

March 14, 2006

Dollie Crowther
CPED
Multi-family Housing
105 5th Ave S, Ste 200
Minneapolis, MN 55401

Dear Dollie,

Thank you for the opportunity to respond to proposed changes for the City's Qualified Allocation Plan (QAP) for Tax Credits. Because tax credits are the most common tool used to develop affordable rental housing, selection priorities laid out by the city have a tremendous impact on the type of development that occurs in Minneapolis. After our review, done in concert with our housing members, the Minneapolis Consortium of Community Developers (MCCD) is in strong support of several of the proposed changes outlined by the city. Moreover, we encourage the City to adopt the additional changes outlined below, particularly those related to mixed income housing and development in "impacted" areas.

MCCD Supports the following proposed changes;

- **Threshold Item #2:** Changing the language "total units" to "tax credit units" is consistent with the Minnesota Housing Finance Agency's (MHFA) criteria. This change provides more flexibility to meet the needs of multiple populations while still encouraging the development of larger family units.
- **Selection Item #13:** We are supportive of including "project readiness" as a new item. There is a heightened level of urgency for projects that have received multiple funding commitments, as delays add to the expense of projects that would otherwise be ready to move forward.
- **Selection Item #14:** We support an increase in points awarded to projects that have received prior tax credit allocations (see comments under #13). Additionally, we would like to see tax credits awarded either through the city or through MHFA count towards prior tax credit allocations. Finally, it would be helpful to clarify what is meant by "significant subsidies." Because project readiness has been added as a category (#13), please consider eliminating the clause "significant subsidies" from this item or further flesh out this definition.

Please also consider these additional changes:

- **Selection Item #9:** **The city's preference for development in "non-impacted" areas should be eliminated.** The city currently awards 20 points for developments located in areas where a significant proportion of residents do not have lower incomes ("non-impacted"). However, "impacted" areas are often most in need of redevelopment. Minneapolis should encourage, and even prioritize infusing city resources into the areas that could most benefit from redevelopment efforts.
- **Selection Item #12:** The categories are not mutually exclusive. If a project will receive historic tax credits AND the per unit rehab cost is over \$25,000, is the project awarded 5 or 15 points? Please clarify or consider moving category "c" to a stand alone item.

- **Selection Item #15:** Though the same form is used, CPED and MHFA do not define “soft costs” in the same manner. CPED should adopt MHFA’s definition of soft costs.
- **Selection Item #16: Reverse and consolidate point categories on this table.** As currently written, the fewer affordable units there are in a development, the higher the project scores. The city should prioritize the allocation of scarce resources to projects that *maximize* affordability. We recognize the city’s desire to encourage mixed income housing. However, we think this scoring system rewards developers for including the *minimum* number of affordable units required by the city (20%).

Reversing and consolidating points awarded as follows would encourage mixed income development, allow more flexibility in design and financing, and encourage projects that maximize affordability.

- 10 points: 70% - 90% Tax Credit Units
- 5 points: 50% - 69% Tax Credit Units
- 3 points: 40% - 59% Tax Credit Units
- 1 point: 20% - 39% Tax Credit Units

Consider adding these new criteria:

- **Brownfield clean-up and other environmental clean-up:** Cleaning up a contaminated site is challenging and expensive work. A significant number of points (10) should be awarded to projects that address environmental issues.
- **Ex-Offender Housing:** This is an extremely difficult (and politically unpopular) population to serve. Ex-offenders often return to the neighborhoods they came from, and stable housing is an important factor in preventing recidivism. Developments that serve this challenging population should be awarded an additional (5) points.

Again, we appreciate the opportunity to respond to the proposed changes and offer additional suggestions. Our primary objective is to ensure that the limited available public subsidies are directed to projects serving those most in need, while at the same time paving the way for market driven development by creating investments in undercapitalized neighborhoods. As you know, the nonprofit developers that MCCD’s membership is comprised of have a long history of developing quality affordable housing in the city. Their expertise developed over the years is an invaluable resource that we hope the city will tap. We would gladly meet with CPED staff or provide additional information to better explain any of the points outlined above.

Thank you for taking these comments into consideration.

Sincerely,

Jim Roth
Executive Director

MCCD Board Members

Sherrie Pugh, NRRC – Chair
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MCCD is an association of 27 nonprofit organizations engaged in housing and economic development activities. Our members include:

African Development Center
Alliance Housing Incorporated
American Indian Community Development Corporation
American Indian Neighborhood Development Corporation
Artspace Projects, Inc.
Central Community Housing Trust
City of Lakes Community Land Trust
CommonBond Communities
Development Corporation for Children
The Green Institute
Habitat for Humanity
Hope Community
Latino Economic Dev. Center
Lyndale Neighborhood Development Corporation
Metropolitan Economic Development Association
Neighborhood Development Center
Northeast CDC
Northside Neighborhood Housing Services
Northside Residents Redevelopment Council
PRG
Project for Pride in Living
Riverton Community Housing Association
RS Eden
Seward Redesign
Urban Ventures
West Bank CDC
Whittier CDC