



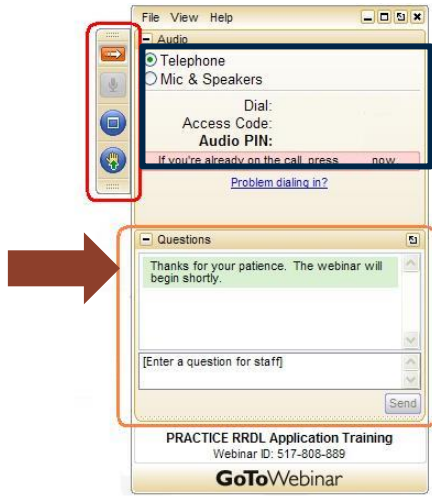
2022 – 2023 Qualified Allocation Plan and Housing Tax Credit Overview

June 11, 2020



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GoTo Toolbar



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Meeting Logistics

- 60 minutes: Presentation
- 30 minutes: Questions and answers
 - Use GoTo tool to submit questions
 - We will answer as many questions as possible
 - If questions remain after the hour, we'll allow people to submit questions for another 10 minutes and then will email responses

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Handouts and Resources

- Handouts:
 - 2022-2023 Qualified Allocation Plan Summary of Proposed Changes
 - Tenant Selection Plan Guidance – redline version
- Resources www.mnhousing.gov/sites/multifamily/taxcredits
 - QAP and Self-scoring Worksheet
 - Methodologies

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Vision and Mission

Our Vision: The Big, Audacious Goal

All Minnesotans live and thrive in a safe, stable home they can afford in a community of their choice.

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.

Overview of Minnesota Housing's Strategic Direction

- Go Big So Everyone Can Go Home!



2022-2023 QAP Vision and Goals

- Focus on the people and places most impacted by housing instability and housing disparities
- Create an inclusive and equitable housing system
- Finance housing to improve outcomes in education, employment, health, and other areas of life

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Purpose and History of the QAP

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What are HTC and QAP?

Housing Tax Credit

- Federal resource
- Reduces investor tax liability for 10 years
- Proceeds used for affordable housing

Qualified Allocation Plan

- IRS requirement
- Sets policies, rules, and procedures
- Geographic distribution and funding set-asides
- Funding priorities

Estimated Amount Available





2022-2023 QAP

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Policy Focus and Engagement

Broader and deeper conversations to develop the proposed changes to the QAP – participation by 400+

Themes:

- 1. Communities should drive development to be responsive to their needs
- 2. Need deeper and longer-term affordability
- 3. Cost containment principles should better account for necessary factors that result in higher costs (large family, location, long-term cost savings)
- 4. Need larger bedroom units to better accommodate family structures

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Policy Focus and Engagement

5. Reconsider geography:
 - Prioritize the creation of housing in cost-burdened communities
 - Transit points should allow for a more flexible approach to community needs
6. Coordinated Entry works unevenly throughout Minnesota communities
7. Housing stability and displacement prevention should be a priority
8. Prioritize economic opportunities for people of color and indigenous communities
9. Incent project innovation and investment in innovative energy and building techniques

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Policy Focus and Engagement

- **Good property management is central to tenant quality of life**
- **Expand penalties for fair housing violations**
- Streamline **the application process** for project resubmittals
- Expand **affordable housing production using financing delivery models other than HTCs**

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Proposed Scoring Changes

For Housing Tax Credit and Deferred Projects

1. Scoring Framework

- Used to competitively score 9% developments
- Minimum scores required for both 9% and 4% projects
- Used to competitively score deferred funding requests in competitive funding rounds

2. Proposed Changes

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Scoring Framework – Self-scoring Worksheet

Goals:

- Serve people with the **greatest needs**, largest barriers, fewest choices, lowest incomes
- Support **community and economic development** and promote housing in **areas of opportunity**
- **Preserve** existing subsidized and federally-assisted housing
- Use scarce **resources efficiently**
- Finance **high-quality buildings**

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Selection Categories

1. Greatest Need Tenant Targeting
2. Serves Lowest Income for Long Durations
3. Increasing Geographic Choice
4. Supporting Community and Economic Development
5. Preservation
6. Efficient Use of Resources & Leverage
7. Building Characteristics

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Scoring

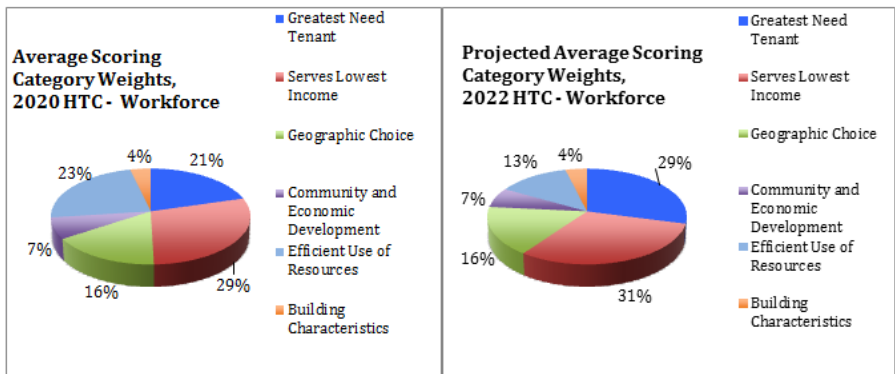
- Overall scoring weights have been calibrated to align with the Strategic Plan and proposed changes to selection category scores reflect strategic policy priorities.
- New minimum score requirements:
 - 9% - 80 Points
 - 4% - 40 Points
 - 4% only projects with bonds allocated by Minnesota Management and Budget (MMB) must the 40 point minimum and new minimum deeper rent targeting requirements

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Scoring



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Proposed Changes Greatest Need Tenant Targeting

- Large Families
 - At least 75% of assisted units must contain 2+ units; and one-third of the 75% must contain 3+ bedrooms
 - Additional points if one-third of the 75% contain 4+ bedrooms
- Permanent supportive Housing
 - Prioritization if unable to fill a unit with a high priority homeless (HPH) household
 - People with disabilities – incentives to use tenant-based rental assistance (TBRA) for Section 811 units (pending application with HUD)

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Proposed Changes Greatest Need Tenant Targeting

- Seniors
 - With additional points for serving even lower income seniors
- Tenant Selection Plan – updated guidance designed to reduce barriers to access for permanent supportive housing units, 30% MTSP rent level units, and units with rental assistance
 - May not use credit history to screen out
 - May not use housing history to screen out (including eviction records)
 - Limitations on income to rent ratio requirements
- **Public comments desired** on broader application to all HTC and deferred units

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Proposed Changes Serves Lowest Income for Long Durations

- Add deeper rent targeting for 30% MTSP rents with or without a services requirement
 - Required for HTC (9% and 4%) and deferred projects:
 - Must set aside a minimum of 2% of units at 30% MTSP rent levels, and
 - Must set aside a minimum of 3% of unit rents at or below the housing assistance payment (HAP) standard, which may be the same units as the 30% MTSP units or different units
 - Create four new point tiers to incent more 30% MTSP rent units

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Proposed Changes Serves Lowest Income for Long Durations

- Long-term affordability
 - Required all projects remain affordable for a minimum of 30 years (new for 4% HTC deals)
 - Create new point option for 40 or 50 years affordability
 - Deferred projects now eligible

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Proposed Changes Geographic Scoring

- Publish June 2020 based on current data for 2021 RFP/2022 HTC
 - Update Spring 2021 – Communities can only be added with the update; no communities will be removed
- Publish 2022 RFP/2023 HTC areas based on current data Spring 2021
 - Update Spring 2022 – Communities can only be added with the update; no communities will be removed
- Unfunded applicants that did not receive any award from the 2021 RFP/2022 HTC have the option to use either the 2021 RFP/2022 HTC geographic scores **OR** the 2022 RFP/2023 HTC geographic scores.
 - New applicants coming into the 2022 RFP/2023 HTC must use the 2022 RFP/2023 HTC geographic scores.

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Proposed Changes Increasing Geographic Choice

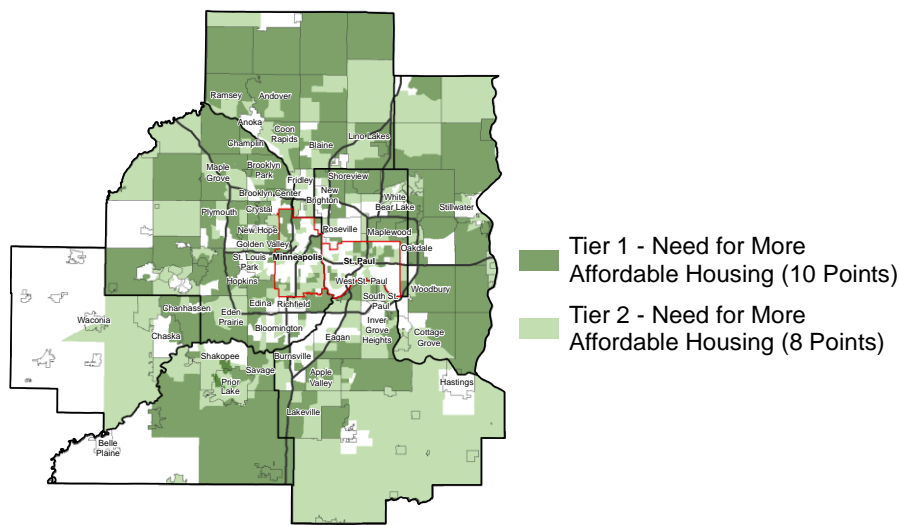
- Eliminate High Performing School and Economic Integration criteria
- Create a new category (two tiers) based on the need for more affordable housing options as a result of either:
 - A low share of affordable rental housing compared to all housing options in a community, or
 - A large share of renters that are cost burdened by their rent

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Need For More Affordable Housing

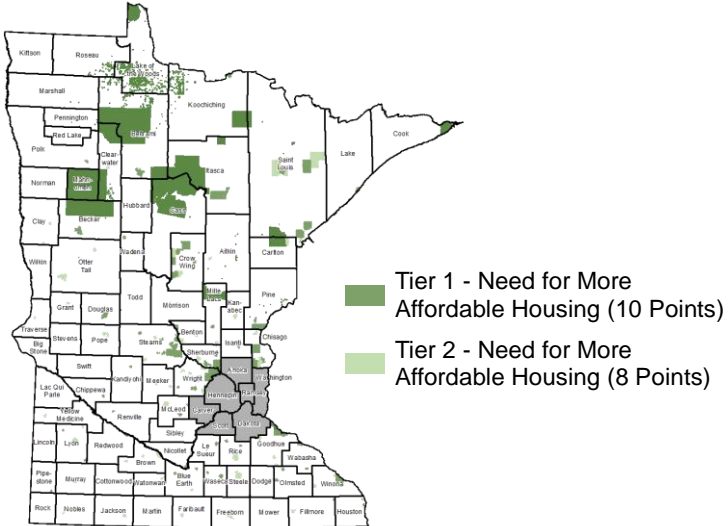


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Need For More Affordable Housing

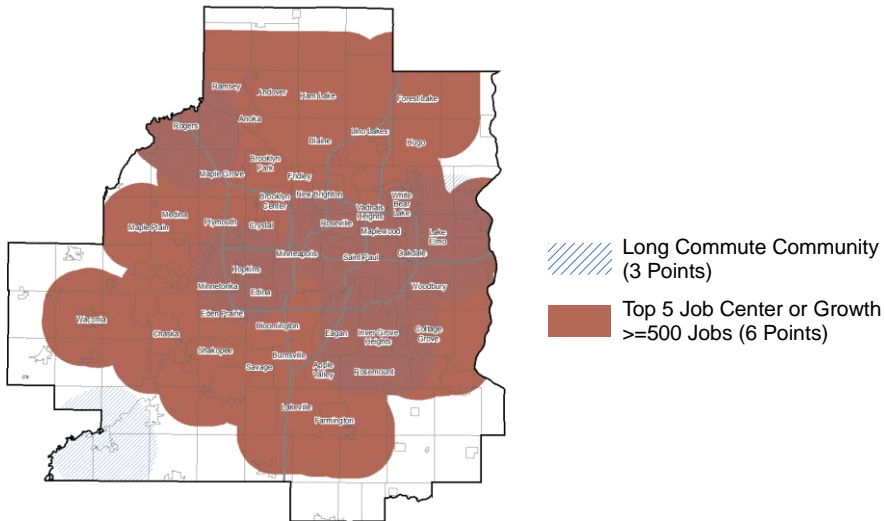


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Workforce Housing

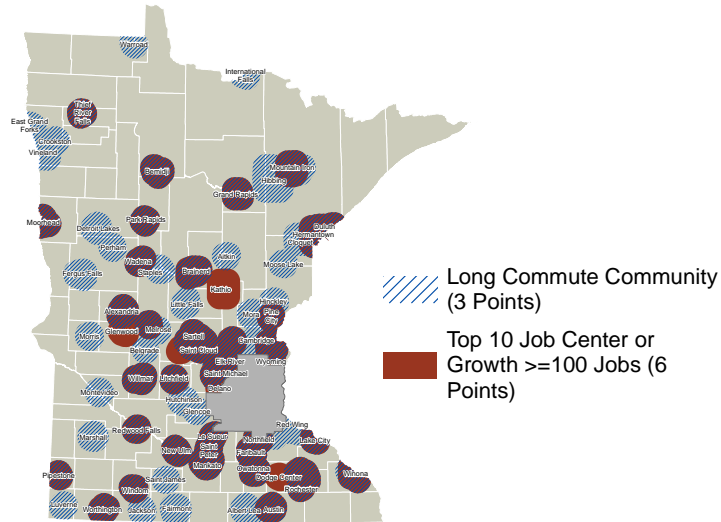


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Workforce Housing



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Proposed Changes Increasing Geographic Choice

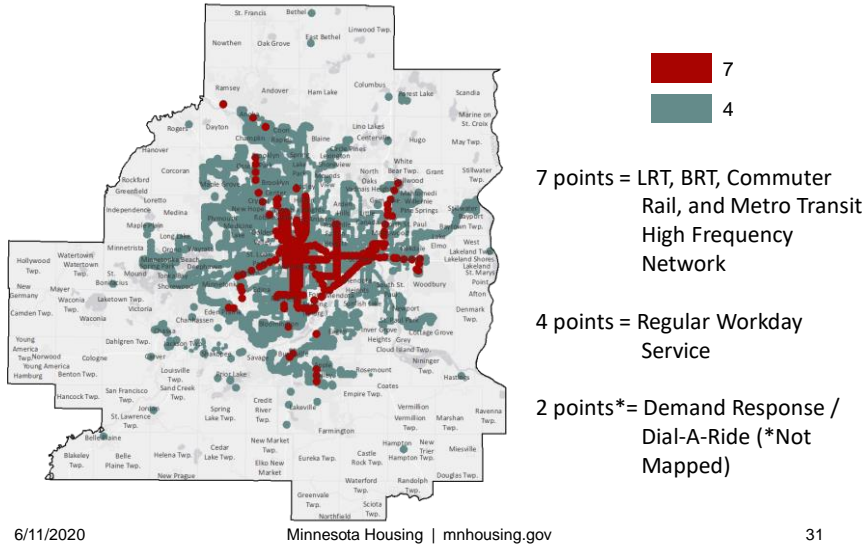
- **Rename Location Efficiency to Transit and Walkability.**
 - Update the 7-County Twin Cities Metropolitan Area and Greater Minnesota Rural Small Urban Areas by:
 - Merging the light rail transit (LRT) and high-frequency network/bus rapid transit (BRT) into one criterion.
 - Adding an option for projects with access to dial-a-ride in the 7-County Twin Cities Metropolitan Area.
 - Lowering the minimum hours of service for transit operations in Greater Minnesota Rural and Small Urban Areas from 10 to 8.
 - Recalibrate the tiers for walkability in the 7-County Twin Cities Metropolitan Area and Greater Minnesota Rural and Small Urban Areas, with new tiers for the core cities in the Twin Cities 7-County Metropolitan Area and different tiers for suburban locations

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Transit and Walkability



Proposed Changes Supporting Community and Economic Development

- Add a **point incentive for Equitable Development** for projects committed to equity and inclusion
- Add projects located in **Opportunity Zones** as a pointing preference
- Incentivize projects with **No Recent Multifamily Award** (within the last five years) as a new pointing category
- Update Minority-owned Business Enterprises/Women-owned Business Enterprises

Proposed Changes Supporting Community and Economic Development

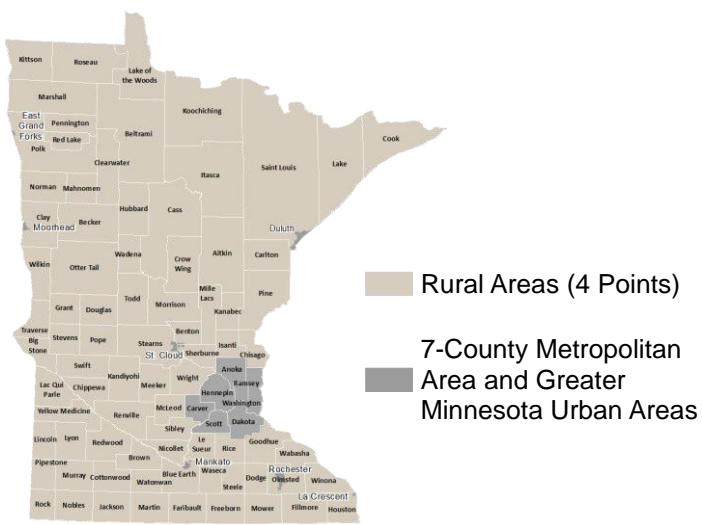
- Encourage more participation from People of Color and Indigenous-owned/Women-owned Business Enterprises (POCIBE/WBE) with incentives for:
 - Two or more key members of the development team are POCIBE/WBE
 - A development team member partners with a POCIBE/WBE entity with the goal of building the entity’s capacity to develop, manage, construct, design, or own affordable housing in the future

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Rural and Tribal Areas

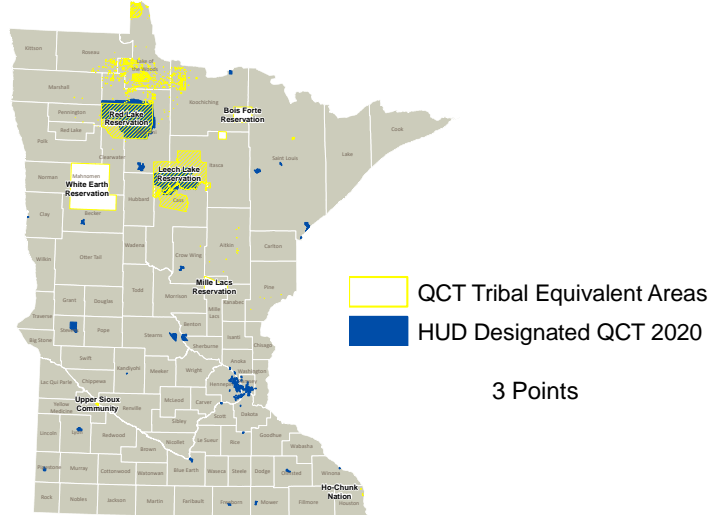


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QCTs and QCT Tribal Equivalent Areas



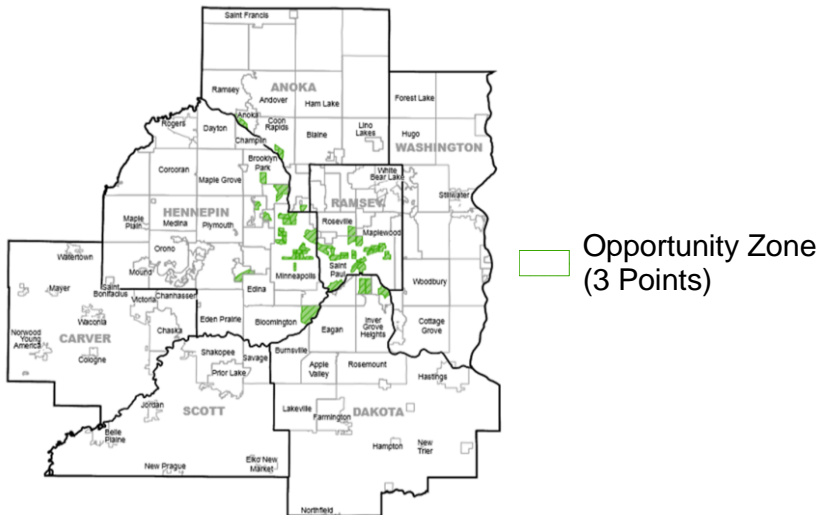
3 Points

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Opportunity Zones

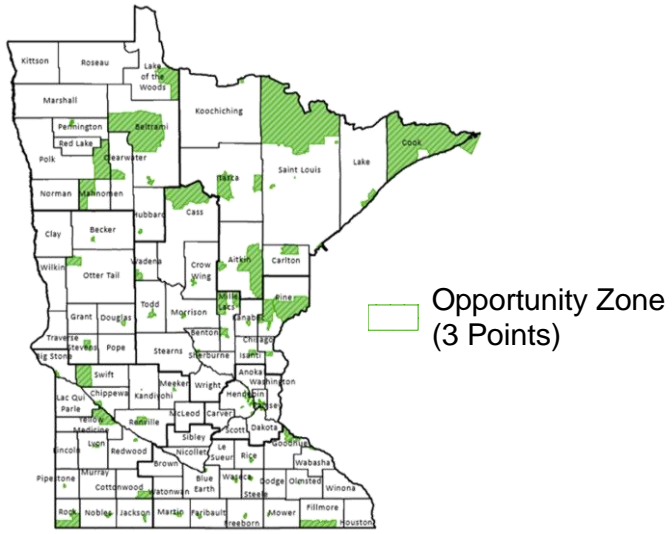


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Opportunity Zones

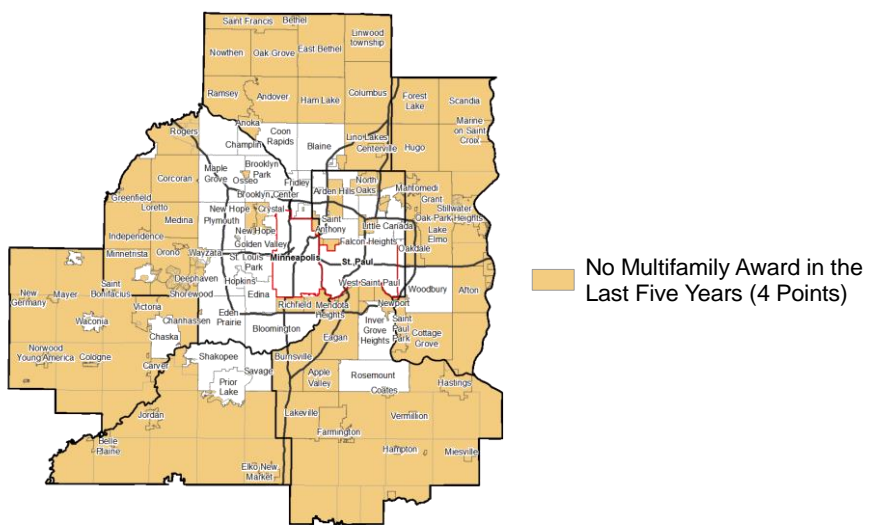


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Multifamily Award History

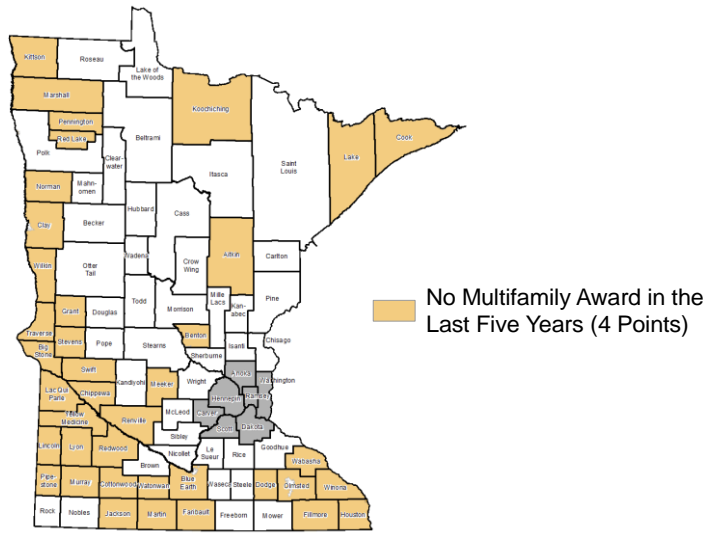


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Multifamily Award History

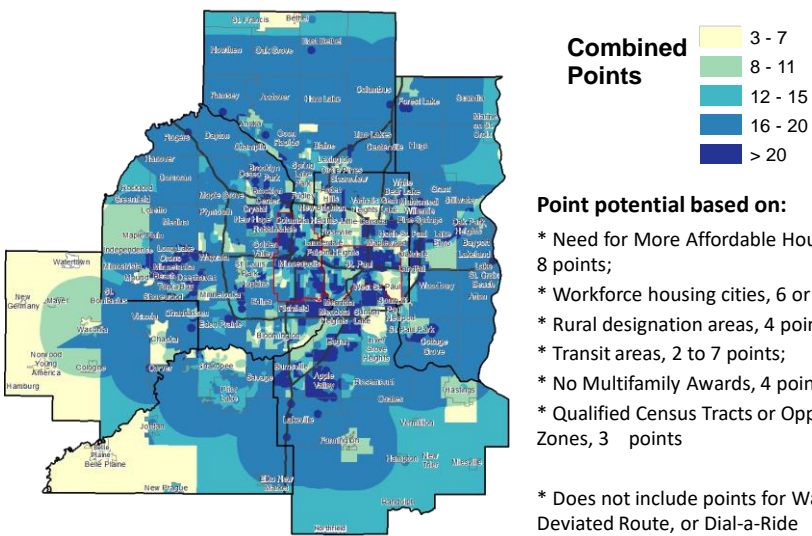


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Composite



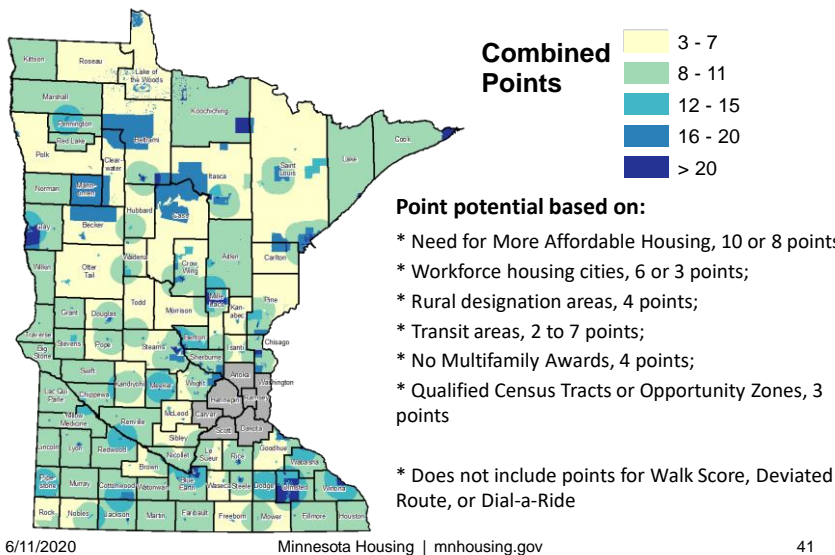
- Point potential based on:**
- * Need for More Affordable Housing, 10 or 8 points;
 - * Workforce housing cities, 6 or 3 points;
 - * Rural designation areas, 4 points;
 - * Transit areas, 2 to 7 points;
 - * No Multifamily Awards, 4 points;
 - * Qualified Census Tracts or Opportunity Zones, 3 points
- * Does not include points for Walk Score, Deviated Route, or Dial-a-Ride

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Composite



Proposed Changes Preservation

- Recalibrate scoring to ensure overall competitiveness with new construction projects.
- Eliminate the requirement that Tier 2 and Critical Affordable Units must also claim and be eligible for Serves Lowest Income Tenants/Rent Reduction criteria. Change scoring to require these projects to agree to restrict at least 50% of the units to rents and incomes at or below 50% MTSP.

Proposed Changes Efficient Use of Scarce Resources and Leverage

- **Recalibrate the Financial Readiness to Proceed/Leveraged Funds calculation** to better compare funding leverage from outside entities to the total development cost (TDC) of the project, excluding first mortgage financing and syndication proceeds.
- **Cost reasonableness will be evaluated through the Predictive Cost Model.** Eliminate cost containment points.

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Proposed Changes Building Characteristics

- Two pointing tiers for Optional Green Communities points.
- Additional points for **projects that follow an alternative building performance pathway**:
 - SB 2030; or
 - Enterprise Green Communities Plus Standards (new construction only); or
 - Performance HERS Index Pathway (rehabilitation only)

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Proposed Changes Preferences

- Innovative Construction Techniques
- Eventual Tenant Ownership

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Proposed Changes Qualified Allocation Plan

- Two-year QAP
- Increases to the per development limit and RD set-aside
- Implement the average income test policy
- QAP effective date

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Public Comments Requested

- Public comments requested through July 22 at 5 p.m. CDT:
 - Proposed changes to the SSW and QAP
 - Tenant Selection Plan Guidance
 - Suggestions to better serve people who make the least and who are disproportionately people of color and indigenous communities
- Virtual dialogue with the Minneapolis Consortium of Community Developers and the Minnesota Housing Partnership on June 22: 12 – 1:30 p.m. CDT
- Public hearing: July 14: 10 – 11 a.m. CDT (via telephone)

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Public Comments Requested

- Written Comments
 - Email HTC.MHFA@state.mn.us
 - Mail to Minnesota Housing, attn: Tamara Wilson, Minnesota Housing, 400 Wabasha Street North, Suite 400, St. Paul, MN, 55102
- Comment by Phone
 - Call Nicola Viana at 651.296.8277
- Anticipated final recommended QAP: November 2020

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Questions and Answers

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Contact Information

Basic HTC Questions:

Nicola Viana at nicola.viana@state.mn.us or 651.296.8277

QAP Questions:

Summer Jefferson at summer.jefferson@state.mn.us or 651.296.9790

Devon Pohlman at devon.pohlman@state.mn.us or 651.296.8255

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