

Local Housing Incentives Account Funding Criteria and Selection Process

Section 1: BACKGROUND AND PURPOSE

The Metropolitan Livable Communities Act (MN Statutes Chapter 473.254, Subd. 6) sets forth requirements for the distribution of Local Housing Incentives Account (LHIA) funds to meet cities' negotiated affordable and lifecycle housing goals. To implement the LHIA, the Metropolitan Council partners with the Minnesota Housing Finance Agency, the Family Housing Fund and others—called the Metropolitan Housing Implementation Group (MHIG)—in a collaborative process for distributing funds to assist affordable housing development and preservation. The MHIG employs an overall set of investment guidelines and criteria to which the funding partners may add their own criteria.

Section 2: EMINENT DOMAIN

No applicant for a Metropolitan Council Livable Communities Act (LCA) grant shall be eligible for LCA grant funds from the Metropolitan Council if the project for which an LCA grant is requested requires the exercise of eminent domain authority over private property for purposes of *economic development* as defined by Council policy. The policy is available online at: <http://www.metrocouncil.org/services/livcomm/EminentDomainPolicy.htm>. The policy states that the prohibition regarding the use of eminent domain does not include “acquiring private property to remediate or clean up pollution or contamination that threatens or may threaten public health or safety or the environment, if the Applicant certifies: (i) the property owner is unable or unwilling to pay for appropriate remediation or clean up; (ii) remediation or clean up must occur expeditiously to eliminate or mitigate the threat to public health or safety or the environment; and (iii) no Responsible Party has been identified or is financially capable or carrying out the remediation or clean up.” “[A]cquiring abandoned property or acquiring “blighted” property as that term “blighted” is defined and used in Minnesota Statutes chapter 469 also is an exception to the eminent domain policy.

Section 3: MHIG EVALUATION CRITERIA

Applicants apply for LHIA funds through the Super RFP and Application distributed by the Minnesota Housing Finance Agency. All applications submitted are reviewed and evaluated as to the extent they address the following MHIG Shared Evaluation Criteria:

- Preserving existing affordable housing stock;
- Providing workforce housing choices;
- Increasing homeownership opportunities for underserved populations;
- Exhibiting strong implementation partnerships;
- Identifying significant leveraged resources;
- Demonstrating a high degree of readiness;
- Achieving comprehensive community support;

- Complying with the missions of the funding partners;
- Using land efficiently;
- Displaying efforts to end long-term homelessness; and
- Adhering to green development criteria.*

*The green development criteria that will be applied in the MHIG evaluation process were developed by Minnesota Green Communities, which is a collaboration of the Greater Minnesota Housing Fund, the Family Housing Fund, and Enterprise. The purpose of the criteria is to promote cost-effective energy conservation measures, healthy environments, and efficient land use. The criteria being applied are the Minnesota Overlay to the Green Communities Criteria that were produced collaboratively by the Minnesota Green Communities partners and Minnesota Housing and have been adopted by the Minnesota Housing Board of Commissioners. For the specific criteria and more information, see the following website:

http://www.mnhousing.gov/idc/groups/public/documents/document/mhfa_006584.pdf

Section 4: LOCAL HOUSING INCENTIVES ACCOUNT SPECIFIC CRITERIA

Funds from this account are awarded as grants that must be matched by a dollar-for-dollar expenditure on affordable housing activities by the municipality receiving the funds. LHIA grant funds may be used for costs associated with projects that help municipalities meet their negotiated LCA housing goals, including, but not limited to acquisition, rehabilitation, and construction of permanent affordable and life-cycle housing.

Section 5: THRESHOLD CRITERIA

- To be eligible, a municipality must have: 1) elected to participate in the Livable Communities Act Local Housing Incentives Account program; 2) negotiated housing goals adopted by the Metropolitan Council; and 3) identified to the Council the actions it plans to take to achieve these negotiated housing goals.
- The municipality must be actively pursuing various ways to meet its negotiated affordable and life-cycle housing goals.
- The municipality must match the amount of the LHIA funds to be awarded with a local affordable housing investment or contribution of an equal amount.
- New construction homeownership programs seeking assistance through the LCA LHIA funds must have a significant component of the program serving households with incomes at or below 60 percent of area median income. Other homeownership, rehabilitation, home improvement, and acquisition, demolition and resale programs may serve households at up to 115 percent of area median income in areas of low-valued, blighted and substandard properties where the local government is engaged in a redevelopment and neighborhood improvement effort to which it has committed matching local funding.

The LHIA contribution to fill the affordability or value gap in homebuyer programs will be limited to no more than one-half of the difference between the current affordable ownership amount for households at 60 and 80 percent of area median income.

- Homeownership programs involving affordability gap funding requests must include acknowledgment that resale limitations regarding equity realized by buyers assisted by LHIA

funding will be imposed by the administrators of the ownership program to recover the public investment represented by the LHIA funds.

- Each funding round, priority will be given to using 50 percent of the funds directed to rental proposals for creating/preserving units affordable at 30 percent of area median income.
- Among these priority proposals, further priority will be given to those in which units affordable at 30 percent of area median income are to meet the needs of the chronically homeless.
- Funds not used to assist rental proposals serving households at 30 percent of area median income or lower may be used to assist rental proposals serving households at 50 percent of area median income.

Section 6: COMPETITIVE CRITERIA

Other factors to be considered include:

- The municipality currently has a net fiscal disparities contribution of \$200 or more per household.
- The municipality does not use its Affordable and Life-cycle Housing Opportunity Amount (ALHOA) expenditure as the source for its matching funds.

To participate in the Local Housing Incentives Account Program, communities are required to contribute a specified amount of local resources to affordable housing each year they participate in the program. This contribution, or expenditure, is called the Affordable and Life-Cycle Housing Opportunities Amount (ALHOA). The ALHOA is equal to the community's share of the Council's annual LCA assessment. The LCA assessment is determined by a formula set forth in the LCA statutes. It is not a grant from the Livable Communities Account. In order to continue to participate in the program, communities must expend or contribute at least 85% of their annual ALHOA obligation. Communities have some flexibility in determining which local expenditures fulfill the ALHOA contribution. Examples of ALHOA-eligible expenditures include housing assistance, development or rehabilitation efforts, the costs of local housing inspection and code enforcement, and local taxes to support a local or county Housing and Redevelopment Authority.

- The Housing Performance Scores of the municipalities in which the housing either is located, or is proposed to be located, are considered in inverse rank order in LCA LHIA funding recommendations.