experiencing long-term homelessness by giving preference points to proposals that:

- a) set aside a percentage of housing tax credit units to serving persons experiencing long-term homelessness as defined by MHFA in the Housing Tax Credit Qualified Allocation Plan;
- b) meets the goals of the City/County Task Force Plan on Homelessness or has a letter of support from the area's Continuum of Care committee;
- c) provides a plan for resident support services (i.e. information and referral, advocacy, case management, self-reliance training, resident association and community building activities) contingent upon an agreement with an established organization providing such services to residents and financial plans demonstrating feasibility; and
- d) includes an agreement to pursue and continue renewal of rental assistance payment or operating assistance contracts for as long as the assistance is available.

To receive points under this category, an applicant must submit documentation at application, including a plan outlining the services to be provided, a budget to support the plan, and such other items as are required by the MHFA for applications serving persons experiencing long-term homelessness.

The MHFA recognizes that rental assistance is necessary to effectively serve persons experiencing long-term homelessness. If federal rental assistance for tenants who previously experienced long-term homelessness is not available at the end of MHFA's rental assistance period, owners may phase out targeting persons experiencing long-term homelessness and convert to rents to affordable tax credit limits and retain the tax credit allocation.

This selection preference will be available until a total of \$1,353,000* (estimated 25 percent MHFA authority) in tax credits are awarded for qualifying proposals for Persons Experiencing Long Term Homelessness selected in the 2005 Housing Tax Credit competitions. Once this maximum amount is reached, tax credits will no longer be awarded to qualified proposals for the remaining 2005 Tax Credit Program competitive funding round.

2. Suspend the preferences for Preservation of Federally Assisted Units and Existing HTC Developments.

Staff determined there is not a sufficient volume of tax credits under MHFA authority to support both preservation and long-term homelessness housing activities. Therefore, to insure an adequate supply of tax credits are targeted to long-term homelessness housing; staff recommends suspending the preservation preference for the 2005 Housing Tax Credit Program.

3. Provide Incentive to Provide High Speed Internet Access in Units.

Award one point to proposals that agree to install High Speed Internet cable to every unit.

One Economy, a nationally recognized advocate for enhancement of internet access in affordable housing, submitted a recommendation to the MHFA to include points for developer that bring the Digital Opportunity to residents of affordable housing by installing High Speed Internet cable during construction. Many states have already taken steps to provide such incentives within their tax credit programming..

4. Revise the procedure relating to preference for proposals seeking Project Based Assistance.

Due to the complexities of the HUD regulations governing the award of Project Based Rental Assistance (PBA), staff is investigating alternative procedures for reviewing and processing these applications.

Following is a proposed PBA review process for Fall 2004 (and probably beyond). This process eliminates the need for a preliminary Public Housing Authority (PHA) board approval. This type of process would apply to PHA's that participate as a funding partner in the Consolidated RFP process.

- a) Availability of PBA is advertised through the MHFA Consolidated RFP, which is published in the State Register and simultaneously through separate notice prepared by PHA.
- b) As appropriate, PHA may review and sign off on the Local HRA/PHA Notice and Agreement to Utilize the Public Housing and Section 8 Waiting Lists and the Cooperative Plan for Tenant Based Rental Assistance.
- c) PHA would review/rank the PBA proposals during the timeframe that MHFA is reviewing/scoring the applications. This would be critical particularly if the number of PBA units requested exceeds the number of units advertised.
- d) MHFA would update the PHA after its eligibility and scoring review stages as to whether any PBA/HTC proposals are eliminated from the competition
- e) PHA may discuss the PBA proposals with assigned MHFA staff and indicate any issues from the PBA side.
- f) PHA shall identify the PBA proposals recommended by the PHA for the final assignment of points.

2005 Tax Credit Design Standards

Simplify the Low Income Housing Tax Credit Design Standards as follows:

1. All applicants must comply with all applicable codes, rules and regulations, mandated by the funding sources, including but not limited to:
 - a) MHFA Accessibility Requirement, and
 - b) Minnesota State Building Code (International Building Codes as have been adopted by the State, including the Minnesota Amendments), even in municipalities where the State Building Code has not been adopted.
2. For Year 2005, there is no “Tax Credit Design Standard,” such as we have known in the past, unless the developer is applying for the Large Family Points. In order for the applicant to score Large Family Points, the following minimum room dimensions apply:
 - a) For the living room – 11 feet 6 inches.
 - b) For the bedrooms – 9 feet 6 inches and 100 square feet in area.
3. When not applying for the Large Family Points, room sizes, in general, are left for the developer’s best judgment and within the State Building Code provisions.
4. When a tax credit proposal also requires an MHFA first mortgage and/or a larger percentage of its funding from MHFA deferred funds, the development must go through the MHFA’s design reviews.
5. Minnesota Visitability Requirement as mandated by the Legislature will apply when state appropriated funds are awarded to a proposal.

General Administrative and Clarifications

1. Update Joint Powers Agreement to standard form for all suballocators with provision for approved adjustments or exceptions to be identified by addendum.
2. Strengthen requirement for completion of final closing and certification of final sources and uses prior to issuance of 8609.
3. Update the Declaration of Land Use Restrictive Covenants to address the following topics: post 15 year qualified contract notification and compliance monitoring procedures; standardize the content of the document and collect all development specific terms and conditions of selection to be identified on a system generated exhibit; and review and make necessary clarification of term and conditions for housing with supportive services if necessary.
4. Establish initial eligibility certification and long-term compliance monitoring procedures for homeless individuals and households.
5. General language/grammatical corrections.

