

Purpose

Using this selection preference, Minnesota Housing intends to select at least one development that will use innovative construction techniques to:

- Reduce total construction costs by at least 10%

AND/OR

- Reduce the time a project is under construction by at least 20%

Minnesota Housing will make a reasonable effort to select a minimum of one project that meets this preference criterion, based on competitive ranking applications and available funding, and reserves the right to select a lower-scoring proposal if deferred funding is applied for and the project meets this preference criterion¹. The preference does not obligate Minnesota Housing to select a project that uses an innovative technique.

The Innovative Construction Technique preference² is available in the 2021 Consolidated RFP/2022 HTC Round 1 and in the 2022 Consolidated RFP/2023 HTC Round 1. Applicant must provide the required pre-application prior to the application deadline according to the due date established by Minnesota Housing and published on our website. Failure to submit required pre-application materials may result in rejection of the pre-application.

Eligibility

To be eligible for the preference, a proposed project must meet all six of the following conditions:

1. The proposed technique will achieve one or both of the listed goals or it will pilot a technique that has the potential to achieve the goal(s) in the future after it is tested and implementation issues have been resolved. During a testing/piloting phase, not all projects using a technique will achieve the goal(s). There is often a learning curve.
2. Minnesota Housing does not typically see the technique in housing projects that it funds.
3. The technique is feasible, can be replicated in future projects, and has the potential to be brought to scale and used to meet different housing needs and in different settings. The technique has wide applicability.
4. The development team is required to write and publicly release a report after the project has been completed, outlining lessons learned that addresses such questions as: What worked well with the technique? What did not work well? How can future projects more effectively implement and use the construction technique, outlining promising practices?

¹ 9% HTC applications will continue to be ranked and reviewed for selection based on competitive score and requirements as outlined in Chapter 5, Project Selection, of the Qualified Allocation Plan. Deferred only proposals or deferred loan with 4% HTC projects that meet this preference criterion will be reviewed and may be selected with a lower score than other deferred only or deferred with a 4% HTC projects in accordance with the RFP Application Instructions.

² Minnesota Housing will review and score all proposals submitted to the Consolidated RFP according to 2022-2023 HTC and Deferred Selection Criteria. As outlined in the RFP Application Instructions and the QAP, Minnesota Housing takes specified criteria into consideration when reviewing and selecting applications through the Consolidated RFP, in addition to project score (i.e., project feasibility, organization capacity, financial capacity).

5. The use of the technique is appropriate for the project and will not hinder its ability to provide quality housing on a timely basis that will last a long time and meet the needs of tenants. The technique makes sense for this development.
6. The project complies with Minnesota Housing’s design standards and guidance. Minnesota Housing may grant waivers if the waiver will allow particularly promising techniques to be tested, and the waivers will not substantially impact the quality and durability of the housing and work.

Meeting all six conditions does not automatically grant a project the preference. Meeting the conditions only make the project eligible to be one of the projects that may receive the preference.

Pre-Application Materials

To be considered for the preference, the following items must be submitted:

1. A summary (no more than five pages) of how the project will meet each of the six conditions. With respect to the fourth condition (a report sharing lessons learned), the summary must outline the type and nature of the information that the applicant will provide if the project is funded. The more information that will be shared in the lessons-learned report the stronger the application.
2. Documentation of the potential cost and time savings:
 - a. An overview that compares the total construction costs and construction schedule for this project using the innovative technique versus traditional techniques. The clearest way to document the construction cost savings at application is to provide two sets of cost estimates – one using the innovative technique and the other using traditional techniques. Alternatively, the applicant can submit one cost estimate that also provides an alternate price to use the innovative technique. Cost estimates must be from a general contractor or architect with no identity of interest with the developer/owner/borrower. To document time savings at application, the applicant can submit two project schedules – one with and one without the innovative technique. The applicant is not required to show or achieve the cost and time savings thresholds with this project, but research must show the potential (refer to 2.b below). If the cost/time overview does not document that this project is likely to achieve the cost or time saving thresholds, the overview must explain how the project will increase the knowledge and expertise to achieve the savings in future projects. This knowledge and expertise must be shared in the lessons-learned report.

AND
 - b. One or two studies that document research showing the proposed technique has the realistic potential to achieve the cost and/or time saving goals and be used broadly in multifamily residential construction.
3. A list of potential partners who have the capacity and capability to effectively participate in the project – for example, manufacturers of modular housing. The list of partners should include a brief (one paragraph) description of the capacity and capability of each potential partner.
4. A list of the Minnesota Housing’s requirements, standards and policies with which the project using the innovative construction technique may conflict. The list should include those items that the project would likely seek a waiver.

If a project receives the preference and is selected and then decides to carry out the work without the innovative construction technique, Minnesota Housing reserves the right to cancel the selection. The preference is only available through the Consolidated Request for Proposals (RFP) and Round 1 of the Low-Income Housing Tax Credit process and is not available for Round 2. The following is a list of innovative construction techniques that could potentially receive the preference. It is not an exhaustive list and being on the list does not automatically make the project eligible for the preference. Receiving the preference depends on the use of the technique and the specific situation and project.

- Volumetric modular construction/prefabrication construction
- An innovative use of panelized construction (not typically seen)
- Cross Laminated Timber (CLT)

The following are not innovative construction techniques as defined by this process:

- Strategies for reducing acquisition and soft costs, such as donated land, fee waivers, etc.
- Tiny homes or micro-units
- Higher density housing

Pre-Application Process

To guide and facilitate administering this preference, there will be a pre-application, under which Minnesota Housing will determine if an application is providing acceptable and sufficient documentation to be on the list of projects eligible to receive the preference. Not all the eligible projects will be selected for funding through the preference. For example, Minnesota Housing may determine through the pre-application process that three projects are eligible to receive the preference but only select one or two of them for funding based on the full application for funding. To receive the preference, a project will need to be:

- Eligible for the preference as determined by Minnesota Housing through the pre-application process
- Competitive compared with the other applications with respect to:
 - Providing a clear and strong case that the project and innovative technique will advance cost and/or time savings, be feasible, and advance wider application of the technique
 - Scoring high in the full application

Anticipated Pre-Application Timeline:

- Minnesota Housing releases pre-application materials for innovative construction techniques approximately 5 months before the full application due date.
- Pre-applications are due from developers approximately 3 months before the full application is due.
- Minnesota Housing determines if a project is eligible for the preference approximately 2 months before the full application is due.

Details on the pre-application timeline will be made available on Minnesota Housing's website.