

# Metropolitan Council Local Housing Incentive Account (LHIA) 2016 Program Guide



# Local Housing Incentives Account

## Section 1: Purpose, Eligible Grantees

### Purpose

The Metropolitan Livable Communities Act<sup>1</sup> (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 shared criteria to which the funding partners may add their own program-specific criteria.

### Eligible Grantees

By [state statute](#), LHIA grantees must be a local governmental unit, which may be a:

- A. Municipality (a statutory or home rule charter city or township) currently participating in the Metropolitan Livable Communities Local Housing Incentives Program
- B. Metropolitan county
- C. Housing and Redevelopment Authority, Economic Development Authority, Community Development Authority or Port Authority

Projects proposed by categories (B) and (C) must be located in [participating municipalities](#).

Individuals or developers are not eligible grantees. Local government units in which a project will be located must sign an Acknowledgement of Receptivity Form.

### Acknowledgement of Receptivity Form

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 Minnesota Housing's Consolidated Request for Proposals (RFP). Developers, however, are **not** eligible to directly receive LHIA grants.

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 (attached) from the local unit of government within which the project is proposed. This form has two purposes:

1. 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
2. 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.

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<sup>1</sup> MN Statutes §473.254, Subd. 6

## Section 2: Application and Evaluation Process

Funding from partner agencies is coordinated through an annual Request for Proposals (RFP) known as the Consolidated RFP. The Consolidated 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. Applicants apply for LHIA funds through the Consolidated RFP administered by Minnesota Housing (<http://mnhousing.gov>).

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

### 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.

### LHIA Threshold and Competitive Criteria

1. A significant component of the project must serve households with incomes at or below **80%** of Area Median Income (AMI).
2. Projects must have affirmative fair housing marketing plans.

The Council will give priority to:

- rental proposals creating or preserving affordability for persons at or below 30% of AMI;
- proposals that serve large families by providing two or more bedroom units; and
- proposals serving people experiencing long-term homelessness.

The Council will give preference if:

A municipality has a lower Housing Performance Score than the other proposals being considered for funding.

A municipality currently has a net fiscal disparities contribution of \$200 or more per household;

A municipality does not use its expenditure from the Affordable and Lifecycle Housing Opportunity Amount (ALHOA) as the source for its matching funds; or

A project exceeds the current building code requirement that:

- o a minimum of 5% of the total units in a development be designed and constructed to meet accessibility requirements, and the additional 2% of the dwelling units that must be adaptable for vision/hearing impaired.
- o If any applications are received for projects exceeding these minimums, any other applications for affordable housing projects outside the Metro Mobility service area will receive the same preference, even if they do not propose to exceed those minimums.

## Evaluation Process

All proposals received through the Consolidated RFP process are reviewed by Minnesota Housing staff for completeness and project feasibility. 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 shared evaluation 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 also rates the proposals on the applicant's organizational capacity to deliver the project. Funds are then allocated to each proposal based on its composite rank and the best use of each of the funding partners' resources.

## Award Limits

The Metropolitan Council reserves the right to award less than the amount requested and to award less than the available funding in a funding cycle. 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.

## 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;

## Section 3: 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 grantee's chief financial officer is required to certify to the appropriate expenditure of funds.

## Questions

Contact Ryan Kelley, LHIA Program Officer

[Ryan.Kelley@metc.state.mn.us](mailto:Ryan.Kelley@metc.state.mn.us)

651-602-1541







390 Robert Street North  
St. Paul, MN 55101-1805

651.602.1000  
TTY 651.291.0904  
[public.info@metc.state.mn.us](mailto:public.info@metc.state.mn.us)  
[metro council.org](http://metro council.org)