

Met Council Local Housing Incentive Account (LHIA)

Program Guide

Local Housing Incentives Account

Section 1: Background and purpose

The Metropolitan Livable Communities Act¹ (LCA) established the requirements for the distribution of Local Housing Incentives Account (LHIA) funds to help cities meet their negotiated affordable and lifecycle housing goals. To implement the LHIA, the Metropolitan Council (Council) partners with Minnesota Housing, the Family Housing Fund and others in a collaborative process for distributing funds to assist affordable housing development and preservation. This process employs an overall set of investment guidelines and criteria to which the funding partners may add their own criteria. The following criteria address the LHIA-specific criteria.

Section 2: New LHIA elements for 2013

The Council will give priority to proposals that serve large families by providing two or more bedrooms in a majority of their units.

Section 3: Partnerships and coordination

MHIG issues an annual Request for Proposals (known as the Super RFP) and the Council and other funding partners participate in the evaluation process for home ownership and multifamily rental housing programs. The Super RFP is advertised in the State Register and on the Council and Minnesota Housing websites, and an electronic notification is sent to all communities participating in the Local Housing Incentives Program.

Section 4: Application process

Applications are submitted to Minnesota Housing for consideration for LHIA funding and all other funding available through the MHIG.

Receptivity form

Note that because of differences in the funding programs administered by the joint funding partners, private parties such as developers are eligible to apply for funding through the Super RFP. Developers, however, are **not** eligible for LHIA grants. Awards must be made to the eligible participating city, county or development authority.

To ensure the eligible city, county, or development authority supports LHIA-eligible applications, any proposal for funds under this program **must include** an Acknowledgement of Receptivity form from the local unit of government within which the project is proposed. This form has two purposes:

- to establish communication between the city in which the proposed project will occur and the developer of the project at the onset of the application process; and
- to verify that the city will act as the grantee of any funds awarded to the project and be responsible for all requirements of the grant contract.

Note that although two or more eligible applicants may partner on an LHIA application, a grant award will be made only to a single eligible applicant. Further, if a project crosses jurisdictional boundaries, such as an application for a scattered-site housing project, all cities in which project work will be done must be participating communities and must agree on one grantee to receive the award and administer the grant.

Section 5: Competitive process, eligible and ineligible uses for LHIA grants

¹ MN Statutes §473.254, Subd. 6

Eligible uses for LHIA grants

Eligible uses of funding include:

- gap financing costs, including land acquisition;
- property (structure) acquisition;
- demolition;
- site preparation (*e.g.*, water, sewer, roads);
- general construction/structural additions;
- alterations and rehabilitation;
- interior and exterior finishing;
- roofing;
- electrical;
- plumbing; and/or
- heating and ventilation.

Ineligible uses for LHIA grants

Soft costs, such as:

- administrative overhead;
- bonds and insurance;
- legal fees;
- permits;
- travel;
- grant/bid preparation costs;

Competitive process for LHIA grants

Because LHIA grants are awarded through a joint process, there are multiple sets of criteria that apply during the competitive process.

Joint Selection criteria

Applicants apply for LHIA funds through the Super RFP distributed by Minnesota Housing (<http://mnhousing.gov>). All applications submitted are reviewed and evaluated as to the extent they address the following MHIG Shared Evaluation Criteria:

- preserving existing affordable housing stock;
- providing workforce housing choices;
- increasing homeownership opportunities for underserved populations;
- exhibiting strong implementation partnerships;
- identifying significant leveraged resources;
- demonstrating a high degree of readiness;
- achieving comprehensive community support;
- complying with the missions of the funding partners;
- using land efficiently;
- displaying efforts to end long-term homelessness;
- adhering to green development criteria; and
- locating developments within walking distances of public transit stations and stops.

Metropolitan Council project eligibility criteria

Funds from this account are awarded as grants that must be matched by a dollar-for dollar expenditure on affordable housing activities by the eligible applicant receiving the funds (see the definition of *eligible applicants*). LHIA grant funds may be used for costs associated with projects that help eligible applicants

meet their negotiated LCA housing goals, including, but not limited to acquisition, rehabilitation and construction of permanent affordable and lifecycle housing.

Threshold and competitive criteria

- Applicants seeking assistance through LHIA funds must have a significant component of the project serving households with incomes at or below 60 percent of Area Median Income (AMI).
- The LHIA contribution to fill the gap in homeownership applications will be limited to no more than one-half of the difference between the purchase price of the home and the total per-unit hard costs.
- The Council will give priority to ensure one-half of the funds are directed to rental proposals creating/preserving affordability to persons at or below 30% of AMI.
- The Council will give priority to proposals that serve large families by providing two or more bedrooms in a majority of their units.

Among these proposals, further priority will be given to those meeting the needs of the chronically homeless.

Other considerations

Funding preference will be given if:

- a municipality currently has a net fiscal disparities contribution of \$200 or more per household;
- a municipality does not use its Affordable and Lifecycle Housing Opportunity Amount (ALHOA) expenditure as the source for its matching funds; or
- a municipality has a lower Housing Performance score than the other proposals being considered for funding.

Evaluation process

All proposals received through the RFP process are reviewed by Minnesota Housing staff for completeness and are evaluated according to the joint selection criteria. Proposals meeting baseline criteria are then reviewed by a joint selection committee, including staff from Minnesota Housing, the Council and the Family Housing Fund. Proposals are discussed regarding their overall concept, consideration of the joint selection criteria and individual funder's criteria, as well as any funder's past experience with the applicant, previous funding allocations, and familiarity with the project or expertise related to any aspect of the proposals. The selection committee then rates the proposals on the applicant's organizational capacity to deliver the project and the feasibility of the proposal. Funds are then allocated to each proposal based on its composite rank and the best use of each of the funding partners resources.

Section 6: Reporting requirements

LHIA grantees are required to submit periodic progress reports. Until the first draw request is made, quarterly progress reports are required. Thereafter, the detail supplied with payment requests comprises the bulk of the progress reports, which are augmented with semi-annual reports. A final progress report is required with the last payment request. When the grant is closed, the grantees' chief financial officer is required to certify to the appropriate expenditure of funds.