



Minneapolis
City of Lakes

**Community Planning &
Economic Development**

105 5th Avenue South – Suite 200
Minneapolis MN 55401-2534

Office 612-673-5095
Fax 612-673-5100
TTY 612-673-5154

March 21, 2011

**SUBJECT: PROPOSED CHANGES TO THE AFFORDABLE
HOUSING TRUST FUND (AHTF) TO BE
IMPLEMENTED WITH 2011 AHTF FUNDING ROUND**

Dear Interested Party:

The City of Minneapolis is proposing to make some changes to the Affordable Housing Trust Fund (AHTF), a City program to help finance the development and stabilization of affordable rental housing. The program is administered by CPED Multi-Family Housing and has been in existence since 2003.

Enclosed you'll find information about the proposed changes. If you have any questions, send them by e-mail message to Donna.Wiemann@ci.minneapolis.mn.us and a response will be provided.

The City Council's Community Development Committee will consider the proposed changes and the public comments received on Tuesday, May 17, 2011 at 1:30 pm in the City Council Chambers at City Hall. Provide written comments about the proposed changes to Donna Wiemann either sent to the address below or sent to the e-mail address given above no later than 4:00 pm on Wednesday, May 4, 2011.

Donna Wiemann
CPED Multi-Family Housing
Room 200, Crown Roller Mill
105 Fifth Avenue South
Minneapolis, MN 55401

Thank you.

**PROPOSED CHANGES TO THE
AFFORDABLE HOUSING TRUST FUND (AHTF)
TO BE IMPLEMENTED WITH THE 2011 AHTF FUNDING ROUND**

1. A \$1,000 non-refundable application fee will be collected when the application is submitted. Previously, an application fee was not collected.
2. An origination fee of 1% of the amount of the AHTF award will be collected at closing. Previously, an origination fee was not collected.
3. Evidence of site control remains a condition of submitting an application. Exceptions may be allowed, however, for those projects which have been awarded NSP funds but don't have site control for all of the properties which are part of the NSP project. In these cases, it is required that all of the properties in the project are identified when the AHTF application is submitted. CPED management will determine whether an exception to the site control requirement may be extended to a NSP-funded project.
4. The maximum amount of AHTF is the lower of \$25,000 per affordable unit (at or below 50% of MMI) or 15% of the Total Development Cost, not including operating reserves, support service reserves, and non housing costs. Previously, the maximum amount of the AHTF was the lower of \$35,000 per affordable unit or 15% of the Total Development Cost.
5. Inclusion of a more specific description of how points are assigned to the "Proximity to Transit" portion of "Proximity to Transit, Jobs: Density".
6. The deletion of "Incorporates MHOP Units" as a selection criterion.

**PROPOSED CHANGES TO THE SELECTION CRITERIA POINTS
FOR PROJECTS LOCATED IN IMPACTED AREAS**

1. Economic Integration – In 2010 100% affordable projects received 5 points. In 2011 it is proposed that 100% affordable projects receive no points.
2. Ratio of Soft Costs to Total Project Costs – In 2010 the number of points ranged from 2 to 8 points. In 2011 it is proposed that the number of points range from zero to 15 points.
3. Family Housing – In 2010 projects with at least 25% of units 3+ bedrooms received 10 points, projects with at least 50% of units 3+ bedrooms received 15 points, and projects with at least 75% of units 3+ bedrooms received 20 points. In 2011 it is proposed that the points be changed to 5,10, and 15 respectively.
4. Provision of Resident Support Services – In 2010 10 points were awarded if support services were provided and 5 points were awarded if a support services referral system was in place. In 2011 it is proposed that the points range from 1 to 10 points depending upon the percentage of tenants provided support services or referred to support services.

5. Proximity to Transit and Jobs: Density - Propose to increase the maximum number of points for the transit component of this criterion from 5 points in 2010 to 10 points in 2011.
6. Preservation, Rehabilitation, Stabilization - Propose to increase the number of points from 5 points in 2010 to 10 points in 2011.
7. Senior Housing – Propose to increase number of points from 10 points in 2010 to 15 points in 2011.
8. Location along Commercial or Community Corridor – Propose to increase number of points from 10 points in 2010 to 15 points in 2011.

PROPOSED CHANGES TO THE SELECTION CRITERIA POINTS FOR PROJECTS LOCATED IN NON IMPACTED AREAS

1. Economic Integration – In 2010 100% affordable projects received 10 points. In 2011 it is proposed that 100% affordable projects receive 5 points.
2. Ratio of Soft Costs to Total Project Costs – In 2010 the number of points ranged from 2 to 8 points. In 2011 it is proposed that the number of points range from no points to 15 points.
3. Family Housing – In 2010 projects with at least 25% of units 3+ bedrooms received 10 points, projects with at least 50% of units 3+ bedrooms received 15 points, and projects with at least 75% of units 3+ bedrooms received 20 points. In 2011 it is proposed that the points be changed to 5, 10 and 15 respectively.
4. Provision of Resident Support Services – In 2010 10 points were awarded if support services were provided and 5 points were awarded if a support services referral system was in place. In 2011 it is proposed that the points range from 1 to 10 points depending upon the percentage of tenants provided support services or referred to support services.
5. Proximity to Transit and Jobs: Density – Propose to increase the maximum number of points for the transit portion of this criterion from 5 points in 2010 to 10 points in 2011.
6. New Construction and Positive Conversion - Propose to increase number of points from 5 points in 2010 to 10 points in 2011.
7. Senior Housing – Propose to increase number of points from 10 points in 2010 to 15 points in 2011.
8. Location along Commercial or Community Corridor – Propose to increase the number of points from 10 points in 2010 to 15 points in 2011.

PROPOSED CLARIFICATION TO THE AHTF

1. To obtain the points for the “Senior Housing” selection criterion, the project must be 100% for seniors 55 years and older.

**PROPOSED CHANGES TO SELECTION CRITERIA
FOR PROJECTS LOCATED IN IMPACTED AREAS**

If the proposed changes to the AHTF are approved, the total number of points a project located in impacted areas would be awarded is 215 points. A proposal needs at least 20 points total in two selection criteria – “Financial Soundness and Management” and “Economic Integration” – to meet the minimum point threshold and 86 points in all categories to meet the total point threshold. A proposed project must meet both the minimum and total point thresholds to be considered to funding.

1. Financial Soundness & Management – Maximum number of points – 25. No changes proposed.

A project can receive up to 10 points for being underwritten according to CPED’s underwriting standards; up to 5 points for the percentage amount of other funding sources committed for which a commitment has been obtained in writing; up to 5 points for the quality of the written management plan for the proposed project; and up to 5 points for the developer’s experience in developing, owning, and operating projects of this type. At a minimum, projects are to be underwritten with a 1.5% spread between annual operating cost increases and annual income increases.

2. Economic Integration – Maximum number of points - 20

Project meets the mixed-income goals on the basis of a percentage of low-income units (affordable to households at 50% of MMI) to the total number of units.

Proposed change:

% of Low-Income Units	2010 Points	2011 Points
20%	15	15
40%	20	20
60%	10	10
80%	5	5
100%	5	0

3. Ratio of Soft Costs to Total Project Costs – Maximum number of points – 15. Points given to projects on a sliding scale of intermediary costs based on the percentage of total project costs. For this selection criterion, “costs of intermediaries” shall be consistent with Minnesota Housing Finance Agency.

Proposed changes:

% of Total Project Costs	2010 Points	2011 Points
30.1% to 35%	2	0
24.1% to 30%	4	0
15.1% to 24%	6	5
0% to 15%	8	15

4. Family Housing – Maximum number of points - 15

The project provides family housing whereby 25% or more of the rental units in the project have three or more bedrooms. Proposed changes:

% of Units 3+ Bedrooms	2010 Points	2011 Points
At least 25%	10	5
At least 50%	15	10
At least 75%	20	15

5. Design Quality and Compatibility – Maximum number of points – 5. No changes proposed. Projects are evaluated to insure quality construction and aesthetically pleasing design which is compatible with the neighborhood. CPED Planning provides the score for this criterion.

6. Provision of Resident Support Services – Maximum number of points – 10. Preference given to projects that provide resident support services or establish a strong, integrated referral system. Examples of support services include information and referral, advocacy, case management, self-reliance training, formation/existence of a resident association, and community building activities.

Proposed changes:

<i>Support Services Provided</i>	2010	2011
	10	
Provide to 50% or higher		10
Provide to 25% or higher		8
Provide to 10% or higher		6
<i>Support Services Referral</i>	5	
Provide to 50% or higher		5
Provide to 25% or higher		3
Provide to 10% or higher		1

7. Plan Conformance - Maximum number of points is 10. No changes proposed. Preference to projects which conform to the City of Minneapolis Consolidated

Plan, Comprehensive Plan and/or to a city-adopted neighborhood plan document. CPED Planning provides the score for this criterion.

8. Proximity to Transit and Jobs: Density - Maximum number of points in 2010 was 15 and maximum number proposed in 2011 is 20. CPED Planning provides the score for this criterion. Proposed changes:
 - a) Transit-Oriented Development – The project is located within .25 miles of high service local fixed route transit or within .50 miles of park and rides and transit stops served by express route. 10 points.

The project is located within .25 miles of any other transit stop, 5 points.
 - b) Proximity to Jobs – Maximum number of points is 5. No changes proposed.
 - c) Density: Higher density development – Maximum number of points is 5. No changes proposed.
9. Project-Based Section 8 Program Assistance - Maximum number of points is 10. No changes proposed. Project owner agrees to apply for a) Project-based Section 8 units and obtains a letter of support from Minneapolis Public Housing Authority, or 2) other ongoing project assistance such as the HUD Supportive Housing Program.
10. Housing for Homeless (at 30% or less of MMI) – Maximum number of points is 10. No changes proposed. Project provides housing units for households are experiencing homelessness. Household income must be 30% or less of MMI.
 - 40% of total units at or below 30% of MMI - 10 points
 - 20% of total units at or below 30% of MMI - 5 points
11. Long Term Affordability – Maximum number of points is 10 points. No changes proposed. Preference given to those projects that demonstrate the ability to serve tenants for the longest period of time. The project must either cash flow for the period of the proposed affordability or an operating deficit fund must be established at the beginning of the project.
 - 30 or more years – 10 points
 - 25 or more years – 8 points
 - 20 or more years – 5 points
 - 15 or more years – 3 points

12. Preservation, Rehabilitation, Stabilization - Number of points in 2010 was 5; number of points proposed in 2011 is 10. Project provides preservation, rehabilitation and stabilization in impacted areas. Proposed change:

2010	2011
5	10

13. Senior Housing – Number of points in 2010 was 10; number of points proposed in 2011 is 15. Points given to a project which is 100% senior (55 years or older) independent rental congregate and/or assisted living meeting the developer goals and objectives to the Minneapolis Senior Housing Policy. Proposed change:

2010	2011
10	15

14. Neighborhood Support –Number of points is 5. No changes proposed. Proposed project is supported by the recognized neighborhood organization based on review of design and land use issues.

15. Expiring Low Income Housing Tax Credits – Number of points is 5 points. No changes proposed. Proposed project results in preserving long-term affordability of expiring tax credit units.

16. Leverage – Maximum number of points in is 10. The project must leverage additional resources.

Current Scoring:

Leverage Ratio	Points
5 private \$ for every 1 AHTF \$	10
5 private & public \$ for every 1 AHTF \$	8
3 private \$ for every 1 AHTF \$	6
3 private & public \$ for every 1 AHTF \$	4
3 other public \$ for every 1 AHTF \$	2

Proposed scoring:

Total AHTF amount awarded and current AHTF request divided by Total Development Cost equals leverage ratio percentage. At the time of application, written documentation from the other funds justifying the amount and the terms of the contribution must be provided. The documentation must state the amount, terms and conditions and be executed or approved. Documentation containing words

synonymous with “consider” or “may” (as in “may award”) regarding the commitment will not be considered acceptable.

Leverage Ratio	Points
0 – 5%	10
5.1 – 10%	5

17. Community Housing Development Organization – Number of points is 5. No changes proposed. Project is owned, developed, or sponsored by a Community Housing Development Corporation (CHDO) as defined by HUD.

18. Location along Commercial or Community Corridor – Number of points in 2010 is 10; number of points in 2011 is 15. Preference to projects located on a Commercial Corridor or Community Corridor. The list of Commercial Corridors and the list of Community Corridors are found on Pages 1-27 and 1-28 (Table 1a and Table 1b) of the Land Use Chapter of the Minneapolis Plan. http://www.ci.minneapolis.mn.us/cped/comp_plan_updated_draft_plan.asp

Proposed change:

2010	2011
10	15

PROPOSED CHANGES TO 2011 AHTF SELECTION CRITERIA FOR PROJECTS LOCATED IN NON-IMPACTED AREAS

If the proposed changes to the 2011 AHTF are approved, the total number of points a project could be awarded is 215 points. A proposal needs at least 20 points total in two selection criteria – “Financial Soundness and Management” and “Economic Integration” – to meet the minimum point threshold and 86 points in all categories to meet the total point threshold. A proposed project must meet both the minimum and total point thresholds to be considered to funding.

1. Financial Soundness & Management - Maximum number of points is 25. No changes proposed.

A project can receive up to 10 points for being underwritten according to CPED’s underwriting standards; up to 5 points for the percentage amount of other funding sources for which a commitment has been obtained in writing; up to 5 points for the quality of the written management plan for the proposed project;

and up to 5 points for the developer's experience in developing, owning, and operating projects of this type. At a minimum, projects are to be underwritten with a 1.5% spread between annual operating cost increases and annual income increases.

2. Economic Integration – Maximum number of points is 20. Project meets the mixed-income goals on the basis of a percentage of low-income units (affordable to households at 50% of MMI) to the total number of units.

Proposed changes:

% of Low Income Units	2010	2011
20% of total units	10	10
40% of total units	15	15
60% of total units	20	20
80% of total units	10	10
100% of total units	10	5

3. Ratio of Soft Costs to Total Project Costs - Maximum number of points in 2010 was 8; maximum number of points proposed in 2011 is 15. Points given to projects on a sliding scale of intermediary costs based on the percentage of total project costs. For this selection criterion, "costs of intermediaries" shall be consistent with Minnesota Housing Finance Agency. Proposed changes:

% of Total Dev Costs	2010 Points	2011 Points
30.1% to 35%	2	0
24.1% to 30%	4	0
15.1% to 24%	6	5
0 to 15%	8	15

4. Family Housing - Maximum number of points in 2010 was 20; maximum number of points proposed in 2011 is 15. The project provides family housing whereby 25% or more of the rental units in the project have three or more bedrooms.

Proposed changes:

% of Units 3+ Bedrooms	2010 Points	2011 Points
At least 25%	10	5
At least 50%	15	10
At least 75%	20	15

5. Design Quality and Compatibility - Maximum number of points is 5 points. No changes proposed. Projects are evaluated to insure quality construction and aesthetically pleasing design which is compatible with the neighborhood. CPED Planning provides the score for this criterion.

6. Provision of Resident Support Services – Maximum number of points is 10. Preference given to projects that provide resident support services or establish a strong, integrated referral system. Examples of support services include information and referral, advocacy, case management, self-reliance training, formation/existence of a resident association, and community building activities.

Proposed changes:

<i>Support Services Provision</i>	2010	2011
	10	
Provide to 50% or higher		10
Provide to 25% or higher		8
Provide to 10% or higher		6
<i>Support Services Referral</i>	5	
Provide to 50% or higher		5
Provide to 25% or higher		3
Provide to 10% or higher		1

7. Plan Conformance – Maximum number of points is 10. No changes proposed. Preference to projects which conform to the City of Minneapolis Consolidated Plan, Comprehensive Plan and/or to a city-adopted neighborhood plan document. CPED Planning provides the score for this criterion.

8. Proximity to Jobs and Transit: Density – Maximum number of points in 2010 was 15 and maximum number proposed in 2011 is 20. CPED Planning provides the score for this criterion. Proposed changes:

- d) The project is located within .25 miles of high service local fixed route transit or within .50 miles of park and rides and transit stops served by express route. 10 points.

The project is located within .25 miles of any other transit stop, 5 points.

- a) Proximity to Jobs – Maximum number of points in 2011 is 5.
 b) Density: Higher density development – Maximum number of points in 2011 is 5.

9. Project-Based Section 8 Program Assistance – Maximum number of points is 10. No changes proposed. Project owner agrees to apply for a) Project-based Section 8 units and obtains a letter of support from Minneapolis Public Housing Authority, or 2) other ongoing project assistance such as the HUD Supportive Housing Program.

10. Housing for Homeless (at 30% or less of MMI) – Maximum number of points is 10. No changes proposed. Project provides housing units for households which are experiencing homelessness. Household income must be 30% or less of MMI.

- 40% of total units at or below 30% of MMI - 10 points
- 20% of total units at or below 30% of MMI - 5 points

11. Long-Term Affordability - Maximum number of points is 10. No changes proposed. Preference given to those projects that demonstrate the ability to serve tenants for the longest period of time. The project must either cash flow for the period of the proposed affordability or an operating deficit fund must be established at the beginning of the project.

- 30 or more years – 10 points
- 25 or more years – 8 points
- 20 or more years – 5 points
- 15 or more years – 3 points

12. New Construction or Positive Conversion - Number of points in 2010 was 5; number of points proposed in 2011 is 10. Project provides new construction and positive conversion in non-impacted areas. NOTE: Positive conversion means conversion to any manner of units that do not currently have affordable rents to units with affordable rents or conversion of a non-residential property to affordable rental housing. Proposed change:

2010	2011
5	10

13. Senior Housing - Number of points in 2010 was 10; number of points proposed in 2011 is 15. Points given to a project which is 100% senior (55 years or older) independent rental congregate and/or assisted living meeting the developer goals and objectives to the Minneapolis Senior Housing Policy. Proposed change:

2010	2011
10	15

14. Neighborhood Support - . Number of points is 5. No changes proposed. Proposed project is supported by the recognized neighborhood organization based on review of design and land use issues.
15. Expiring Low Income Housing Tax Credits - Number of points is 5. No changes proposed. Proposed project results in preserving long-term affordability of expiring tax credit units.
16. Leverage - Maximum number of points is 10. The project must leverage additional resources.

Current Scoring:

Leverage Ratio	Points
5 private \$ for every 1 AHTF \$	10
5 private & public \$ for every 1 AHTF \$	8
3 private \$ for every 1 AHTF \$	6
3 private & public \$ for every 1 AHTF \$	4
3 other public \$ for every 1 AHTF \$	2

Proposed scoring:

Total AHTF amount awarded and current AHTF request divided by Total Development Cost equals leverage ratio percentage. At the time of application, written documentation from the other funds justifying the amount and the terms of the contribution must be provided. The documentation must state the amount, terms and conditions and be executed or approved. Documentation containing words synonymous with “consider” or “may” (as in “may award”) regarding the commitment will not be considered acceptable.

Leverage Ratio	Points
0 – 5%	10
5.1 – 10%	5

17. Community Housing Development Organization – Number of points is 5. No changes proposed. Project is owned, developed, or sponsored by a Community Housing Development Corporation (CHDO) as defined by HUD.
18. Location along Commercial or Community Corridor - Number of points in 2010 is 10; number of points proposed in 2011 is 15. Preference to projects located on a Commercial Corridor or Community Corridor. The list of Commercial Corridors and the list of Community Corridors are found on Pages 1-27 and 1-

28 (Table 1a and Table 1b) of the Land Use Chapter of the Minneapolis Plan.
http://www.ci.minneapolis.mn.us/cped/comp_plan_updated_draft_plan.asp

Proposed change:

2010	2011
10	15