2022 Multifamily RFP/2023 HTC Round 1
RFP TA Kickoff – Consolidated RFP Updates

Wednesday, April 20, 2022
Our Mission

The Core Purpose

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.
• There will be Question and Answer (Q & A) breakout sessions that run concurrently at the end of the morning presentation. We ask that you reserve your questions until these breakout sessions.

• During the main session you can type your questions in the Question/Chat box of the GoTo Webinar at any time, however, these will likely not be responded to until after the webinar ends.
Technical assistance provided by Minnesota Housing staff is only advisory and does not guarantee that a development will receive points under a particular category or be selected for funding.

While every effort is made to ensure the accuracy of the technical assistance, such assistance is subject to, and does not modify or override, the requirements of Minnesota Housing’s Qualified Allocation Plan, the Self-Scoring Worksheet, Multifamily Applications Instructions, Multifamily Underwriting Standards, or other documents related to applications for funding.

Applicants are encouraged to review the materials available on Minnesota Housing’s website and consult with legal counsel, and if applicable, a knowledgeable tax professional, to ensure compliance with all applicable application, submission, and project requirements.
Welcome

Commissioner Jennifer Ho
Multifamily Consolidated Request for Proposals
Overview and Updates

Summer Jefferson
2022 RFP/2023 HTC Round 1 Timeline

**Wednesday, April 13**
- Multifamily Consolidated RFP published

**Thursday, April 28**
- Pre-application for Innovative Construction Techniques (ICT) due
- Pre-application for Section 811 PRA program due

**Thursday, May 19**
- Intent to Apply deadline – required for all eligible Multifamily applications

**Thursday, July 14**
- Multifamily application deadline, including site control, qualification forms, and financials

**December 2022**
- Minnesota Housing board meeting
# Multifamily Selection Framework

## Selection Framework

<table>
<thead>
<tr>
<th>Selection Framework</th>
<th>Other Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Eligibility</td>
<td>• Available Funding</td>
</tr>
<tr>
<td>• Project Feasibility</td>
<td>• Geographic Balance</td>
</tr>
<tr>
<td>• Organizational Capacity</td>
<td></td>
</tr>
<tr>
<td>• Financial Capacity</td>
<td></td>
</tr>
<tr>
<td>• Strategic and Selection Priorities/Score</td>
<td></td>
</tr>
<tr>
<td>• Deferred Funding Priorities</td>
<td></td>
</tr>
<tr>
<td>• Underwriting Standards</td>
<td></td>
</tr>
</tbody>
</table>
Balance of Funding Factors

Available Funds by Project Type

Geographic Balance

Application Type/Financing Structure

Project Score/Strategic Priorities
Available Funding by Project Type

- **Workforce – HTC, HOME, and EDHC**
  - 38 applications – 10 selected
  - 59% of 2021 RFP applications

- **Permanent Support Housing – HTC, HOME, NHTF, and HIB**
  - 6 applications - 4 selected

- **Preservation – HTC, PARIF, HOME, and HIB**
  - 8 applications - 2 selected

- **Senior – HTC and HIB**
  - 12 applications - 6 selected
Consolidated RFP Improvement Efforts

Easier Application Process

- Application process and application materials under review

Improved and Enhanced Resources Available for Applicants – 2022 RFP

- RFP Application Instructions
- Online tutorials and 2-day Kickoff
- Scoring Wizard
- Scoring training
Portal and Technology Updates

Karin Wilbricht
Portal and Technology Updates

- Reminder: Request a Multifamily Customer Portal account
- What’s new in the Multifamily Customer Portal
  - Scoring Wizard enhancements
  - Email notifications
  - Withdraw button
- 2022 Multifamily Workbook now available; check out our release notes for more details
Training Opportunities and Resources

Upcoming Portal training

- Wednesday, April 27 at 10 a.m. CT
- Topics covered:
  - What’s new in the Multifamily Customer Portal
  - Getting started: Create a project, request team access, and identify project characteristics
  - Scoring Wizard basics
  - Checklist management basics
  - Commons mistakes and important reminders

Resources and Support

- Visit the Multifamily Customer Portal Resources page at mnhousing.gov/sites/multifamily/portal
- Need system support? Contact mhfa.app@state.mn.us
Geographic Scoring

Kody Thurnau
Funding Partner Updates

Ashleigh Johnson

4/20/2022
Local Housing Incentives Account (LHIA)

• City/county must be the applicant
  • Grant agreement will be between city/county and Metropolitan Council (not developer)
• City must be a participant in the Livable Communities Act (LCA) program
  • County can be an applicant if project is located in an LCA participating city
• LHIA award requires a local match from applicant**
Local Housing Incentives Account (LHIA)

• Program priorities include:
  • Rental units affordable at 30% area median income (AMI) or below
  • Units with three or more bedrooms
  • Proposals that serve people experiencing long-term homelessness; and
  • Proposals that provide a housing type not currently available or serve a population not currently served in or near the project area

• LHIA awards announced after Minnesota Housing awards are announced
2023 9% HTC Allocation

- State of Minnesota: $14.8 million
- Minnesota Housing: $11 million
- Historically: 12 to 16 projects with 700 to 900 total units annually
- Last RFP: $10.5 million: 8 projects with 436 units
Housing Tax Credit Updates

9% HTC Suballocators

- Minneapolis
- St. Paul
- Dakota County
- Washington County
2022-2023 Qualified Allocation Plan

• Pools
  • Metro
  • Greater Minnesota – excludes the Rural Development (RD) set-aside of $375,000

• Set-Asides
  • Nonprofit set-aside
    • Metro
    • Greater Minnesota
  • Rural Development
2022-2023 Qualified Allocation Plan

- 2-year QAP
  - No changes:
    - QAP
    - Self-Scoring Worksheet

- NOTE: Updated Scoring Guide
Housing Infrastructure Bonds

Governor’s Proposed 2022 Bonding Bill – $250 Million for HIB

Multifamily eligible uses:
- Permanent supportive housing
- Homeless
  - Behavioral health, if homeless
- Senior independent living
- Preservation

Proposed new eligible use:
- New Construction – Affordable to households at or below 50% income, with priority to serving the lowest incomes
Competitive Application Submissions

• Projects categorized according to eligible use and ranked by score

• The selection framework discussed earlier is then applied; for HIB, this includes:
  • Selection priorities
  • Statutory preferences and requirements
  • Geographic balance
  • Feasibility
Potential Funding Structures

• HIB with Volume Cap (4% w/ Deferred)
  • HIB loan funded with volume limited bonds qualifying the project for 4% HTCs
  • Preferred structure when syndication proceeds make up significant portion of capital sources

• Deferred-Only
  • Structure allows maximization of HIB resources, offsetting volume cap limitations
  • Potential for all HIB projects with a nonprofit or governmental entity as the sponsor to be evaluated under this structure

• Loan may be repayable or forgivable
Bond Test Analysis

• Required to be submitted at application for all HIB eligible projects

• Special attention should be paid to bond tests:
  • Helps ensure there are enough non-bond funded sources to cover “bad costs”
    • Impact of deferred-only structure for nonprofits and governmental entities
  • Evaluates if the project is meeting the 50% test for 4% HTC
  • Technical assistance is strongly encouraged
Senior Eligibility Requirements

• All units in project must serve seniors age 55+

• Submit a completed Senior Housing Narrative

• Provide access to services to residents and demonstrate the ability to increase physical supports and supportive services as residents age and experience increasing levels of disability

  • Minimum Threshold: At least a part-time tenant service coordinator

Senior Selection Priorities

• A project’s ability to serve households with a gross annual income that does not exceed 30% of the metropolitan area median, not adjusted for household size
Housing Infrastructure Bonds

Permanent Supportive Housing

• All units in a project must provide permanent supportive housing for homeless households

Preservation

• HIBs used to preserve existing federally assisted housing or other critical affordable units with rent or income restrictions

• Project must meet a risk of loss under the Preservation scoring criterion
Supportive Housing Updates

High priority homeless (HPH)

• Threshold criteria and documentation
• Planned resources for rental assistance and services
• Housing Support – LTH: market of eligible households in communities outside of the central metro

Continuum of Care (CoC) Confirmation Form

• Required for all applications with HPH units
• Contact the CoC early in the process to plan units

Added information to the form:

• Unit types, population served, resources for rental assistance and services
• Requesting feedback from CoCs on the need for the units and the planned resources
County or Tribal Human Services

• Confirmation letter no longer required for HPH units
• Contact the county or tribal human services early in process:
  • Housing Support – Secure commitment for HPH and/or PWD units
    • Use the Minnesota Housing form for the Housing Support Commitment – Signed by Human Services
    • Still need Human Services confirmation if a service provider is committing tenant-based units to the project
  • Plan units for people with disabilities (PWD) – Work with the county to determine the population, referral process, services, and Housing Support and complete the PWD narrative
    • Units are intended for extremely low-income people with disabilities who are NOT homeless
    • Housing Support – LTH: market of eligible households in communities outside of the central metro
    • Housing Support – Regular is a better fit for the intended population. Use other resources for services.

HIB for supportive housing – homeless eligibility all units
• TSP Guidelines revised December 2020
  • Adds tenant screening criteria for all housing units and additional criteria for supportive housing units
• Required for all Consolidated RFP projects after March 2021
• Applicable funding sources
• Existing properties – general considerations apply; new screening criteria are recommended best practices
• TSP review checklist and help text
Supportive Housing Updates- Section 811

• Section 811 Project-based Rental Assistance (PRA) available for people with disabilities (PWD) units:
  • PWD Tier Two category
  • Limit on number of units and total permanent supportive housing (PSH) units
  • Pre-application for Section 811 PRA
  • Eligibility notification
  • Section 811 PRA PWD narrative – Work with Minnesota Department of Human Services (DHS) to complete
  • Selection is contingent on project selection for capital funding and Minnesota Housing signed agreement with HUD
Underwriting Updates

Erin Coons
• [https://www.mnhousing.gov/sites/multifamily/gettingstarted](https://www.mnhousing.gov/sites/multifamily/gettingstarted)

• [https://www.mnhousing.gov/sites/multifamily/applicationresources](https://www.mnhousing.gov/sites/multifamily/applicationresources)
Underwriting Standards and Sizing

**Steps to Sizing Awards**

1. Operating budget review – rents and expenses
2. Maximize the amortizing debt
   - Higher of proposed or Agency mortgage sizing
3. Development budget review
4. Size low-income housing tax credits
5. Size deferred funding
How to receive technical assistance for your application:

• Go to: [www.mnhousing.gov/sites/multifamily/applicationresources](http://www.mnhousing.gov/sites/multifamily/applicationresources)

• Complete the Technical Assistance Request Form

• Requests will be directed to the appropriate staff; possible topics include:

  • General inquiry about Agency programs and financing
  • Architecture/design standards/construction innovation
  • Providing supportive housing to high priority homeless
  • Providing supportive housing to people with disabilities
  • Management and operating expenses
  • Scoring
  • Application submissions
  • Financial structure
  • Agency underwriting
  • Portal
  • Other
Underwriting – Navigating Industry Issues

Tell us your story:

• What is your current budget?

• Does your development budget reflect cost escalation?

• Are you building cushion into your interest rates?

• Construction; permanent
Architectural Updates

Erika Arms
• Review our Building Standards website for “Design and Construction” expectations

• Sign up to receive 2022 April eNews that showcases all Building Standards updates (standards this year are very similar to 2021 versions)
Enhanced Sustainability – MF Selection Scoring points

- Tier 1: 1 point for 2x the optional criteria points (70 or 80)
- Tier 2: 2 points for 3x the optional criteria points (105 or 120)
- Tier 3: 3 points for Alternative Building Performance Pathways
  - MN SB 2030 Standards (new construction)
  - 2020 EGCC Certification Plus (new construction)
  - Performance Pathway (rehab)
- Tier 4: 4 points for Tier 1 + Tier 3
- Tier 5: 5 points for Tier 2 + Tier 3
Criteria 5.1a Building Performance Standard- New Construction

• **REMINDER:** All multifamily buildings funded after April 2021 must follow the ENERGY STAR (ES) Multifamily New Construction (MFNC) program. Certification through ES remains optional. Compliance with ES must be demonstrated to Minnesota Housing through submittal of an “as-designed” energy model before loan commitment/loan closing, and an “as-built” energy model at post construction.

• All requirements and prerequisites, regardless of pathway (ERI, Prescriptive, or ASHRAE), including, but not limited to, underground garage ceiling insulation, exterior wall/envelope continuous insulation***, functional testing, field verification, etc. must be followed. No exceptions or waiver will be considered other than what is published in the 2022 MN Overlay and Guide to the 2020 Enterprise Green Communities Criteria.

***Continuous Insulation is required by ES MFNC for all MF; however, there is an exception for apartments three stories or fewer with efficiency framing.
Applications claiming Universal Design RFP Selection Points

- Indicate on Self-Scoring Worksheet
- Include at application the Universal Design Worksheet
Construction Cost Material Volatility

• Include current material costs in the construction cost estimate RFP submittal requirement. It is acceptable to include and itemize cost escalations for materials as well as labor or other COVID related costs separately in the cost estimate.

• Consult with a Minnesota Housing staff architect directly for any further questions or guidance on construction cost for application materials.
HOME and National Housing Trust Fund (NHTF) Eligible Uses:

- New construction, rehabilitation (includes conversion), and acquisition
- A property may contain one or more buildings on a single site
- Properties may be located on more than one site if it meets all of the following:
  - The properties are under common ownership and common management and financing
  - All housing units are being built or rehabilitated as part of a single undertaking
- A property must also meet all of the following:
  - Conform to all applicable zoning ordinances
  - Possess all appropriate use permits
  - Be used primarily for residential purposes
  - Provide permanent housing
Federal Programs Highlights

NHTF Operating Subsidy (NHTF OS)

• An eligible use of NHTF is operating cost assistance:
  • A project must be eligible for NHTF capital funds in order to receive an NHTF OS; most often paired with supportive housing projects – all NHTF assisted units must be restricted to 30% AMI income and rent limits in addition to meeting other program requirements
  • Eligible operating costs include insurance, utilities, real property taxes, and maintenance and scheduled payments to a reserve for replacement of major systems of NHTF assisted units
  • Can be put into a project with other forms of project-based rental assistance as long as households in NHTF assisted units are not receiving any rental assistance

• If applying for NHTF OS, the following must be submitted as part of the application:
  • NHTF OS Narrative Questions
  • NHTF OS Calculation Tool
  • NHTF OS Funding Application Certification
Federal Programs Highlights

Applicants Requesting a LMIR First Mortgage

• New process for Part 58 environmental reviews
  • Phase I provider now to complete and submit necessary documentation for a federal Part 58 Environmental Assessment as part of the Phase I ESA
  • Recommended that the Phase I ESA cost estimate is increased in the application workbook to cover additional work required by the Phase I provider
Project Information in Application

• Information provided in application assists Minnesota Housing staff in determining suitable projects for federal funding

• Make sure to provide adequate detail in following application checklist items:
  
  • **Applicant Certification of Known Environmental Issues:** Provides more information on environmental suitability of site location and surrounding land uses that could impact project
  
  • **Multifamily Rental Housing Narrative Questions:** Provides more information on historic properties that could be impacted by project, special populations to be served, and whether any actions (acquisition, demolition, rehabilitation, or site prep) have or are planned to occur prior to, or shortly after, selection
Asset Management reviews three components of the application:

1. Rents
2. Maintenance and operating (M&O) expenses
3. Vacancy rates
Tools to Determine Comparable Rents and Vacancy Rates

• Agency portfolio
  • Includes over 350 properties statewide
• Property Online Reporting Tool (PORT)
• CoStar
• Marquette Apartment Trends
  • Quarterly Report
• Market Study
Maintenance and Operating Expense Analysis

- Agency portfolio
  - Includes over 350 properties statewide
- New Construction Comparable Property Form
- Request technical assistance (TA) for a preliminary estimate on M&O expenses
Market Study

• Required for all housing tax credit (HTC) applications

• Used to determine achievable rents at multifamily tax subsidy project (MTSP) and market levels

• Average income – check to see if the market study supports higher rents if proposing rents greater than 60% MTSP

• Only use a market analyst from our approved vendor list
Contact Information

- General RFP Questions: sara.bunn@state.mn.us
- HTC Team: HTC.MHFA@state.mn.us
- HIB: william.price@state.mn.us
- Supportive Housing: vicki.farden@state.mn.us
- Section 811 PRA: ellie.miller@state.mn.us
- Underwriting: erin.coons@state.mn.us
- Architectural: erika.arm@state.mn.us
- Federal Programs: aaron.keniski@state.mn.us
- Asset Management: matt.obrien@state.mn.us
Closing

Assistant Commissioner of Multifamily
James Lehnhoff

4/20/2022

Minnesota Housing | mnhousing.gov
Thank you!