

Minnesota Housing continues to focus 2021 QAP changes on streamlining enhancements related to Housing Tax Credit (HTC) eligibility and scoring. The proposed changes are described below.

Strategic Priorities, Selection Categories and Selection Criteria

Proposed changes to the selection categories and criteria include:

- **Strategic Priorities.** We recognize the competitive nature of 9% HTC projects and the significance of 4% HTCs for projects financed through the issuance of tax-exempt volume limited bonds. As a result, additional strategic priorities will include:
 - HTC projects that meet the required minimum point threshold of 70 points for 9% projects are deemed to meet a strategic priority.
 - As required by Minn. Stat. § 462A.222, subd. (3)(d), residential rental housing projects financed with an allocation of tax-exempt bonds under chapter 474A are the highest strategic priority, and such developments are therefore not required to meet a separate strategic priority.
- **Rental Assistance.** Currently projects that agree to provide project-based rental assistance are eligible for three difference point categories: first, for having a percentage of units with committed project-based rental assistance; second, for committing to provide the project-based rental assistance for a minimum of 10 years; and third, for further restricting units to households whose incomes do not exceed 30% MTSP income limits for a 10-year period. We have combined the first two point categories into one and increased the total points for that category to advance the policy objective of serving more low-income households in HTC projects for longer durations. A majority of projects with rental assistance have taken additional points to pursue 10-year affordability.
- **Location Efficiency: Rural and Small Urban Areas (population fewer than 50,000).** We propose streamlining this selection criterion as follows:
 - Eliminate the requirement to submit documentation at the time of application that explains why the transit service available in a particular community is a viable transportation option. In the Self-scoring Worksheet, we link to the MnDOT website that lists and provides links to transit service provider information by geographic location. This transit provider resource makes the need for documentation unnecessary, although we are still requiring documentation if the transit service is planned and not yet in operation.
 - The requirement for demand response/dial-a-ride previously mandated no more than a two-hour advance notice. The new requirement for demand response/dial-a-ride allows for same day service availability.
- **Qualified Census Tract/Community Revitalization and Tribal Equivalent Areas.** Points increase from one to three in recognition that communities across Minnesota, including those with higher percentages of households at lower income levels, benefit from HTC investment.

- **Minority-owned/Women-owned Business Enterprise (MBE/WBE).** Points increase from three to four in support of Minnesota Housing’s commitment to advancing MBE/WBE participation as a key component of the development process. A project sponsor, executive director of a non-profit, general contractor, architect, or management agent who is a MBE/WBE, as certified by the owner, continue to be eligible for the points.

- **Preservation.** There are two proposed streamlining changes and two proposed policy changes as follows:
 - Eliminate the requirement that preservation projects must submit a pre-application prior to the application deadline for HTC Round 1 or Round 2.
 - Eliminate the requirement that preservation projects must submit a dual application for HTC Rounds 1 and 2 if the development contains 40 or more units.
 - Create two tiers for existing federal assistance:
 - The first tier includes federal project-based rental assistance or operating subsidies under a U.S. Department of Housing and Urban Development (HUD), U.S. Department of Agriculture Rural Development (RD), Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) or other program that is not scheduled to sunset or expire. Refer to the Self-scoring Worksheet for other eligible properties. The maximum point value is 30.
 - The second tier is updated to reflect projects with existing federal assistance as defined by public housing units (existing or converted under Rental Assistance Demonstration [RAD 1]), HTC units and RD funded units without rental assistance, or existing federal assistance not captured in the first tier. The maximum point value is 6.
 - Critical Affordable Units at Risk of Loss is updated to focus on housing with a current recorded deed restriction limiting rent or income restrictions at or below the greater of 80% of state median income or area median income under another non-federal program, including one funded with state, local or intermediary funds. The maximum point value is 6.

- **Efficient Use of Scarce Resources and Leverage.** Streamlining enhancements are proposed for two scoring criteria: Financial Readiness to Proceed/Leveraged Funds and Other Contributions.
 - **Financial Readiness to Proceed/Leveraged Funds.** We clarified documentation required for scoring purposes in the Self-scoring Worksheet for syndication proceeds, tax increment financing (TIF), deferred loans, amortizing loans, grants, Historic Tax Credits and general partner commitments. Other, more specific information for these and other

sources will continue to be required with the application submission for the feasibility review of the project.

- Other Contributions. We adjusted the point tiers in this category to provide more opportunity to achieve points for non-capital funding contributions and eliminated the identity of interest exclusion that previously treated contributions from any part of the ownership entity as general partner cash, which had been excluded from the calculation with the exception of very specific circumstances.

Feedback and Public Comments

The scope of proposed 2021 QAP changes is limited in anticipation of launching a broader community engagement for the 2022 QAP, which is scheduled to begin in early 2020. Minnesota Housing is committed to sustained engagement with community stakeholders, including people most impacted by affordable housing needs. Recent engagement efforts include our Community Solution events where we listened to and learned from communities across Minnesota to inform our strategic plan. As part of 2022 QAP development, we will further explore topics such as how we achieve more deeply affordable units, longer-term affordability, continued process improvements, and ensuring that affordable housing strategies are influenced by those most in need of affordable housing in Minnesota.

Opportunities for public feedback in regard to the 2021 QAP are currently open and include the options listed below. **The formal comment period begins after Minnesota Housing's July 25, 2019 board meeting, and closes on August 26, 2019 at 5:00 p.m. CDT.** Minnesota Housing will consider all comments received through this deadline. Final action on the 2021 QAP is expected at Minnesota Housing's board meeting on October 31, 2019.

- Formal public comment period: **July 25, 2019 through August 26, 2019 at 5:00 p.m. CDT**
- In-person feedback session at Minnesota Housing: **August 1, 2019**
- Public hearing at Minnesota Housing: **August 19, 2019**
- Comments can be submitted as follows:
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 - Telephone: Tamara Wilson at 651.296.4451
 - In writing:
 - Minnesota Housing
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