

# GUIDELINES FOR PRIORITY FUNDING FOR HOUSING PERFORMANCE

*Methodology for the Housing Performance Scores*



Revised September 2018

The Council's mission is to foster efficient and economic growth for a prosperous metropolitan region

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The Metropolitan Council is the regional planning organization for the seven-county Twin Cities area. The Council operates the regional bus and rail system, collects and treats wastewater, coordinates regional water resources, plans and helps fund regional parks, and administers federal funds that provide housing opportunities for low- and moderate-income individuals and families. The 17-member Council board is appointed by and serves at the pleasure of the governor.

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The *2040 Housing Policy Plan* describes multiple strategies that advance the Metropolitan Council's overarching housing policy priority, which is to **Create housing options that give people in all life stages and of all economic means viable choices for safe, stable and affordable homes**. A range of housing options across the region benefits individuals, families, and local governments. Viable housing choices allow households to find housing affordable to them in the communities where they want to live. Like a diversified investment portfolio, a diversity of housing types can increase local government resiliency through changing economic climates.

The Council uses the Housing Performance Scores to give priority in funding to communities that are maintaining or expanding their supply of affordable housing and using fiscal, planning, and regulatory tools to promote affordable and mixed-income housing. The Council uses the Scores in the Livable Communities Demonstration Account and the Tax Base Revitalization Account to reward communities that have a demonstrable commitment to providing affordable housing options. Housing Performance Scores will also continue to constitute 7% of the total points available in the 2018 Regional Solicitations for Transportation Funding.

At the same time, the Council assists affordable housing development in communities struggling to provide a full range of housing choices. The Council gives preference to communities with lower Housing Performance Scores in funding decisions for the Local Housing Incentives Account, which has funded more than one-third of the affordable units produced through the Livable Communities Act programs.

The following criteria and their relative weight will be used to determine a score of 0 to 100 points, reflecting local effort on housing affordability, including implementing effective housing programs, funding housing development, and creating and preserving housing affordability. For funding evaluation purposes, the Housing Performance Scores will then be converted to a 0 to 10 scale (any score ending in 5 will be rounded upward). The Council will publish scores on both 0 to 100 point and 0 to 10 point scales.

## *Overall Housing Performance Scores Methodology & Structure*

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The categories for calculating Housing Performance Scores are:

- New affordable or mixed-income housing completed in the last ten years;
- Preservation projects completed in the last seven years and/or Substantial rehabilitation projects completed in the last three years;
- Housing program participation and production, and housing policies and ordinances
- Characteristics of the existing housing stock.

As outlined in the *2040 Housing Policy Plan*, the Council will review the Housing Performance Scores methodology every two years. This document reflects the outcomes of the second review since the adoption of the amended HPP in 2015.

The Council assembles data for the Housing Performance Scores from sources including Minnesota Housing and county governments. The Council asks local jurisdictions to provide additional information not available from other sources. Local municipalities can also submit an optional narrative describing tools, activities, services, or other housing efforts that they would like the Council to consider but that are not explicitly identified in these guidelines.

## Recent New Affordable Housing and Preservation / Substantial Rehabilitation Projects (0-50 points)

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To meet its housing need, the Twin Cities region needs both additional affordable housing as well as to preserve and rehabilitate existing affordable housing. The need for additional affordable housing is strongest for lower income households who have fewer housing choices than higher income households.

Overall, 50 points are available in this section; 25 points for new affordable housing and 25 points for investments in the preservation and substantial rehabilitation of existing affordable or mixed-income housing.

A community that exceeds available points in one category but does not reach full points under the other receives one-quarter of the difference between the points earned under the former category, to be applied to the latter category (subject to the overall 50-point maximum).

Sample Scoring		Maximum Points	Earned Points	Counted Points	Total
Community A	New Affordable Housing	25	10	10 + $\frac{1}{4}*(43-25)$	15+25 = 40
	Preservation and Substantial Rehabilitation	25	43	25	
Community B	New Affordable Housing	25	37	25	25+25 = 50
	Preservation and Substantial Rehabilitation	25	30	25	

The following points will be awarded based on activities for projects over the last 10 years creating new affordable or mixed-income housing (where a city completed more than 10 projects, only the most recent 10 will count):

**Table 1: New Affordable and Mixed-Income Housing in last 10 years**

Item and description	Points
N1. New units affordable to households at or below 30% of Area Median Income (AMI) as a share of all housing units built over the last ten years	3 points per percentage point
New units affordable to households earning between 31% and 50% of AMI as a share of all housing units built over the last ten years	1.5 points per percentage point
New units affordable to households earning between 51% and 80% of AMI as a share of all housing units built over the last ten years	1 point per percentage point
New owner-occupied units affordable to households between 81% and 115% of AMI as a share of all housing units built over the last ten years	0.5 point per percentage point
N2. New units affordable to households at or below 30% of Area Median Income (AMI)	0.5 points each
New units affordable to households earning between 31% and 50% AMI	0.25 points each
New units affordable to households earning between 51% and 80% AMI	0.15 points each
New owner-occupied units affordable to households between 81% and 115% of AMI	0.10 points each
N3. Each local official control adjusted, waived, or used enabling affordable housing*	0.15 points each
N4. New mixed-income project (at least 5% of the units must be affordable to households earning 60% AMI)	7 points, one time only
N5. Direct local financial contribution* to affordable or mixed-income development, including the estimated value of local controls waived or adjusted	1 point for each percentage point contributed of the Total Development Cost, up to 6 points per project
N6. Issuance of housing revenue bonds for construction of affordable or mixed-income housing (e.g., bonds to be paired with 4% tax credits or bonds for age- and income- restricted senior developments)	5 points

\*See Appendix for full list of eligible points-earning local official controls & financial contribution types

Where applications involving substantial city effort in support of affordable housing are submitted to major funding partners (Minnesota Housing, Metropolitan Council, county governments), but not selected due to factors outside the municipality’s control, up to 25% of points may be awarded at the Council’s discretion.

The rehabilitation and preservation of existing affordable housing is often the most cost-effective approach to addressing affordable housing challenges. As the region’s affordable housing ages, addressing the physical needs of the existing stock becomes critical to avoid unnecessary loss of affordable units. This category is intended to capture larger scale rehabilitation and preservation projects (and that are typically a single project under common ownership, management, and financing). Single-family rehabilitation loan programs, for example—where each household served represents a unique real estate transaction—are covered in Housing Programs and Policies.

Points will be awarded based on activities involving up to 10 affordable and/or mixed-income projects in the past seven years for preservation and the past three years for substantial rehabilitation. Under either, affordability of subsidized units must generally be secured for at least 15 years.

Preservation activities are rehabilitation efforts that substantially improve the physical asset and:

- Prevent the owner from converting the property to market rate or a different use by providing low-cost public financing (and under certain circumstances allowing for equity take-out), and
- Have as a financing condition that the owner consents to continued participation in a federal project-based rental assistance program, or that otherwise lead to long-term rent and income restrictions (this can include Section 202, Section 515, or Section 811 properties; Low-Income Housing Tax Credit properties; or permanent housing for the long-term homeless or other forms of service-intensive supportive housing) for the term of the mortgage or applicable instrument.

Note: While substantial rehabilitation may involve coordinated single family (i.e., scattered site development or redevelopment, or as part of a community revitalization plan) or multifamily efforts, preservation activities are exclusive to multifamily properties with expiring affordability restrictions and/or existing rental assistance or support services contracts.

For these purposes, the threshold for substantial rehabilitation is defined as:

- The cost of repairs, replacements and improvements are equal to or above an average of \$5,000 per dwelling unit (includes improvements to common areas), or
- Two or more major building components are being substantially repaired or replaced.

To receive credit, rehabilitated rental units must have either an income restriction of at least 15 years or a long-term commitment to accept Housing Choice Vouchers or other forms of public rental assistance.

**Table 2: Preservation of affordable or mixed-income housing in last 7 years**

Item and description	Points
P1. Preserved units serving a household at or below 30% of AMI as a share of existing housing units using state or federal project-based assistance	1.25 points per percentage point
Preserved units serving a household between 31% and 50% of AMI as a share of existing housing units using state or federal project-based assistance	0.75 points per percentage point
Preserved units serving a household between 51% and 80% of AMI as a share of existing housing units using state or federal project-based assistance	0.5 point per percentage point
P2. Each preserved unit serving a household at or below 30% of AMI	0.75 points each
Each preserved unit serving a household between 31% and 50% of AMI	0.5 points each
Each preserved unit serving a household between 51% and 80% of AMI	0.25 points each
P3. Direct local financial contribution* to the preservation of affordable or mixed-income housing, including the estimated value of local controls waived or adjusted	1 point for each percentage point contributed of the Total Development Cost, up to 5 points per project
P4. Each local control adjusted or waived to preserve affordable housing	0.15 points per unit
P5. Demonstrated local efforts to preserve a manufactured housing park from threat of conversion or closure and loss of affordable units	7 points
P6. Issuance of housing revenue bonds for preservation of affordable or mixed-income housing (e.g. bonds to be paired with 4% tax credits)	5 points

\*See Appendix for full list of eligible financial contribution types

**Table 3: Substantial Rehabilitation of Affordable Housing in last 3 years**

Item and description	Points
R1. Each rehabilitated unit serving a household at or below 30% of AMI Each rehabilitated unit serving a household between 31% and 50% of AMI Each rehabilitated unit serving a household between 51% and 80% of AMI Each rehabilitated owner-occupied unit serving household between 81% and 115% of AMI	0.5 points per unit 0.25 points per unit 0.15 point per unit 0.10 points per unit
R2. Each acquisition/rehab/resale of an owner-occupied unit affordable at or below 80% AMI that is brought into a Community Land Trust	1.5 points per unit
R3. Each local official control adjusted or waived to rehabilitate affordable housing	0.15 points per unit
R4. Direct local financial contribution* to affordable or mixed-income development, including the estimated value of local controls waived or adjusted	0.5 points for each percentage point of the Total Development Cost contributed, up to 4 points per project
R5. Rehabilitation activity that involves conversion of units from a non-restricted status to a rent and income-restricted status (newly built income-restricted units should be counted in N1-N2 above)	5 points
R6. Issuance of housing revenue bonds for rehabilitation of affordable or mixed-income housing (e.g. bonds to be paired with 4% tax credits)	5 points

\*See Appendix for full list of eligible financial contribution types

## Housing Programs and Policies (0-25 Points)

This category captures information on housing efforts that may be less direct or less costly than direct support for new development or major rehabilitation projects. Local programs and activities, or participation in other government programs, are important to the degree that the programs are used to benefit low- and moderate-income households.

**Table 4: Housing Programs and Policies**

Item and description	Points
H1. Each locally funded or administered housing program or service*	
H2. Each housing program operated by a nonprofit organization receiving a local financial contribution (e.g. single family rehab loan programs, rental assistance programs, housing counseling programs or services, etc.)	2 points each
H3. Covering all or a portion of administrative expenses incurred in administering a federal, state, or county housing program (i.e. the difference between costs incurred and administration reimbursement from the federal, state, or county government)	
H4. Local expenditure in the prior year to affordable or life-cycle housing as a share of the municipality's Affordable and Life-Cycle Housing Opportunities Amount	4 points if 85-99% 6 points if 100% or more
H5. Households served under city, county or state homeownership programs, including: <ul style="list-style-type: none"> <li>• Minnesota Housing single family rehabilitation loan, emergency loan, and/or community fix-up programs</li> <li>• Foreclosure prevention, down payment assistance programs or homebuyer education</li> </ul>	1 point for each 0.01% of households served
H6. Adopting or administering any of the following programs/policies: <ul style="list-style-type: none"> <li>• A rental licensing program</li> <li>• An active code enforcement program (for rental or owner-occupied)</li> <li>• An Accessory Dwelling Unit (ADU) policy</li> <li>• A mixed-income (inclusionary) housing policy</li> <li>• A local Fair Housing policy that includes enforcement mechanisms</li> <li>• Tenants' rights policy(ies), such as those that prohibit Section 8 discrimination, require notice of sale or right of first refusal, and/or address just-cause eviction</li> <li>• Any additional policies that support affordable housing opportunities</li> </ul>	4 points each

\* Locally funded means where the community itself generated funding for the program, or received funding from a higher level of government and had control over its use (i.e. funds are expended by the community and not the higher level of government)

Trying to capture all efforts, tools, and activities to promote housing affordability would be not only challenging but also administratively burdensome. To yet recognize local innovations and initiative, the Council offers communities the option to showcase additional efforts that could merit points but are not otherwise captured in these guidelines. When generating the Scores, Council staff will evaluate how narratives fit into the overarching point structure and provide additional points at its discretion.



## Characteristics of the Existing Housing Stock (0-25 Points)

This category recognizes the important role the existing housing stock plays in providing affordable opportunities and reflects the critical role for communities that are home to housing for special and vulnerable populations. Points for the existing housing category are awarded as follows:

**Table 5: Characteristics and affordability of the existing housing stock**

Item and description	Points
C1. Existing housing stock affordable to households earning 30% of AMI or less:	At least 1%: 2 points At least 3%: 4 points At least 6%: 8 points
C2. Share of existing housing stock affordable to households earning 50% of AMI or less:	At least 7%: 2 points At least 15%: 4 points At least 23%: 8 points
C3. Share of existing housing stock affordable to households earning 80% of AMI or less	At least 20%: 2 points At least 40%: 4 points At least 65%: 8 points
C4. Shelters or transitional housing for people experiencing long-term homelessness or who are at risk of long-term homelessness, or others not able to secure private housing on a permanent basis	1 point each (maximum of 6 points)
C5. Permanent housing serving a vulnerable or special population including:	0.5 points each (maximum of 6 points)
<ul style="list-style-type: none"> <li>• Adult offenders or adjudicated delinquents</li> <li>• People with physical disabilities, mental illness, developmental disabilities, or chemical dependency</li> <li>• Victims of sex trafficking or domestic abuse</li> </ul>	

## Appendix

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### *Recognized local official controls include the following when used for affordable housing:*

- Allowing alternative construction methods or development flexibility
- Development approved at originally proposed development density
- Density bonus or transfer
- Floor Area Ratio (FAR) waiver
- Increased building height flexibility
- Land cleanup or site assembly
- Public land dedication or land cost write-down
- Parking variances
- Private street allowances
- Reduction in lot sizes or widths
- Reduction in street widths or right-of-way
- Setback reductions
- Sewer or water service line size reduction
- Soil correction variance
- Special or conditional use permits
- Tax abatement, reduction, or credit
- Reduction in public improvement and development costs (e.g. curbs, gutters, street lighting) /
- Planned Unit Development (PUD) cluster development
- Local sewer availability charge (SAC) credit or waiver
- Reduced park or impact fees
- On-street parking allowance
- Rezoning to accommodate development

### *Recognized fiscal/financial tools include the following when used for affordable housing:*

- Community Development Block Grant or Home Investment Partnerships funding (when funds are received through entitlement or granted or loaned to the local municipality for use at its discretion)
- Credit enhancements
- Loan guarantees
- General obligation, tax-exempt, mortgage revenue, private activity, or housing revenue bonds when used to create affordable or mixed-income housing
- Land write-downs, sale, public dedication, or acquisitions
- Livable Communities grants
- Fee waivers or reductions
- Tax abatement (full or partial)
- Tax increment financing (TIF)
- Minnesota Housing Impact Fund grants when awarded to the city
- County grants, loans, or bond proceeds when provided to the city for use at its discretion
- County Housing and Redevelopment Authority (HRA) / Community Development Agency (CDA) levies upon city residents to support affordable housing opportunities
- Estimated value of local official controls adjusted or waived
- Local sewer or water availability or access charge credit or waiver
- Local property tax levy



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