



Low Income Rental Classification Guide

Fall 2017



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This information will be made available in alternative format upon request.

Table of Contents

Chapter 1 – What is Low Income Rental Classification (LIRC)?.....	1
1.01 Statute.....	1
1.02 Impact of LIRC.....	1
1.03 Contact.....	1
Chapter 2 – LIRC Qualification.....	2
2.01 Eligibility.....	2
Chapter 3 – Initial Application.....	3
3.01 Initial Application Documents.....	3
Chapter 4 – Reapplication.....	5
4.01 Reapplication Documents.....	5
Chapter 5 – Review and Approval.....	7
5.01 Approval.....	7
5.02 Denial.....	7
5.03 Withdrawal.....	7
5.04 Appeal.....	8
Chapter 6 – Fair Housing Policy.....	9
Appendix A – Statute.....	10

Chapter 1 – What is Low Income Rental Classification (LIRC)?

1.01 Statute

Minnesota Statute 273.128 provides that qualifying low-income rental properties are eligible for a class rate reduction in property taxes. The LIRC statute specifies the type of properties that are eligible and eligibility criteria required to receive the reduction.

The full statute can be found in Appendix A or at Minnesota’s Office of the Revisor of Statutes at www.revisor.mn.gov; Statute 273.128 Certification of Low-Income Rental Property.

1.02 Impact of LIRC

LIRC is a tool to aid in the preservation and sustainability of affordable rental housing in the state of Minnesota.

1.03 Contact

If you have questions regarding LIRC, please call the following Minnesota Housing phone numbers or refer to the agency’s website at www.mnhousing.gov:

Toll Free:	800.657.3647
Direct:	651.297.4065
TTY:	651.297.2361
Minnesota Relay Service:	800.627.3529

Chapter 2 – LIRC Qualification

Use the guidelines below to help determine if your property is eligible for LIRC.

2.01 Eligibility

Minnesota property owners may submit a LIRC application if their property is classified as an apartment on January 2 (Assessment Date) and at least 20 percent of the units meet one or more of the following requirements:

The units are subject to a project-based housing assistance payments (HAP) contract under **Section 8** of the United States Housing Act of 1937.

The units are rent-restricted and income-restricted units of a qualified low-income housing project receiving tax credits under **Section 42(g)** of the Internal Revenue Code.

The units are financed by the **Rural Housing Service (RHS)** of the United States Department of Agriculture and receive payments under the rental assistance program pursuant to Section 521(a) of the Housing Act of 1949.

The units are subject to **60% or less of AMI rent and income restrictions** under the terms of financing provided to the rental housing property by the federal government, the state of Minnesota, or a local unit of government, as evidenced by a document recorded against the property.

- The restrictions must require assisted units to be occupied by residents whose household income at the time of initial occupancy does not exceed 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development.
- The restriction must also require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development.

If you are unsure of your properties eligibility, please contact Minnesota Housing for clarification and guidance.

Chapter 3 – Initial Application

If you believe that your property meets the eligibility requirements for LIRC set forth in Chapter 2 and you have never applied for LIRC before, follow the instructions below to apply.

If you previously qualified for LIRC, follow the instructions for Reapplication in Chapter 4.

3.01 Initial Application Documents

To receive LIRC, you will need to apply for qualification. Use the checklist below to make sure your application is complete.

- Complete the “Low Income Rental Classification (LIRC) Initial Application” found on Minnesota Housing’s website at www.mnhousing.gov.

Read the instructions on page two of the application for pertinent information on properly completing the application.

Complete the application in its entirety. Incomplete information may result in a delayed or rejected application.

Be sure to write in the expiration date for your “Proof of Qualification” on the application. The property owner is required to sign the initial application.

- Attach a copy of supporting documentation to prove your eligibility for LIRC. Supporting documentation for the different programs is as follows:

Units subject to **project-based** housing assistance payments (HAP) contract,

- Project-based Section 8 (HAP) contract.

Rent-restricted and income-restricted units under **Section 42(g)**,

- The Section 42(g) Land Use Restrictive Agreement (LURA); *or*
- If the LURA has not yet been filed, verification of the “Placed in Service” date for Section 42(g) properties is required, and the LURA must be provided when it is received.

Rural Housing Service Rental Assistance Program units

- The United States Department of Agriculture Rural Development subsidy contract.

Units are subject to **60% or less of AMI rent and income restrictions**

- The recorded document restricting income and rents under the terms of the financing provided by the federal government, the state of Minnesota, or a local unit of government.

- Calculate the amount of your annual, non-refundable fee, which is \$10 per qualified unit, or a maximum of \$150, and include a check with your application materials. To calculate the fee, follow the instructions in the “Units” section of the application or use the steps below:

Write the number of Qualifying Units on line five of the application. This is the sum of units listed on lines one through four.

Write the number of all rental units in the property on line six.

Divide line five by line six, and write that amount on line seven.

- Example: 40 qualified units / 100 total units = 40%

Finally, multiply line five by \$10 (\$10 per qualified unit) with a maximum of \$150

- $40 \times 10 = \$400$; in this case you would pay the maximum fee of \$150

The LIRC application fee is non-refundable. If you choose to apply and do not qualify for LIRC, you will not be reimbursed.

- Mail the application along with proof of qualification and the fee to:

Minnesota Housing
Attn: LIRC
400 Wabasha Street North, Suite 400
St. Paul, MN 55102-1109

The LIRC application, qualifying documents and the non-refundable fee payable to Minnesota Housing must be mailed and postmarked no later than March 31. Late submittals (postmarked after March 31) will be returned to the sender and will not be eligible for the tax rate reduction for taxes payable in the following year.

Chapter 4 – Reapplication

For properties that have previously qualified for LIRC, a reapplication is due each year by March 31. In January, LIRC reapplications will be sent to owners who have previously been approved for LIRC and who had their property certified to the local assessor of their eligibility. If you do not receive a reapplication form you can download a blank form on Minnesota Housing’s website at www.mnhousing.gov.

If a property is no longer eligible for LIRC, please immediately notify Minnesota Housing to have the property removed from LIRC.

4.01 Reapplication Documents

Use the checklist below to make sure your reapplication is complete:

- Complete the “Low Income Rental Classification (LIRC) Reapplication” found on Minnesota Housing’s website at www.mnhousing.gov.

Read the instructions on page two of the reapplication for pertinent information on properly completing the reapplication.

Complete the reapplication in its entirety. Incomplete information may result in a delayed or rejected reapplication.

If necessary, update any contact information that has changed from the previous year.

The LIRC reapplication can be signed by the owner or a duly authorized representative of the owner.

- Attach a copy of supporting documentation to prove your eligibility for LIRC. Supporting documentation for the different programs is as follows:

Units subject to **project-based** housing assistance payments (HAP) contract,

- Project-based Section 8 (HAP) contract.

Rent-restricted and income-restricted units under **Section 42(g)**,

- The Section 42(g) Land Use Restrictive Agreement (LURA); *or*
- If the LURA has not yet been filed, verification of the “Placed in Service” date for Section 42(g) properties is required, and the LURA must be provided when it is received.

Rural Housing Service Rental Assistance Program units

- The United States Department of Agriculture Rural Development subsidy contract.

Units are subject to **60% or less of AMI rent and income restrictions**

- The recorded document restricting income and rents under the terms of the financing provided by the federal government, the state of Minnesota, or a local unit of government.

- Calculate the amount of your annual, non-refundable fee, which is \$10 per qualified unit, or a maximum of \$150, and include a check with your reapplication materials. To calculate the fee follow the instructions in the “Units” section of the reapplication or use the steps below:

Write the number of Qualifying Units on line five of the reapplication. This is the sum of units listed on lines one through four.

Write the number of all rental units in the property on line six.

Divide line five by line six, and write that amount on line seven.

- Example: 40 qualified units / 100 total units = 40%

Finally, multiply line five by 10 (\$10 per qualified unit) with a maximum of \$150

- $40 \times 10 = \$400$; in this case you would pay the maximum fee of \$150

The LIRC reapplication fee is non-refundable. If you choose to reapply and do not qualify for LIRC, you will not be reimbursed.

- Mail the reapplication, proof of qualification and the fee to:

Minnesota Housing

Attn: LIRC

400 Wabasha Street North, Suite 400

St. Paul, MN 55102-1109

The LIRC application, qualifying documents and the non-refundable fee payable to Minnesota Housing must be mailed and postmarked no later than March 31. Late submittals (postmarked after March 31) will be returned to the sender and will not be eligible for the tax rate reduction for taxes payable in the following year.

Chapter 5 – Review and Approval

Owners can certify that their property is eligible or continues to remain eligible for LIRC by submitting their completed application or reapplication materials from January 2 through March 31 of each year. Minnesota Housing reviews LIRC applications as they are submitted.

By June 1 of each year, Minnesota Housing will certify to the appropriate county or city assessor the specific properties and the number of units in the building that qualify under LIRC. In making the certification, the agency relies on the application or reapplication and any other supporting information. Minnesota Housing may request any supporting information that the agency deems necessary from the property owner.

Owner and authorized representatives certify in all LIRC applications and reapplications that the property is in compliance with all applicable requirements of the low-income program that qualifies the property for LIRC. Noncompliance with the requirements of the low-income housing program that qualifies the property for LIRC may result in the denial and withdrawal of LIRC or a loss of some or all LIRC benefits.

Minnesota Housing will perform annual quality reviews. If findings occur during the annual quality review process, the appropriate owners and assessor's offices will be notified that properties no longer qualify for LIRC or that the Qualifying Percentage has been changed.

If you have questions or concerns about the status of your application, contact Steve O'Brien at 651.297.4065 or steve.obrien@state.mn.us.

5.01 Approval

Minnesota Housing will notify new application owners in writing no later than June 15 of that same year to inform them whether their LIRC application has been approved or denied.

If approved:

You will receive a LIRC Account Number.

The local assessor will be notified that the property qualifies for LIRC.

Owners who have been approved for LIRC will receive the property class rate reduction for taxes payable the following year. If, upon receipt of your property tax statements from the county, LIRC is not indicated, contact Steve O'Brien at 651.297.4065 or steve.obrien@state.mn.us.

5.02 Denial

New applicants who have applied for LIRC and who have been determined to be ineligible will receive a letter indicating the reasons for denial. The letter will also explain the appeals process.

5.03 Withdrawal

If you are a current participant who has reapplied for LIRC and it has been determined you are no longer eligible, you will be withdrawn from the classification status. A letter will be sent explaining why you were withdrawn.

5.04 Appeal

If you are denied participation in LIRC or are withdrawn from LIRC a letter will be sent explaining why Minnesota Housing came to this conclusion. The letter will provide guidance on how to appeal this decision if you feel we came to it in error.

Chapter 6 – Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation.

Minnesota Housing's fair housing policy incorporates the requirements of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, as well as the Minnesota Human Rights Act. Housing providers are expected to comply with the applicable statutes, regulations, and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements.

In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:

- Discriminate in the selection/acceptance of applicants in the rental of housing units;

- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;

- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;

- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;

- Represent a dwelling is not available when it is in fact available;

- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or

- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit

Appendix A – Statute

273.128 CERTIFICATION OF LOW-INCOME RENTAL PROPERTY.

Subdivision 1. Requirement.

Low-income rental property classified as class 4d under section 273.13, subdivision 25, is entitled to valuation under this section if at least 20 percent of the units in the rental housing property meet any of the following qualifications:

- (1) the units are subject to a housing assistance payments contract under Section 8 of the United States Housing Act of 1937, as amended;
- (2) the units are rent-restricted and income-restricted units of a qualified low-income housing project receiving tax credits under section 42(g) of the Internal Revenue Code;
- (3) the units are financed by the Rural Housing Service of the United States Department of Agriculture and receive payments under the Rental Assistance program pursuant to section 521(a) of the Housing Act of 1949, as amended; or
- (4) the units are subject to rent and income restrictions under the terms of financial assistance provided to the rental housing property by the federal government or the state of Minnesota, or a local unit of government, as evidenced by a document recorded against the property.

The restrictions must require assisted units to be occupied by residents whose household income at the time of initial occupancy does not exceed 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development. The restriction must also require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development.

Subd. 2. Application.

(a) Application for certification under this section must be filed by March 31 of the levy year, or at a later date if the Housing Finance Agency deems practicable. The application must be filed with the Housing Finance Agency, on a form prescribed by the agency, and must contain the information required by the Housing Finance Agency.

(b) Each application must include:

- (1) the property tax identification number; and
- (2) evidence that the property meets the requirements of subdivision 1.

(c) The Housing Finance Agency may charge an application fee approximately equal to the costs of processing and reviewing the applications but not to exceed \$10 per unit. If imposed, the applicant must pay the application fee to the Housing Finance Agency. The fee must be deposited in the housing development fund.

Subd. 3. Certification.

By June 1 of each levy year, the Housing Finance Agency must certify to the appropriate county or city assessors, the specific properties that are qualified under this section and the number of units in the building that qualify. In making the certification, the Housing Finance Agency may rely on the application

and any other supporting information that the agency deems necessary from the property owner.