



Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED

Date: April 22, 2008

To: Council Member Lisa Goodman, Community Development Committee

Subject: Low Income Housing Tax Credit (LIHTC) Procedural Manual and Allocation Plan

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

Previous Directives: In April 2007 The City Council Approved the Qualified Allocation Plan and Procedural Manual

Prepared by: Dollie Crowther, Principal Project Coordinator Phone: 612-673-5263 _____
Approved by: Tom Streitz, Director of Housing Policy & Development _____
Presenters in Committee: Dollie Crowther

Reviews

Permanent Review Committee (PRC): Approval ___ Date _____

Policy Review Group (PRG): Approval ___ Date _____

Financial Impact

- No financial impact
- Action requires an appropriation increase to the Capital Budget _____ or Operating Budget _____
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Action is within the Business Plan
- Action requires a change to the Business Plan
- Other financial impact
- Request provided to the Finance Department when provided to the Committee Coordinator

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 better quality of life and access to housing and services.

Sustainability Targets: Approved projects will meet the tax credit goals and criteria.

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.

Living Wage/Business Subsidy Agreement

Yes_____ No_____

Job Linkage

Yes_____ No_____

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 Housing Finance Board, acts as the designated LIHTC suballocator for Minneapolis and is expected to receive \$1,175,209 of 2009 LIHTC. In the past, the suballocators have agreed to turn around approximately 5% of this allocation for the non-profit competitive pool. The suballocators chose to keep this set aside and not participate in the non profit competitive pool. This means the Metro pool will not be increased and will have only \$640,720 to designate. MHFA administers this pool.

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 and Procedure Manual. In March 2008, staff sent the proposed modifications to the Qualified Allocation Plan (QAP) and Procedural Manual for public review and comment. All comments were due no later than April 21, 2008.

In February 2008, staff met with members of the Metropolitan Consortium of Community Developers (MCCD) to discuss possible changes to the QAP. Many of the changes were deemed important and will be incorporated in the 2009 QAP.

A copy of the comments from the Metropolitan Consortium of Community Developers is attached. Many of their suggested changes have been incorporated in the 2009 QAP.

The increase in green sustainable elements will address projects that foster the creation of affordable, healthier, and more energy efficient housing and address the States request to incorporate green in all its applications for assistance. CPED felt the request to include a two part scoring system for economic integration reduced the disadvantage for impacted areas vs. non impacted areas. Adding language for projects located on a mass transit corridor encourages much needed redevelopment and new construction. Increasing housing density helps to reinforce both the community and potential use of transit services.

Three requests for additional changes were suggested but were not incorporated. These changes include expanding the points awarded for supportive housing for homeless households, eliminating the criteria for material participation of residents and adding points for blight remediation in impacted areas.

Staff carefully reviewed these requests. CPED staff believes in value of greater mixing of homeless households into mixed income housing. In addition, given the general contraction in project-based and tenant-based supportive services funding, we expect it to be difficult for developers to be able to deliver larger proportions of housing for formerly homeless individuals and households.

CPED has determined that the request to eliminate material participation of residents is important to keep because it allows tenants the opportunity to help make decisions regarding the management of their homes.

Finally, CPED staff did not agree to add blight remediation in impacted areas. CPED staff view the underlying objective of this proposal already addressed thru existing program criteria that prioritize City recognized redevelopment areas (1A) and rehabilitation and stabilization of existing housing stock (10).

Staff is anticipating proceeding with the RFP in early May 2008 with an application deadline in late June 2008. This timeline is in conjunction with the AHTF proposals and MHFA's funding round. City Council action allocating the 2009 tax credit funding is anticipated in September 2008.