

2011 Housing Tax Credit Program, QAP and Procedural Manual Proposed Revisions

Statutory

No statutory changes are proposed.

Qualified Allocation Plan and/or Procedural Manual

The following items are proposed changes:

1. Revise Local/Philanthropic Contributions selection criteria

Points are awarded for projects that are receiving contributions from a local unit of government; an area employer; and/or a private philanthropic, religious or charitable organization. Modify the criteria to:

- Exclude loans as a contribution. Loans are already taken into account in the Leverage and Readiness to Proceed categories of the self-scoring worksheet.
- Add language that clarifies that “no contributions from any part of the ownership entity will be considered a contribution except for grants from local units of governments or charitable organizations awarded pursuant to a funding competition.” This will allow for distinction between general partner cash to the project and true contributions from local and/or philanthropic organizations.

2. Revise ‘Readiness to Proceed’ selection criteria

Points are awarded to projects that have secured funding commitments at the time of application. Tax credit syndication proceeds from projects that have received an award of tax credits from a previous round have been included in the Readiness to Proceed calculation in the past. In acknowledgement that projects may have tax credits but may not have a syndicator/investor, verification of syndication proceeds will be required to be included in the calculation. Acceptable verification will include;

- An executed syndicator agreement or an executed Letter of Intent from the syndicator which is acceptable to Minnesota Housing.
- The executed Letter of Intent must:
 - Be current within 15 days of submission of the application
 - Contain a projected closing date for the development
 - Contain a projected equity price for the purchase of the credit
 - Contain a detailed explanation of the assumptions being used by the syndicator to arrive at the projected equity price

Add points for non-financial Readiness to Proceed components in the ‘Readiness to Proceed’ scoring criteria. The Readiness to Proceed category has been a measure of readiness by assessment of funding commitments without regard to non-financial components. Increasingly, investors and syndicators are placing a strong emphasis on Readiness to Proceed. Points will be awarded to projects that have provided verification of the following at the time of application:

- Land use and zoning approvals
- Title work and survey
- Verification that all infrastructure for the project is complete

- Draft building permits
- Executed firm commitment letters from the providers of all other funding sources

3. **Revise Preservation of Federally Assisted Units scoring criteria**

Points are awarded to a project that preserves federally assisted low income housing which, due to the ability to opt out of the programs, physical deterioration or deterioration of capacity of current ownership/management entity would lose its federal subsidies. With the current economic conditions, it is even more critical to support the preservation of federally subsidized housing. Much of the federally assisted inventory is 30 – 40 years old and in need of significant capital improvements to ensure viability for the long term. Capital resources are limited and at least in the short run; preservation is a cost effective measure that produces rapid results. Additionally, the federal dollars being leveraged enable the developments to serve a very low income population yet maintain operations with rents comparable to market.

4. **Add scoring criteria for projects that have No-Smoking Policies**

In support of the Agency’s mission to enhance quality of life and to support sustainable, healthy housing, points will be awarded to projects that adopt a No-Smoking policy within the project building(s). No-Smoking policies in multifamily housing have been found to reduce costs associated with rehabbing apartments, management operations and reducing the risk of fire damage or death in properties.

5. **Add scoring criteria for transit-oriented developments.**

Consistent with a long-standing funding priority in other programs for projects that are near transportation, points will be awarded to transit-oriented developments. Increasing location efficiency can lead to more walking, biking, and use of transit thereby boosting transit ridership and reducing traffic congestion. Proximity to transit is an element of the Green Communities Criteria adopted by the Agency. Lack of transportation is a major barrier to employment for low-income households; connecting affordable housing to transportation systems can help reduce costs for low-income households and supports the attachment to the workforce.

The proposed revision would add points for developments located within walking distances to public transit stations and stops.

To receive the points, a development in the 7 County Metro Area must be:

- Located within ½ mile radius from a [Red Line station identified in the Metropolitan Council maps](#); or
- Located within ¼ mile radius from a [Blue Line public transit fixed route stop identified in the Metropolitan Council maps](#); or
- Located within ½ mile radius of an [Express Bus station/park and ride identified in the Metropolitan Council maps](#).

To receive the points, a development in Greater Minnesota must be located within ½ mile radius from a public transit fixed route stop or station.

At the time of application, applicant must submit a map identifying the location of the project with exact distances to the eligible public transit station/stop and include a copy of the route, span and frequency of service.

6. Establish a temporary priority for foreclosure recovery efforts.

A temporary priority will be established for developments that restore foreclosed properties to the affordable housing stock and for developments that are located in high impact foreclosure areas. The temporary priority aligns the QAP with the Agency's strategic priority of addressing foreclosures. Investment in the housing stock in distressed neighborhoods will contribute to neighborhood revitalization.

Up to a maximum of Three (3) points will be awarded to projects proposing to acquire and rehabilitate a Foreclosed Property (Foreclosed Property means the project's real estate and improvements acquired by applicant by way of a deed-in-lieu of foreclosure, sheriff's certificate or court order through a foreclosure proceeding) or are located in a zip code identified by Minnesota Housing that has been highly impacted by the foreclosure crisis (see the [HTC QAP High-Impact Zip Codes description](#)). In cases where the project involves a Foreclosed Property, the proposed project cannot be a conversion in nature.

The project must consist of a minimum of 12 units and all units must be located on one parcel and, in the case of multiple buildings, no building may contain less than 6 units.

For applications proposing to acquire and rehabilitate a project which has been foreclosed, applicant must provide at the time of application:

- Evidence of applicant's ownership rights to the property
- Narrative which clearly identifies (1) the number of tenant leases which are valid and in force and (2) the terms and conditions of those leases which would have a direct impact on Minnesota Housing's analysis and underwriting of the project proposed in the application.

Failure to acquire good title to the property will result in the reevaluation and adjustment of the tax credits or RFP award, up to and including the total recapture of tax credits or RFP funds.

Scoring Criteria Impact:

1. Readiness to Proceed (NEW CRITERIA):

The proposed revision would add one point for each non-financial readiness to proceed item listed above up to a maximum of 5 points.

2. Preservation of Federally Assisted Units:

The proposed revision would increase point value from 10 points to 20 points.

3. No-Smoking policies (NEW CRITERIA):

The proposed revision would add one point for projects that adopt a No-Smoking policy within all project buildings.

4. Transit –Oriented Development (NEW CRITERIA):

The proposed revision would add 3 points for projects located within walking distances to public transit stations and stops.

5. Temporary Priority for Foreclosure Recovery (NEW CRITERIA):

The proposed revision would add up to a maximum of 3 points as follows:

- For applications proposing to acquire and rehabilitate a Foreclosed Property which is located in one of the designated high-impact foreclosure zip codes. – 3 points
- For applications proposing to acquire and rehabilitate a Foreclosed Property which is not located in one of the designated high-impact foreclosure zip codes. – 2 points
- For applications proposing projects to acquire and rehabilitate a property that is located in one of the designated high-impact foreclosure zip codes. – 1 point

General Administrative and Clarifications:

Perform various administrative checks, for spelling, formatting, text and instruction corrections and clarifications within QAP, Manual, Self-Scoring Worksheet, and other 2011 tax credit program related documents.