

Item: Approval, Community Homeownership Impact Fund Scoring Revisions for the 2019 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 2019 Single Family Request for Proposals (RFP) and Community Homeownership Impact Fund (Impact Fund).

Fiscal Impact:

None.

Meeting Agency Priorities:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota's Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- Background
- 2019 Single Family Request For Proposals Scoring Criteria

Background:

Minnesota Housing awards funding for single family, owner-occupied housing projects through the annual Single Family Request for Proposals (SF RFP). The Community Homeownership Impact Fund (Impact Fund) is the program that implements the SF RFP and oversees the projects funded through the SF RFP. These projects include downpayment and closing cost assistance, owner-occupied rehabilitation, new construction, and acquisition, rehabilitation, resale.

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 23, 2017. This scoring criteria was used for both the 2017 SF RFP and 2018 SF RFP. This year, staff recommends changes to the scoring criteria following review of the 2018 SF RFP application round as well as implementing Opportunity Zones and recommendations of the Report of the Governor's Task Force on Housing that was issued in August 2018. Staff proposes revisions as follows:

- Adding five new subcategories: Homeownership or Financial Education and Counseling, Opportunity Zones, Workforce Training Programs, Maintaining Existing Housing Stock through Rehabilitation, Cost Containment through Advancement of Housing Innovation and Technology, and Affordable Housing Options.
- Revising the existing points for the following subcategories: Leverage, Special Niche, Low Vacancy Rate, and Foreclosure.

Points available for the three selection standards, organizational capacity, project feasibility and community need, will remain the same. Points available for funding priorities will increase from a maximum of 53 points total to a maximum of 65 points. Note that the maximum number of points an applicant can receive is also dependent upon the proposed activity. Substantive changes to the scoring criteria approved in March 2017 are noted in red.

2019 SINGLE FAMILY REQUEST FOR PROPOSALS SCORING CRITERIA

SELECTION STANDARDS – up to 30 points total

1. **Organizational Capacity** – up to 10 points total based on the applicant’s related housing experience, demonstrated successful completion of similar projects, **progress on current awards**, and other organizational due diligence factors. This point total remains the same.
2. **Project Feasibility** – up to 10 points total 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. This point total remains the same.
3. **Community Need** – up to 10 points total 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 demographic, workforce, **market** and economic factors. This point total remains the same.

FUNDING PRIORITIES – up to 65 points total

Efficient Use of Resources – up to 13 points total. The 2017 Single Family Request for Proposals Scoring Criteria approved at the March 23, 2017 board meeting incorrectly noted the total points for Efficient Use of Resources as 14; it was 13.

1. **Leverage** – up to 9 points total. This point total remains the same.
 - a. **Total Leverage** – up to 3 points total based on the percentage of total committed leverage as compared to the total funds requested. This point total remains the same.
 - b. **Leverage Ratio** – up to 3 points total based on the percentage of funds requested as compared to the total development costs. This point total remains the same.
 - c. **Diversity of Leverage** – up to 3 points total based on whether the proposal has received committed leverage from an employer, **government** or philanthropic source. This point total remains the same. **Providing points for government leverage recognizes local communities’ investments in affordable homeownership. The one point for government leverage was removed in 2016 because the Agency wanted to highlight employer and philanthropic leverage and believed that there should be project support from local governments. While local government support of a project is valuable, local government financial support for a project is even more valuable and should be recognized.**
2. **Regulatory Incentive** – 1 point total for incorporating costs savings measures through regulatory incentives, such as fast tracking permitting approvals and waiver of fees among other incentives. This point total remains the same.
3. **Impact Fund Subsidy Protection/Long Term Affordability** – up to 3 points total based on the number of years of subsidy protection. This point total remains the same.

Households of Greatest Need – up to 14 points total. **The total points for this section have increased three points reflecting the revision to the Special Niche priority, and the addition of the Homeownership or Financial Education and Counseling, and Opportunity Zones priorities.**

1. **Equitable Access to Homeownership** – up to 6 points total for demonstrating a record of **creating equitable access to homeownership by** serving and reaching out to underserved populations (i.e. Households of Color or Hispanic Ethnicity, Persons with Disabilities, and Single

Headed Households). This criterion is considered at two levels – (1) past performance and (2) outreach and program design going forward. This point total remains the same.

- a. Past Performance
 - i. Households of Color or Hispanic Ethnicity – 2 points total based on the extent to which the Applicant has served households of color or Hispanic ethnicity. More weight is given to serving households of color or Hispanic ethnicity than the other underserved populations because reducing the homeownership disparity in Minnesota **and creating equitable access to homeownership** is an agency priority. This point total remains the same.
 - ii. Persons with Disabilities – 1 point total based on the extent to which the applicant has served persons with disabilities. This point total remains the same
 - iii. Single Headed Households – 1 point total based on the extent to which the applicant has effectively served single headed households. This point total remains the same.
- b. Outreach and Program Design Going Forward
 - i. Marketing and Outreach to Underserved Populations – 1 point total based on the extent to which the Applicant’s marketing and outreach plans position the Applicant to reach underserved populations. This point total remains the same
 - ii. Program Design Suitable to Underserved Populations – 1 point total based on the extent to which the Applicant’s program design responds to the needs of underserved populations. For example, homes for people with physical disabilities should be accessible and use universal design. This point total remains the same.
2. **Universal Design/Accessibility Features** – 1 point total for incorporating universal design/accessibility features. This point total remains the same.
3. **Large Family Housing** – 1 point total for committing to developing large family housing. This point total remains the same.
4. **Senior Housing** – 2 points total for proposals that will enable individuals 62+ years old to age in place. This point total remains the same.
5. **Special Niche** – 2 points total for owner-occupied rehabilitation and affordability gap proposals that demonstrate the ability to address **a program gap**. This point total **has increased by one point to reflect the importance of maximizing resources**.
6. **Homeownership or Financial Education and Counseling** – 1 point total if applicant requires homebuyers to complete pre-purchase homeownership or financial education or counseling from a qualified provider. This is consistent with a recommendation from the Governor’s Task Force on Housing and recognizes the value of homeownership education and financial counseling.
7. **Opportunity Zones** – up to 1 point total for projects located in Opportunity Zones. Investment in Opportunity Zones uplifts some of the lowest-income communities throughout the state and acknowledges the value of investing in Opportunity Zones.

Areas of Opportunity – up to 18 points total. The total points for this section increased one point with the revision to the Workforce Housing priority.

1. **Economic Integration** – up to 5 points total based on the extent to which the proposed housing activity is affordable to eligible low- and moderate-income households is located within higher income areas and near job centers. This criterion will be scored based on Community Profiles. This point total remains the same.

2. **Workforce Housing** – up to 5 points total based on the extent to which a proposed target area has a low housing vacancy rate, long commute, and/or is a job growth community. Long commute and job growth community will be scored based on Community Profiles.
 - a. Long commute and/or job growth community – up to 3 points based on the overlap of the proposed target area and areas identified in Community Profiles as communities with long commutes and/or job growth.
 - b. Low Housing Vacancy Rate – up to 2 points (up from 1 point). Due to the tighter housing market and the low inventory, we recommend providing higher points to those areas with very low vacancy rates, while still providing points to other areas with low vacancy rates.
3. **Location Efficiency** – up to 6 points total based on access to transit and walkability. The basis of points awarded is defined separately for the Twin Cities Seven County Metropolitan Area and Greater Minnesota. This point total remains the same. However, for 2019 we will increase the maximum available for Greater Minnesota communities without access to fixed transit to earn up to four points for dial-a-ride service. Previously, such areas were eligible for only up to three points. We will also award points for access to dial-a-ride service in areas in the Twin Cities Seven County Metropolitan Area that fall outside of service areas for high service routes, high frequency routes, LRT and BRT. Previously, points for dial-a-ride service were only allowed for Greater Minnesota communities.
 - a. Access to transit – up to 5 points total based on the extent to which a proposed target area has access to fixed transit or dial-a-ride. This criterion will be scored based on Community Profiles. This point total remains the same.
 - b. Walkability – 1 point total based on a documented Walkscore rating of 50 or more.
4. **Community Recovery** – up to 2 points total based on the extent to which a proposed target area coincides with a Community Recovery Priority Area. This criterion will be scored based on Community Profiles. This point total remains the same.

Supporting Community and Economic Development – up to 7 points total. A new priority, Workforce Training Programs, has been added. However, the net total points for this section decreased four points because the Efficient Land Use and Foreclosure priorities have been moved to a new section.

1. **Cooperatively-Developed Plan (CDP)** – 1 point total if the proposal addresses priorities or recommendations in a CDP for the community in which the proposed target area is located. This point total remains the same.
2. **Rural/Tribal Designation** – 4 points total based on whether a proposed target area is within a Rural/Tribal Designated census tract outside of the Twin Cities Seven County Metropolitan Area.
3. **Workforce Training Programs** – up to 2 points total based on proposals that partner with workforce training programs that will be utilized with proposed developments. This new priority is consistent with the Governor’s Task Force on Housing’s recommendation to seek to grow the pool of talent and address a workforce shortage in the building trades.

Increasing and Maintaining the Supply of Affordable Housing – up to 13 points total. Efficient Land Use and Foreclosed, Vacant or Abandoned Properties have been moved from the Supporting Community and Economic Development section. Three new priorities, Maintaining Existing Housing Stock through Rehabilitation, Cost Containment through Advancement of Housing Innovation and Technology, and Affordable Housing Options, have been created.

1. **Efficient Land Use** – up to 5 points total 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 and maximize units per acre; and
 - b. New Construction proposals that minimize the loss of agricultural land and green space and maximize units per acre.
2. **Maintaining Existing Housing Stock through Rehabilitation** – 3 points total for projects that preserve existing affordable housing stock through rehabilitation, such as acquisition, rehabilitation, resale or owner-occupied housing rehabilitation projects.
3. **Foreclosed, Vacant or Abandoned Properties** – 1 point total for proposals that bring homes back onto the market by addressing foreclosed, vacant or abandoned properties. This point total remains the same. Though the foreclosure crisis has passed, the effects of foreclosed, vacant and abandoned properties remain in many communities. We have expanded this priority to recognize that properties may be vacant or abandoned for reasons other than mortgage foreclosure (e.g., tax forfeiture, disinvestment, condemnation, etc.).
4. **Cost Containment through Advancement of Housing Innovation and Technology** – up to 2 points total for proposals that use innovative construction methods and technology (i.e., methods other than site-built), such as modular, panelized, robotics, and 3D printed methods of development, to contain costs short- and long-term. This is consistent with the Governor’s Task Force on Housing’s recommendation to position Minnesota as a leader in the field.
5. **Affordable Housing Options** – up to 2 points total for proposals that increase the supply of affordable housing through producing housing options other than single-family detached homes. This new priority reflects the recommendation from the Governor’s Task Force on Housing report to expand the range of affordable housing options.