

**Item:** Approval, Community Homeownership Impact Fund Scoring Revisions for the 2022 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 2022 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
- 2022 Single Family Request for Proposals Scoring Criteria

## **Background**

Minnesota Housing awards funding for homeownership housing projects through the annual Single Family Request for Proposals (Single Family RFP). The Community Homeownership Impact Fund (Impact Fund) is the program that implements and oversees the projects funded through the Single Family RFP. These projects use resources to provide downpayment and closing cost assistance, owner-occupied rehabilitation, new construction, acquisition, rehabilitation, resale, and fund 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 25, 2021. These scoring criteria were used for the 2021 Single Family RFP.

The proposed changes will better reflect how proposals move forward to be selected for funding and how recommended funding amounts are determined. The Selection Standards will determine whether a project moves forward to be selected for funding. This evaluation takes into consideration whether projects are feasible and whether the applicant has the capacity to complete the project as proposed. Once the projects are recommended for funding, the funding priorities play a key role in determining the recommended funding amounts. Proposals that meet more funding priorities are more likely to receive recommendations for more funding, although other factors are also considered, such as the applicant's capacity to complete the proposed number of units, open Impact Fund awards with unspent dollars, and successful performance and compliance with past and current Impact Fund awards.

Staff propose changes to the scoring criteria as follows:

### *Selection Standards*

The Selection Standards are outlined in MINN. R. 4900.3648 and include organizational capacity, project feasibility and community need. Program staff proposes to review and assess proposals using a scoring metric of zero to five points for each factor for a total of 15 points for all three Selection Standards. Reviewers will score the selection standards using a scale of zero to five points based on the extent to which a proposal meets the selection standards. Staff proposes that the total score of these three factors must meet a minimum number of ten points or higher to move forward to be assessed under the funding priorities and then eventually to consideration by the Selection Committee, which consists of Agency leadership. The Selection Committee will recommend to the Board selected proposals for funding. Proposals that do not meet threshold will be shared with the Selection Committee for the purpose of transparency but will not be eligible for funding. Previously, program staff reviewed and assessed the proposals based on a pass/fail requirement. Proposals were required to pass all three selection standards to move forward to the Selection Committee. The revised Selection Standards will enable proposals that may not be as strong in one Selection Standards criterion to move forward for consideration of selection if it is stronger in another Selection Standards criterion.

*Funding Priorities*

Funding priorities include the priorities outlined in MINN. R. 4900.3650 and Agency priorities informed by the Agency's strategic plan. Program staff reviewers have scored the funding priorities in the past with zero or one point. Staff is recommending continuing to evaluate proposals that meet the Funding and Agency priorities but with utilizing a checkbox method to identify whether a proposal meets the funding priorities instead of points given. Program staff reviewers will check the boxes for all funding priorities a proposal meets. The number of funding priorities a proposal meets will be dependent upon the proposed activity and will help inform the recommended funding cuts (i.e., proposals that meet fewer funding priorities will be more likely to receive unit/funding cuts).

*Proposed Funding Priority Revisions*

Staff proposes one revision to the following Funding Priority:

- Leverage – Proposals will meet this funding priority if there is committed leverage; removed Total Leverage and Diversity of Leverage.

*Total Scoring*

The total points available that a proposal can receive will decrease from a maximum of 17 points to a maximum of 15 points.

## **2022 SINGLE FAMILY REQUEST FOR PROPOSALS SCORING CRITERIA**

The selection and funding process will be as follows:

1. Program staff will evaluate all proposals and score them on a scale of zero to five points. Proposals that meet the Selection Standards thresholds of at least ten points will be eligible for funding considerations. Proposals that do not meet the Selection Standards will be identified to the Selection Committee.
2. Program staff will assess 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. Total Selection Standards score;
  - b. Organizational capacity to complete the awarded number of units within the contract period;
  - c. Alignment with Funding Priorities;
  - d. Geographic coverage (i.e., the extent to which selected proposals enable the Agency to serve all areas of the state); and
  - e. Funding availability.

### **SELECTION STANDARDS THRESHOLD**

Reviewers will score and consider these factors in their evaluation of proposals, as required by the applicable Administrative Rule. Selections Committee will discuss and address questions/concerns about proposals. Must meet a total score of 10 or more points to meet the threshold to move forward to Selections.

1. **Organizational Capacity** – up to 5 points 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 (e.g., good standing with the State of Minnesota, organizational internal operations policies, outstanding legal matters, performance and compliance with past and current Impact Fund awards, etc.).
2. **Project Feasibility** – up to 5 points 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** – up to 5 points 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**

### **Efficient Use of Resources**

1. **Leverage** – Based on committed leverage
2. **Regulatory Incentive** – Incorporating cost 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** – 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**

1. **Equitable Access to Homeownership** – Demonstrating a record of creating equitable access to homeownership or 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** – 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** – Applicant requires homebuyers to complete pre-purchase homeownership, financial education, or counseling from a qualified provider, as appropriate to support homeowner success.

### **Supporting Community and Economic Development**

1. **Cooperatively-Developed Plan (CDP)** – 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** – Whether a proposed target area is within a Rural or Tribal designated census tract.
3. **Location Efficiency** – Based on access to fixed transit or dial-a-ride.
4. **Community Recovery** – 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** – 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** – Based on proposals that partner with workforce training programs that will be utilized with proposed developments.
7. **Increase Housing Choice** – 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** – 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**

1. **Efficient Land Use** – 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** – Proposal uses 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.