

Item: Approval, Community Homeownership Impact Fund Scoring Revisions for the 2021 Single Family Request for Proposals

Staff Contact(s):

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Request Type:

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| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests board approval of the proposed changes to the scoring criteria for the 2021 Single Family Request for Proposals (RFP) and Community Homeownership Impact Fund (Impact Fund).

Fiscal Impact:

None.

Meeting Agency Priorities:

- Improve the Housing System
- Preserve and Create Housing Opportunities
- Make Homeownership More Accessible
- Support People Needing Services
- Strengthen Communities

Attachment(s):

- Background
- 2021 Single Family Request For Proposals Scoring Criteria

Background

Minnesota Housing awards funding for the Community Homeownership Impact Fund (Impact Fund) through the annual Single Family Request for Proposals (Single Family RFP). The Single Family RFP provides funding for homeownership projects including downpayment and closing cost assistance, owner-occupied rehabilitation, new construction, acquisition, rehabilitation, resale and the Tribal Indian Housing Program.

Every year, Agency staff analyzes the scoring criteria and recommends whether changes, if any, should be made. The most recent changes to the scoring criteria were approved by the board on March 26, 2020. These scoring criteria were used for the 2020 Single Family RFP.

In an effort towards continuous improvement, staff recommends changes to clarify the selection and funding processes and simplify the scoring criteria while meeting priorities outlined in administrative rule and the Agency's strategic plan. The scoring criteria include Selection Standards and Funding Priorities. Staff proposes changes as follows:

Selection Standards

The Selection Standards include organizational capacity, project feasibility and community need. Program staff will review and assess whether proposals pass or fail Selection Standards thresholds. Proposals that program staff determine pass the thresholds of all three Selection Standards will move forward for scoring under the funding priorities and to the Selection Committee, which consists of Agency leadership. The Selection Committee will recommend selected proposals for funding which will be brought to the board for final approval. Proposals that do not meet thresholds will be discussed with the Selection Committee but will not be eligible for funding.

Previously, the Selection Committee scored each of the Selection Standards on a scale of zero to ten points. Proposals needed to meet a 5.5 point average for each Selection Standard to be selected for funding. Staff recommends the change in process because program staff are most well positioned to evaluate whether proposals pass or fail the Selection Standards due to their thorough analysis of application materials.

Funding Priorities

Funding priorities include the priorities outlined in administrative rule and the Agency's strategic plan. Program staff will score the Funding Priorities with a revised scoring metric of zero- or one-point for each criterion. This new process simplifies the scoring criteria and increases scoring transparency. Previously, Funding Priorities were weighted with some priorities weighted at one point while others weighted at up to 11 points.

Proposed Funding Priorities revisions

- Focus on Households Most Impacted – Updated Households of Greatest Needs to reflect language used in strategic priorities. Removed Marketing and Outreach priority and combined Universal Design/Accessibility Features, Large Family Housing and Senior Housing into one priority under Serves Housing Needs Within Communities.

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2021 Single Family Request for Proposals Scoring Criteria

- Equitable Access to Homeownership – Removed Single Headed Households because it is not identified in the Agency’s strategic priorities. Combined Households of Color and Indigenous Communities and Persons with Disabilities into one priority.
- Supporting Community and Economic Development – Combined Rural and Tribal Designation into one priority. Removed Access to Transit and Walkability scores under Location Efficiency and scoring will be based on access to fixed transit or dial-a-ride. The Workforce Housing priority will score on long commute and/or is a job growth community and removed scoring for low housing vacancy rate.
- Increasing and Maintaining the Supply of Affordable Housing – Removed Maintaining Existing Housing Stock through Rehabilitation and Foreclosed, Vacant or Abandoned Properties as a priority.
- Advancement of Housing Innovation and Technology – Removed “Cost Containment” language from the priority name.
- Affordable Housing Options – Removed Affordable Housing Options priority.

Points available for Funding Priorities will decrease from a maximum of 53 points to a maximum of 17 points. Note that the maximum number of points an applicant can receive is also dependent upon the proposed activity.

2021 SINGLE FAMILY REQUEST FOR PROPOSALS SCORING CRITERIA

The selection and funding process will be as follows:

1. Program staff will evaluate all proposals to determine whether they meet all three selection standards thresholds. Proposals that meet the Selection Standards thresholds will be eligible for funding considerations. Proposals that do not meet the Selection Standards will be discussed with the Selection Committee.
2. Program staff will score only proposals that meet the Selection Standards threshold to determine alignment with the funding priorities.
3. The Selection Committee will recommend selected proposals for funding which will be brought to the board for final approval.
4. Final funding recommendations will be based on:
 - a. Organizational capacity to complete the awarded number of units within the contract period;
 - b. Alignment with Funding Priorities (i.e., Funding Priorities score);
 - c. Geographic coverage (i.e., the extent to which selected proposals enable the Agency to serve all areas of the state); and
 - d. Funding availability.

SELECTION STANDARDS THRESHOLD

Proposals must pass all three Selection Standards thresholds to be eligible for funding and move forward to Funding Priorities scoring. Proposals will be evaluated based on the factors noted below.

1. **Organizational Capacity** – based on the applicant’s related housing experience, demonstrated successful completion of similar projects, progress on current awards, organizational financial capacity and other organizational due diligence factors.
2. **Project Feasibility** – based on the extent to which reasonable development costs are proposed, how proposed development costs and subsidies compare to historical costs of similar Impact Fund projects, and the extent to which the proposal is economically viable.
3. **Community Need** – based on the extent to which the proposed project addresses a well-defined community need for the housing activity in the target geography based on local demographics, workforce, market and economic factors.

FUNDING PRIORITIES – up to 17 points total**Efficient Use of Resources – up to 4 points total.**

1. **Leverage** –2 points based on committed leverage and leverage from an employer, government or philanthropic source.
 - a. Total Leverage – 1 point based on the percentage of total committed leverage as compared to the total funds requested.

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- b. Diversity of Leverage – 1 point based on whether the proposal has received committed leverage from an employer, government or philanthropic source.
- 2. **Regulatory Incentive** – 1 point for incorporating costs savings measures through regulatory incentives, such as fast-tracking permitting approvals and waiver of fees, among other incentives.
- 3. **Impact Fund Subsidy Protection/Long Term Affordability** – 1 point based on the number of years of subsidy protection/long term affordability restrictions such as community land trust, funds recaptured and revolved, or other subsidy protection requirements.

Focus on Households Most Impacted – up to 3 points.

- 1. **Equitable Access to Homeownership** – 1 point for demonstrating a record of creating equitable access to homeownership on the extent to which the Applicant has served Black, Indigenous and Households of Color and/or persons with disabilities.
- 2. **Serve Housing Needs Within a Community** – 1 point for incorporating universal design/accessibility features, enabling individuals 62+ years old to age in place or committing to developing large family housing (i.e., homes with four or more bedrooms).
- 3. **Homeownership or Financial Education and Counseling** – 1 point if applicant requires homebuyers to complete pre-purchase homeownership or financial education or counseling from a qualified provider as appropriate with the activity that will support homeowners to be successful.

Supporting Community and Economic Development – up to 8 points total.

- 1. **Cooperatively-Developed Plan (CDP)** – 1 point if the proposal addresses priorities or recommendations in a CDP for the community in which the proposed target area is located.
- 2. **Rural or Tribal Designation** – 1 point based on whether a proposed target area is within a Rural or Tribal designated census tract.
- 3. **Location Efficiency** – 1 point based on access to fixed transit or dial-a-ride.
- 4. **Community Recovery** – 1 point based on the extent to which a proposed target area coincides with communities identified as having lower median household income, older housing stock and lower than average increases in home sales prices, including declines.
- 5. **Workforce Housing** – 1 point based on the extent to which a proposed target area coincides with areas identified as long commute and/or job growth areas.
- 6. **Workforce Training Programs** – 1 point based on proposals that partner with workforce training programs that will be utilized with proposed developments.
- 7. **Increase Housing Choice** – 1 point based on the extent to which the proposed housing activity that is affordable to eligible low- and moderate-income households is located within higher-income areas.
- 8. **Business Entities Owned or Led by People of Color, Indigenous Individuals, and/or Women** – 1 point if an owner or executive director of a for-profit or non-profit entity is a person of color, indigenous individual, and/or woman.

Increasing and Maintaining the Supply of Affordable Housing – up to 2 points total.

1. **Efficient Land Use** – 1 point based on the extent to which a proposal maximizes the efficient use of land through higher-density housing development and takes into consideration the following:
 - a. Rehabilitation: proposals that increase inventory by converting non-residential buildings into housing or uses existing infrastructure; or
 - b. New Construction: proposals that minimize the loss of agricultural land or green space and maximize units per acre.
2. **Advancement of Housing Innovation and Technology** – 1 point for proposals that use innovative construction methods and technology to contain costs (i.e., methods other than site-built), such as volumetric modular, cross-laminated lumber, panelized, robotics and 3D printed methods of development.