



## Request for City Council Committee Action from the Department of

**Date:** May 19, 2015

**To:** Council Member Lisa Goodman, Community Development Committee

**Subject:** Year 2016 Low Income Tax Credit (LIHTC) Procedural Manual and Qualified Allocation Plan (QAP)

**Recommendation:** The City Council Approve the Low Income Housing Tax Credit (LIHTC) Procedural Manual and Qualified Allocation Plan as Detailed in this Report and Authorize Staff to Proceed With a Request for Proposals

**Previous Directives:** In May 2014 the City Council Approved the Qualified Allocation Plan and Procedural Manual

### Department Information

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Approved by: Andrea Brennan, Director, Housing Policy Development \_\_\_\_\_

Charles T. Lutz, CPED Deputy Director \_\_\_\_\_

D. Craig Taylor, CPED Executive Director \_\_\_\_\_

Presenter(s) in Committee: Dollie Crowther, Principal Project Coordinator

### Financial Impact

- Fees will be generated from tax credit approved projects.

### Community Impact

- Neighborhood Notification: City wide. Public hearing with the Minneapolis/St. Paul Housing Finance board. All changes to the QAP have been reviewed by the official neighborhood organizations.
- City Goals: In five years all Minneapolis residents will have a better quality of life and access to housing and services.
- Comprehensive Plan: 4.9.1 Minneapolis will grow by increasing its supply of housing. 4.15 Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demand.
- Zoning Code: projects will comply.
- Other: NA

### Supporting Information

The Omnibus Budget Reconciliation Act of 1993 authorized the permanent extension of the Low Income Housing Tax Credit Program (LIHTC). The LIHTC offers a reduction in tax liability to owners and investors of eligible low income new construction, rehabilitation, or existing rental housing.

CPED, on behalf of the Minneapolis/St. Paul Joint Housing Finance Board, acts as the designated LIHTC suballocator for Minneapolis and is expected to receive \$1,427,361 of Year 2016 LIHTC's.

Federal law requires suballocators to adopt a Qualified Allocation Plan and Procedural Manual which sets forth selection criteria for the allocation of tax credits to qualified rental housing developments. Program changes in State and Federal law are made from time to time and need to be incorporated into the Qualified Allocation Plan (QAP) and Procedural Manual.

Staff is recommending several changes to the Qualified Allocation Plan for year 2016. The Minneapolis Consortium of Community Developers (MCCD) was contacted by staff for their suggested changes to the QAP for Year 2016. They had several changes which staff took into consideration. Many of these changes were considered and approved by staff and sent out on March 19, 2015 for 45 day neighborhood review, with comments to be returned no later than May 4, 2015. Staff received no comments to these changes. The recommended changes to the QAP are noted in red on the attached Self Scoring Worksheet for Selection Points.

Staff is anticipating proceeding with the Request for Proposals (RFP) in late May with an application deadline in early July 2015. This timeline is the same as the St. Paul Community Planning and Economic Development RFP round. The Minneapolis/St. Paul Joint Housing Finance Board is scheduled to meet the end of May to finalize and approve the QAP for Minneapolis and St. Paul. The Minneapolis City Council action allocating the 2016 tax credit selections is anticipated in September/October 2015.

THE MINNEAPOLIS/SAINT PAUL HOUSING FINANCE BOARD  
LOW INCOME HOUSING TAX CREDIT PROGRAM  
**Minneapolis' Self Scoring Worksheet for Selection Points**

PROJECT NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_ CITY: \_\_\_\_\_

*Please indicate below the Threshold criteria under which your project qualifies, and the selection and/or preference priority points for which you expect your project to qualify. The Authority will determine actual Threshold and Selection points which are to be awarded, based on the application and the documentation submitted. **Do not claim points if you cannot provide documentation.***

*Please Note: Restrictive covenants covering the rent restrictions and occupancy requirements presented at selection will be placed on the buildings) at the time of allocation.*

**THRESHOLD CRITERIA:**

1. New construction or substantial rehabilitation in which, for the term of the extended use period, at least 75% of the total tax credit units are single-room occupancy units which are affordable by households whose income does not exceed 30 percent of the median area income;
2. New construction or substantial rehabilitation family housing projects that are not restricted to persons who are 55 years of age or older and in which, for the term of the extended use period, at least 75% of the total tax credit units contain two or more bedrooms and at least one-third of the 75% must contain three or more bedrooms;
3. Substantial rehabilitation projects in neighborhoods targeted by the City of Minneapolis or the City of Saint Paul for revitalization;
4. Projects in which at least 50% a percentage of the units are for mentally ill, mentally drug dependent, developmentally disabled, brain injured persons or physically handicapped persons, all as further described in Minnesota Statutes, Section 462A.222, Subdivision 3(c)(l)(3);
5. Projects which preserve existing subsidized housing which is subject to prepayment if the use of tax credits is necessary to prevent conversion to market rate use.

**A. MINNEAPOLIS' SELECTION PRIORITIES**

Selection Criteria	Maximum Points
<p>1. Meets the goals of the Heading Home Hennepin Plan and received support in writing from the <b>Minneapolis/Hennepin County Office to End Homelessness - Heading Home Hennepin</b> <del>city recognized citizen participation community planning council or a neighborhood-based planning organization which represents the geographic location of the project.</del> <b>Developer should identify a core set of actions with the greatest potential for progress towards homeless objectives. (Refer to Heading Home Hennepin Two Year Action Plan).</b> (Support must be evidenced in writing.) (10 points)</p>	10
<p>2. A tax exempt 501(c)(3) or 501(c)(4) non-profit organization, whose primary service area is the cities of Minneapolis and/or Saint Paul, is a material participant of the project. (i.e. project sponsor and participation as a general partner.) (5 points)</p> <p>Must have IRS 501(c)(3), or (4) approval from the IRS at the time of application, and meet requirements of Internal Revenue Code (IRC) (42(h)(5)(c)). (5 points)</p>	5
<p>3. The project provides suitable housing combined with supportive services for occupancy by homeless households. Homeless households shall be defined as a person or persons living in a shelter, on the streets, or doubled-up in housing not their own. The developer must provide satisfactory evidence in writing of a commitment from an appropriate social service agency to provide support services. (15 points)</p> <p>20% or more of the total units are homeless units (15 points)</p> <p>10% to 19.99% of the total units are homeless units (10 points)</p> <p>5% to 9.99% of the total units are homeless units (5 points)</p>	5-15
<p>4. Projects that are not restricted to a particular age group in which, for the term of the Extended Use Period, <b>at least 10% and up to 25%</b> <del>50%</del> of the units are set aside and rented to persons: (5 points)</p> <p>(i) with a serious and persistent mental illness as defined in MN Statute Section 245.462, subdivision 20 paragraph (c);</p> <p>(ii) with a developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended ;</p> <p>(iii) who have been assessed as drug dependent persons as defined in MN Statute Section 254A.02, Subdivision 5, and are receiving or will</p>	5

receive care and treatment services provided by an approved treatment program as defined in MN Statute Section 254A.092, Subdivision 2;

(iv) with a brain injury as defined in MN Statute Section 256B.093, Subdivision 4, paragraph (a); or

(v) with permanent physical disabilities that limit major life activities, if at least 50 percent of the units are accessible as provided under Minnesota Rules, Chapter 1340.

(vi) with HIV/AIDS or related illness

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|-----|--|-----------|
| 5.  | The project provides resident support services (i.e. information and referral, advocacy, case management, self-reliance training, resident association and community building activities) contingent upon an agreement with an established organization providing such services to residents and financial plans demonstrating feasibility. (5 points) | 5         |
| 6   | The developer has a recommendation of support in writing for the project from a city recognized citizen participation community planning council, or neighborhood-based planning organization which represents the geographic location of the project, (a recommendation of support from the applicant is not eligible for points). (5 points)         | 5         |
| 7.  | <b>The project provides permanent supportive housing for youth and/or parenting youth between the ages of 18-24 experiencing or at risk of homelessness. The developer must secure written confirmation of commitment from an appropriate social service provider.</b>   | <b>15</b> |
| 8.  | The project is located in a "non-impacted area" (as defined by HUD) of the City of Minneapolis, or outside a Qualified Census Tract. (See Exhibit C) (15 points)   | 15        |
| 9.  | Rehabilitation or stabilization of existing housing stock in impacted areas (5 points)   | 5         |
|     | The project is located in an "impacted" area (as defined by HUD) of the City of Minneapolis, or inside a Qualified Census Tract and either:  |           |
|     | i. The project preserves below market rate subsidized low income housing which due to mortgage prepayments or foreclosure would be converted to market rate use.   |           |
|     | <b><u>OR</u></b>   |           |
|     | ii. Substantially rehabilitates existing housing.  |           |
| 10. | Projects incorporating green/sustainable elements consistent with the  | 5         |

“Minnesota Overlay to the Green Communities Criteria” and/or National Green Communities Criteria. (New construction projects must comply with Green Communities Criteria) (5 points)

10. ~~The project constitutes the rehabilitation of an existing building for housing as follows:~~ 15

~~(a) Rehabilitation per unit of \$25,000 or more. (15 points)~~

~~(b) Rehabilitation per unit of \$5,000 – \$25,000. (10 points)~~

~~(c) The project will receive historic tax credits. (5 points)~~

11. The project has secured funding commitments from more than one funding source other than the City of Minneapolis sources at the time of application and are documented with the amount, terms and conditions in writing from the designated contributor. Words synonymous with “consider” or “may” award are not valid or acceptable. (40 15 points) 3-15

(a) ~~60% or more~~ 15.1% or more of funding committed. (15 points)

(b) ~~30% to 59.9%~~ 10.1-15% of funding committed. (7 points)

(c) ~~40% to 29.9%~~ 5% -10% of funding committed. (3 points)

12. The project has a policy prohibiting smoking in all apartment units and all common areas of the project. The project applicant must develop and maintain a written occupancy policy that prohibits smoking in all apartment units and in all project common areas. The project must include a non-smoking clause in the lease for every household. (1 point) 1

13. Intermediary Costs (soft costs). Points will be given to projects on a sliding scale of intermediary costs based on the percentage of total project costs. For selected projects, this percentage will be enforced at issuance of the IRS Form 8609. 3-15

(0 – 15 points)

% of Total Project Cost	Points
0 - 15%	15
15.1 - <del>24%</del> 20%	5
20.1 - 24%	3

14. Promotes economic housing integration. Points will be awarded for the election of the following percentage of low-income units to the total units in 1-10

the project. Total units in the project may include adjacent homeownership project components or related phase. (1- 10 points)

% of Tax Credit Units/Total Units	Impacted Area	Non-impacted
90%	1	10
80 - 89.9%	2	8
70 - 79.9%	3	6
60 - 69.9%	4	4
50 - 59.9%	6	3
40 - 49.9%	8	2
20 - 39.9%	10	1

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|---|---------------|
| <p>15. The project is located in a node or corridor well-served by transit where multi-family housing development is encouraged:</p> <p>The project is located within .50 miles of high service local fixed route transit or within .50 miles of park and rides and transit stops served by express routes. (10 points):</p> <p>The project is located within .25 miles of any other transit stop.<br/>(5 Points)</p> | <p>5 – 10</p> |
| <p>16. The project has a high density of units. Points will be given to those projects that have an overall density equal to or greater than 30 units per acre.</p>   | <p>5</p>      |

MAXIMUM SELECTION PRIORITIES POINTS WHICH CAN BE AWARDED: Minneapolis: 141

B. Minneapolis' Preference Priorities

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|---|--------------|
| <p>1. (For Minneapolis projects) points will be awarded to projects that extend the duration of the low-income use for the longest period. Projects receive 1 point for every five years over 20 years, to a maximum of 5 points, that the project is to remain as qualified low income housing, as provided in the proposed Declaration and financial plans demonstrating financial feasibility and viability to the satisfaction of CPED. In order to qualify for points under this criteria, the developer must include the term of low income use in the Declaration and waive the option to terminate the Declaration after 15 years</p> | <p>0 – 5</p> |
|---|--------------|

2. Points will be awarded to Projects that serve the lowest income tenants. The following number of points will be awarded if, as verified by gross rent levels **paid by the tenant**, (i) the average household income of tenants of the project in qualifying units is equal to the corresponding percentage of the Minneapolis/Saint Paul MSA median income adjusted for family size, shown below, (ii) the applicable fraction is at least the corresponding fraction shown below, and (iii) the **rents paid by the tenant** for such units are not greater than 30% of the applicable income limit:

Percentage of Median Income	Applicable Fraction of Low Income Units		
	10% of all units	15% of all units	20% of all units
Serves 30.1 – 50% of median income	1 POINT	2 POINTS	4 POINTS
Serves less than 30% of median income	2 POINTS	4 POINTS	8 POINTS

**MAXIMUM PREFERENCE PRIORITY POINTS THAT CAN BE AWARDED: 17**