MINNESOTA HOUSING

MEETINGS SCHEDULED FOR FEBRUARY

Minnesota Housing
400 Wabasha Street N. Suite 400
St. Paul, MN 55102

THURSDAY, FEBRUARY 22, 2018

Regular Board Meeting
Lake Superior Conference Room- Fourth Floor
1:00 p.m.

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, February 22, 2018.

Items requiring approval are neither effective nor final until voted on and approved by the Minnesota Housing Board.

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 are met. In accordance with Minn. Stat. §462A.041, the Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.

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MINNESOTA HOUSING

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AGENDA
Minnesota Housing Board Meeting
Thursday February 22, 2018
1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   A. (page 5) Regular Meeting of January 25, 2018
5. **Reports**
   A. **Chair**
   B. **Commissioner**
   C. **Committee**
6. **Consent Agenda**
   A. (page 9) Approval, CFUL Community Fix Up Loan Program, Headwaters Regional Development Commission
7. **Action Items**
   A. (page 11) Approval, Homeownership Program and Manual Changes
   B. (page 21) Approval, Fix Up Home Improvement Program and Manual Changes
   C. (page 43) Approval, Community Homeownership Impact Fund Manual Changes
   D. (page 129) Approval, Proposed 2020 Housing Tax Credit (HTC) Program Qualified Allocation Plan (QAP) and Program Procedural Manual
   E. (page 349) Delegation, Regarding HUD RFP for Performance Based Contract Administration of Section 8 Project Based Rental Contracts
8. **Discussion Items**
   A. (page 351) Draft Analysis of Impediments to Fair Housing Choice
   B. (page 373) 2nd Quarter FY 2018 Financial Reporting Package
   C. (page 381) 2018 Affordable Housing Plan and 2016-19 Strategic Plan: First Quarter Progress Report
9. **Information Items**
   A. (page 387) Semi-Annual Variable Rate Debt and Swap Report
   B. (page 403) Draft Annual Action Plan for FFY 2018 and Consolidated Plan Substantial Amendment
10. **Other Business**
    A. (page 405) Report on Commissioner's Evaluation *This portion of the meeting will be closed pursuant to Minnesota Statutes Section 13D.05.*
11. **Adjournment**

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DRAFT MINUTES

Minnesota Housing Finance Agency Board Meeting
Thursday January 25, 2018
1:00 pm
400 Wabasha Street N, St. Paul, MN 55102

1. **Call to Order.**
   Chair John DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance Agency at 1:03 p.m.
2. **Roll Call.**
   Members Present: John DeCramer, Terri Thao, Joe Johnson, Craig Klausing, Rebecca Otto, Damaris Hollingsworth, and Stephanie Klinzing.
   Minnesota Housing staff present: Tal Anderson, Ryan Baumtrog, Laura Bolstad, Wes Butler, Kevin Carpenter, Allison Ehlert, Rachel Franco, Shannon Gerving, Summer Jefferson, Kasey Kier, Tresa Larkin, Debbi Larson, Diana Lund, Eric Mattson, Tom O'Hern, John Patterson, Kirby Pittman, Devon Pohlman, Paula Rindels, Danielle Salus, Terry Schwartz, Barb Sporlein, Kim Stuart, Susan Thompson, Mary Tingerthal, and Nicola Viana.
   Others Present: Laura Janke, RBC; Melanie Lien, Piper Jaffray; Anne Mavity, Minnesota Housing Partnership; Carolyn Szczepanski, Minnesota Housing Partnership.
3. **Agenda Review.**
   Chair DeCramer indicated that there were no changes to the agenda. The board received a handout for Discussion Item 8B.
4. **Approval of the Minutes.**
   A. **Special Meeting of December 14, 2017**
   B. **Regular Meeting of December 21, 2017**
   Motion: Auditor Otto moved the approval of the December 14 minutes. Seconded by Terri Thao. Chair DeCramer abstained from the vote. Motion carries 6-0.
   Motion: Joe Johnson moved approval of the December 21 minutes as amended. Seconded by Stephanie Klinzing. Motion carries 7-0.
5. **Reports.**

A. Chair
None.

B. Commissioner
Commissioner Tingerthal shared the following with the board:

- We were pleased with the Governor's Budget Bill that was released on January 16. In the bill he included $100 million for Housing Infrastructure Bonds and $15 million for continuing our general obligation bonds for improving public housing.
- We have one policy item that we will be asking the Governor to include in his agenda which will be considered in the upcoming months. Minnesota Housing manages the

Manufactured Home Relocation Trust Fund. The Manufactured Home Relocation Trust Fund provides participating manufactured homeowners compensation for relocation in the event that all or part of their manufactured home park closes. Currently the trust fund is capped at $1 million and we are requesting that the amount increase to $3 million as we had two parks closed in the last year and the fund was essentially wiped out.

- The Housing Task Force is in full force. We had a successful launch with a dinner on January 11 and full Task Force meeting on January 12. The three Working Groups have also met. A full report will be shared later in the agenda.

C. Committee.

None

6. Consent Agenda

A. Community Fix Up Loan Program, Center for Energy & Environment

Motion: Craig Klausing moved the approval of item on the Consent Agenda. Seconded by Damaris Hollingsworth. Terri Thao abstained. Motion carries 6-0.

7. Action Items

A. **Selection of firm to serve as Agency's financial auditor for fiscal years 2018-2021**

Terry Schwartz presented to the board the request for approval of the selection of RSM US, LLP to perform audit services as detailed in the RFP for FY 2018-2021. Staff will enter into the first of two two-year contracts covering the four year engagement, with the second contract subject to review of performance. Auditor Otto and Stephanie Klinzing shared with the board their experience serving on the selection committee.

Chair DeCramer opened up the discussion. Craig Klausing inquired about selecting an auditor with a fresh perspective, or selecting a firm who knows our business. Auditor Otto shared the process the selection committee went through when selecting the financial auditor and that the committee took both options under consideration. Chair DeCramer thanked Auditor Otto and Stephanie Klinzing for serving on the selection committee.

Motion: Stephanie Klinzing moved the approval of the selection of firm to serve as Agency's financial auditor for fiscal years 2018-2021. Seconded by Auditor Otto. Motion carries 7-0.

B. **Approval of Participants for the Minnesota City Participation Program**

Nicola Viana presented to the board the request for approval of cities for participation in the Minnesota City Participation Program (MCPP). The program allows Minnesota Housing to apply for the portion of the annual private activity bond volume cap allocated by Minnesota Statutes Section 474A.03, subdivision 1 to the Housing pool, $60,050,215 of which is available in 2018 for single family housing programs, as authorized by Minnesota Statutes Section 474A.061, subdivision 2a, to enable cities and counties to provide first-time homebuyer loans in their communities.

Chair DeCramer opened up the discussion. Terri Thao inquired what happens to the funds if that are not fully allocated. Nicola indicated that we allocate all funds. Chair DeCramer

mentioned that he met with Nicola prior to the meeting to ask how cities that are not currently participating in the program and how they do become a part of the program. He encouraged board members to share with their networks the availability of the program.

Motion: Stephanie Klinzing moved approval of Participants for the Minnesota City Participation Program. Seconded by Damaris Hollingsworth. Motion carries 7-0.

8. Discussion Items

A. Discussion Regarding 2020 Housing Tax Credit Program Qualified Allocation Plan

Devon Pohlman and Summer Jefferson provided the board with an overview of the 2020 Housing Tax Credit Program Qualified Allocation Plan. Board members asked questions and staff provided answers.

B. Agency Risk Profile

Tom O'Hern provided the board with an update on the Agency Risk Profile. The Agency Risk Profile is a component of the Enterprise Risk Management (ERM) framework and is produced annually to demonstrate and communicate critical risk information to the board. Mr. O'Hern reviewed the report in the board packet. Commissioner Tingerthal added context regarding the process of the assessment.

C. 2018 Key Trends for Affordable Housing

John Patterson provided the board with an overview of the 2018 Key Trends in Affordable Housing. The document is prepared and presented each year as part of the process for developing the Affordable Housing Plan. This year, staff prepared it early to provide the Governor's Housing Task Force with background material. Board members asked questions and staff provided answers.

D. 2018 Division Work Plan Summary

Barb Sporlein provided the board with an update of the 2018 Division Work Plan Summary. The Work Plan shows the major key initiatives in the 2018 Divisional Work Plans that implement the 2016-2019 Strategic Plan and 2018 Affordable Housing Plan.

E. Housing Task Force Update

Commissioner Tingerthal and Housing Task Force Member Terri Thao provided the board with an update on the work of the Housing Task Force.

9. Information Items

A. Post sale report, Residential Housing Finance Bonds (RHFB), 2017 Series DEF

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:08 p.m.

_____

John DeCramer
Chair

DRAFT

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MINNESOTA HOUSING

Board Agenda Item: 6.A
Date: 2/22/2018

Item: Approval, Community Fix Up Loan Program, Headwaters Regional Development Commission

Staff Contact(s):
Shannon Gerving, 651.296.3724, shannon.gerving@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests board approval for a Headwaters Regional Development Commission (HRDC) Community Fix Up Loan (CFUL) Program initiative described in the attached Initiative Detail. The CFUL Program accepts initiative proposals from participating Fix Up Loan Program lenders and their community partners on an ongoing basis for activities that address home improvement needs with a resulting community impact.

Fiscal Impact:
The current proposal extends the timing of the initiative and continues to use Pool 2 funds.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Initiative Detail

Background:
The following recommendation for the HRDC CFUL initiative meets the guidelines for participation contained within the Program Concept. Staff applies threshold indicators and considers compensating factors when determining whether to recommend a specific proposal to access funds under the CFUL Program. The threshold indicators include:

- Confirmation that the initiative fits within the Program Concept;
- The strength of partnership;
- Leverage and/or value-added features;
- A focused marketing plan; and
- Budget counseling, if required.

Initiative Detail:
HRDC is requesting to renew their Impact Fund rate write-down CFUL initiative using the $50,000 Impact Fund awarded by the board in 2016. Rates will be written down to 3% for households with incomes between 50% and 80% of the Twin Cities Metro AMI, and 1% for households falling under 50% of the Twin Cities AMI. HRDC anticipates closing five loans at 3% and five loans at 1%. Since 2015, 18 loans totaling $242,475.89 have been closed under this initiative. Agency recommends approving the HRDC CFUL initiative.

Region	**Estimated Demand**	
Northwest – Beltrami, Clearwater, Hubbard, Lake of the Woods, and Mahnomen Counties	**# Loans**	**Loan Volume**
	10	$ 191,250

MINNESOTA HOUSING

Board Agenda Item: 7.A
Date: 2/22/2018

Item: **Approval,** Homeownership Program and Manual Changes

Staff Contact(s):
Krissi Hoffmann, 651.297.3121, Krissi.hoffmann@state.mn.us
Laura Bolstad, 651.296.6346 Laura.bolstad@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
As a result of the annual program review process that assesses program alignment with the mortgage market and borrower need, staff requests board approval for changes to the down payment and closing cost loan programs: 1) decrease the Deferred Payment Loan (DPL) income limits; 2) increase the Monthly Payment Loan (MPL) maximum income limit; 3) increase the MPL maximum loan amount; 4) implement a consistent homebuyer education requirement for first time homebuyers; and 5) approve the corresponding changes to the Start Up and Step Up Program Procedural Manuals.

Fiscal Impact:
These changes align program projections with anticipated resources. If the pace of loan production loses alignment with available resources, staff may request additional resources or identify additional programs changes.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Request Details
- Start Up and Step Up Program Procedural Manuals

Background:

Home mortgage production has been strong in the 2018 Affordable Housing Plan year, despite challenges in the market. Homebuyers continue to face a very low inventory of affordable homes for sale, combined with increasing home prices (currently averaging 5% higher than for transactions in December 2016).

In March 2017, in anticipation of rising house prices and interest rates, we increased the income limit for the Deferred Payment Loan (DPL) and DPL Plus from 80% of area median income (AMI) to 95% AMI. While we did see some borrowers at the lower end of the income spectrum fall out of the program, the fall-out was less than anticipated. Year-to-date first mortgage loan production has been high, and 97% of first mortgage loan commitments have an associated down payment and closing cost loan. DPL production has increased and now accounts for 71% of down payment and closing cost loans.

To decrease pressure on Pool 3 resources that fund DPL, staff recommends program changes encouraging additional use of MPL by increasing the maximum MPL loan amount from $12,000 to $15,000. Combined with reducing the income limit for DPL, Staff anticipates that these changes will cause a modest shift of borrowers from DPL to MPL (for those who can afford the additional payment) with little impact to production for the DPL Plus program, which serves a high percentage (70%) of households of color and Hispanic ethnicity.

Staff also recommends increasing the MPL income limit to match the income limit of the Step Up Loan Program. Currently, MPL has the same income limit as the Start Up loan program. This misalignment presents the appearance of a false opportunity for borrowers under the Step Up income limit who need a down payment and closing cost loan, but are over the MPL income limit. MPL is a primary driver for Step Up production, with 86% of Step Up borrowers receiving a MPL. Aligning the income limits of MPL and Step Up simplifies the program for lenders and allows borrowers accessing a Minnesota Housing first mortgage program to have access to a down payment and closing cost loan.

Request Details:

Staff recommends:

- Decreasing the DPL and DPL Plus income limit from 95% to 90% of the area median income (AMI) as outlined in Table 1 below.
- Increasing the Step Up MPL income limits to match the Step Up income limits (130% AMI) as outlined in Table 3 below.
- Increasing the maximum MPL loan amount to $15,000.
- Requiring at least one borrower in all first time homebuyer households to complete homebuyer education.

Table 1: Proposed DPL and DPL Plus Income Limits

Household Size	11-County Twin Cities Metro Area*	Dodge and Olmsted Counties	All Other Counties
1- 2 Person	$ 65,000	$ 65,000	$ 58,000
3 Person	$ 73,000	$ 73,000	$ 65,000

4 Person	$ 81,000	$ 81,000	$ 72,000
5 Person	$ 88,000	$ 88,000	$ 78,000
6 Person	$ 94,000	$ 94,000	$ 84,000
7+ Person	$ 103,900	$ 101,800	$ 92,400

Table 2: Current DPL and DPL Plus Income Limits

Household Size	11-County Twin Cities Metro Area	Dodge and Olmsted Counties	All Other Counties
1- 2 Person	$ 69,000	$ 69,000	$ 62,000
3 Person	$ 77,000	$ 77,000	$ 69,000
4 Person	$ 86,000	$ 86,000	$ 76,000
5 Person	$ 93,000	$ 93,000	$ 82,000
6 Person	$ 100,000	$ 100,000	$ 89,000
7+ Person	$ 103,900	$ 101,800	$ 92,000

Table 3: Proposed Step Up MPL Income Limits

Metro, Dodge and Olmsted Counties	All Other Counties
$ 135,100	$ 120,200

Table 4: Current MPL Income Limits

Household Size	11-County Twin Cities Metro Area	Dodge and Olmsted Counties	All Other Counties
1-2 Person	$ 90,400	$ 88,600	$ 80,400
3+ Person	$ 103,900	$ 101,800	$ 92,400

Minnesota Housing Mortgage Loans Start Up Program Procedural Manual

~~*June 30, 2017*~~*TBD*

- rental agreement or lease) showing that they have not lived in the dwelling during the most recent three year period.

3.06 Principal Residence/Occupancy Requirement

The Borrower(s) must intend to occupy the financed dwelling as a Principal Residence within 60 days after the closing of the loan. A certification of the owner occupancy is to be made by the Borrower(s) in the Borrower Affidavit.

3.07 Homebuyer Education

Homebuyer Education is required for at least one Borrower.~~s~~ Homebuyer Education must be completed before closing. Homebuyer Education requirement is satisfied when at least one Borrower per household provides a certificate of completion. Minnesota Housing does not have a homebuyer education certificate expiration date policy. ~~securing Minnesota Housing financing under the following:~~

- ~~Fannie Mae HFA Preferred™ (Conventional)~~
- ~~Fannie Mae HFA Preferred Risk Sharing™ (Conventional)~~
- ~~Freddie Mac HFA Advantage℠ (Conventional)~~
- ~~Funds for downpayment or closing costs through the Deferred Payment Loan, Deferred Payment Loan Plus, or the Monthly Payment Loan~~

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Approved Homebuyer Education:

- Home Stretch
- Pathways Home: A Native Homeownership Guide
- Realizing the American Dream
- Framework (Online Course)

~~Homebuyer education must be completed before closing. The above-noted requirements are satisfied when at least one Borrower per household provides a certificate of completion. Minnesota Housing does not have a homebuyer education certificate expiration date policy.~~

3.08 Credit Scores and Debt-to-Income (DTI) Ratios

The Start Up Loan Program credit score and debt-to-income (DTI) requirements vary based on underlying loan products. Refer to Minnesota Housing's Credit and DTI Matrix for credit score and DTI requirements by product types. In addition, Minnesota Housing's requirements for the use of non-traditional credit that impact DTI and reserve requirements must be satisfied.

Refer to the following product descriptions on Minnesota Housing's website for additional conventional product requirements:

- Fannie Mae HFA Preferred™
- Fannie Mae HFA Preferred Risk Sharing™
- Freddie Mac HFA Advantage℠

6.03 Deferred Payment Loan Program Lender Warranties

In addition to the warranties stated in Section 1.07, the Lender warrants the following:

- The Borrower's cash investment is paid from the Borrower's out of pocket funds
- The Borrower's liquid asset reserves after closing are not more than the greater of eight months' PITIA or $8,000
- The Deferred Payment Loan Program monies received by the Borrower(s) are applied to the transaction and verified through the Closing Disclosure

6.04 Monthly Payment Loans

The Monthly Payment Loan provides assistance to pay for eligible expenses, including downpayment and customary buyer closing costs. Monthly Payment Loans:

- Are available only in conjunction with a Minnesota Housing first mortgage loan
- Are available in increments of $100 up to $~~12,000~~15,000
- Must occupy second lien position when combined with a non-Minnesota Housing Community Second Mortgage
- Have an interest rate equal to that of the first mortgage
- Are fully amortizing and are payable in level monthly payments over a 10-year term
- Are due on the first of each month, beginning with the due date of the initial monthly payment for the first mortgage
- Must be paid in full upon:
  - Sale or refinance of the property
  - Transfer of title to the property
  - Payment in full of the first mortgage at maturity
  - The first mortgage is declared due and payable whether through default or other event
- May not be assumed

6.05 Monthly Payment Loan Borrower Eligibility

The Borrower must satisfy all Start Up eligibility requirements as well as the following additional requirements for the Monthly Payment Loan.

Income Limits. All Start Up borrowers may access the Monthly Payment Loan. Monthly Payment Loans have no separate income limit. ~~Borrowers must satisfy the Monthly Payment Loan Income Limits posted on Minnesota Housing's website.~~

Asset Limit. Monthly Payment Loans have no asset limit.

Cash to the Borrower at Closing. The Borrower may receive cash back at closing only when all of the following criteria apply:

Minnesota Housing Mortgage Loans Step Up Program Procedural Manual

~~*June 30, 2017*~~*TBD*

Chapter 3 - Borrower Eligibility

3.01 Borrower

One individual or multiple individuals are eligible to be a Borrower only if the individual(s) meet the requirements of this Procedural Manual.

3.02 Borrower Age

The Borrower(s) must be 18 years of age or older or be declared emancipated by a court having jurisdiction.

3.03 Co-Signers

Co-Signers are permitted on Step Up loans. Co-Signers sign the Step Up loan note and the downpayment assistance loan note, if applicable. Co-Signers are not vested in title to the property and may, or may not, reside in the subject property.

3.04 Unauthorized Compensation

The Borrower(s) may not receive kickbacks, rebates, discounts, or compensation from any subcontractor, realtor, or property seller.

3.05 Principal Residence/Occupancy Requirement

At a minimum, one borrower must intend to occupy the financed dwelling as a Principle Residence.

3.06 Homebuyer Education

Homebuyer Education is required for at least one Borrower in a first-time homebuyer household. Homebuyer Education must be completed before closing. Homebuyer Education is satisfied when at least one Borrower per first-time homebuyer household provides a certificate of completion. Minnesota Housing does not have a homebuyer education certificate expiration date policy. ~~if all Borrowers are first-time homebuyers and securing Minnesota Housing financing under the following:~~

- ~~Fannie Mae HFA Preferred™ (Conventional)~~
- ~~Fannie Mae HFA Preferred Risk Sharing™ (Conventional)~~
- ~~Freddie Mac HFA Advantage℠ (Conventional)~~
- ~~Funds for downpayment or closing costs through the Monthly Payment Loan~~

Approved Homebuyer Education:

- Home Stretch
- Pathways Home: A Native Homeownership Guide
- Realizing the American Dream
- Framework (Online Course)

~~Homebuyer education must be completed before closing. The above noted requirements are satisfied when at least one Borrower per household provides a certificate of completion. Minnesota Housing does not have a homebuyer education certificate expiration date policy.~~

3.07 Credit Score and Debt-to-Income (DTI) Ratios

The Step Up Loan Program credit score and debt-to-income (DTI) requirements vary based on underlying loan products. Refer to Minnesota Housing's Credit and DTI Matrix, for credit score and DTI requirements by product types. In addition, Minnesota Housing's requirements for the use of non-traditional credit that impact DTI and reserve requirements must be satisfied.

Refer to the following product descriptions on Minnesota Housing's website for additional conventional product specific requirements:

- Fannie Mae HFA Preferred™;
- Fannie Mae HFA Preferred Risk Sharing™; and
- Freddie Mac HFA Advantage℠

Minnesota Housing offers this chart and these product descriptions as a good faith assistance for Lenders. The Lenders are advised to fulfill their due diligence in adhering to all underlying product and U.S. Bank Home Mortgage, HFA Division, requirements, and not solely relying on the tools provided in this procedural manual.

See All Regs for additional, specific U.S. Bank Home Mortgage, HFA Division, requirements.

Chapter 6 – Downpayment and Closing Cost Loans

The Minnesota Housing downpayment and closing cost loan option available with Step Up is the Monthly Payment Loan.

6.01 Monthly Payment Loan Requirements

The Monthly Payment Loan provides assistance to pay for eligible expenses, including downpayment and customary buyer closing costs. The Monthly Payment Loan is the only Minnesota Housing downpayment and closing cost option available with Step Up. Monthly Payment Loans:

- Are available only in conjunction with a Minnesota Housing first mortgage loan, however, they are not available with the premium service release premium (SRP) option
- Are available in increments of $100 up to $~~12,000~~15,000
- Must occupy second lien position when combined with a non-Minnesota Housing Community Second Mortgage
- Have an interest rate equal to that of the first mortgage
- Are fully amortizing and are payable in level monthly payments over a 10-year loan term
- Are due on the first of each month, beginning with the due date of the initial monthly payment for the first mortgage
- Must be paid in full upon:
  - Sale of the property
  - Transfer of title to the property
  - Payment in full of the first mortgage at maturity
  - The first mortgage is declared due and payable whether through default or other event
- May not be assumed

6.02 Monthly Payment Loan Borrower Eligibility

The Borrower(s) must satisfy all Step Up eligibility requirements as well as the following additional requirements for the Monthly Payment Loan.

Income Limits. All Step Up borrowers may access the Monthly Payment Loan. Monthly Payment Loans have no separate income limit.~~The Borrower(s) applying for a Step Up Loan with Monthly Payment Loan assistance must satisfy the Monthly Payment Loan Income Limits posted on Minnesota Housing's website.~~

Homebuyer Education. Homebuyer Education is required of at least one ~~if all~~ Borrower~~s~~ in a ~~are~~ first-time homebuyer household~~s~~. (See section 3.06 for more details.)

MINNESOTA HOUSING

Board Agenda Item: 7.B
Date: 2/22/2018

Item: Approval**,** Fix Up Home Improvement Program and Manual Changes

Staff Contact(s):
Krissi Hoffmann, 651.297.3121, krissi.hoffmann@state.mn.us
Laura Bolstad, 651.296.6346, laura.bolstad@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:

As the result of a review and evaluation of the program, staff requests approval for the following changes to the Fix Up Loan (FUL) Program: 1) use qualifying income to determine program eligibility; 2) match Fix Up Loan Program income limits to Step Up Loan Program income limits; 3) increase the garage size limit to 1,000 square feet (from 800 square feet); 4) eliminate the requirement to provide a copy of the deed for unsecured transactions (owner occupancy will still be verified); 5) allow the actual cost of a credit report to be passed on to the borrower; 6) incorporate Community Fix Up Loan criteria into the FUL Procedural Manual; 7) offer an interest rate discount for both secured and unsecured loans using automatic payments (ACH); and 8) approve corresponding changes to the Fix Up Loan Program Procedural Manual

Fiscal Impact:
The FUL Program changes align program production projections with anticipated resources.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Request Details
- Fix Up Loan Program Procedural Manual

Background:

The FUL Program allows homeowners to finance a variety of permanent improvements to their home with affordable repayment terms. The program is delivered by a statewide network of lenders that includes private sector banks, credit unions, non-profit organizations, and local units of government. The last significant program changes to the FUL Program occurred in 2012, when minimum credit score criteria and an unsecured loan option were added. In recent years, FUL production leveled off to approximately 800 loans and $12.5 – $13.5 million in annual production. Since 2017, production decreased from previous years, in part due to the loss of some high producing lender partners.

The proposed changes are in response to lender feedback and recommendations to simplify the program and provide better alignment with other programs that serve similar borrowers. The recommended changes to the FUL Program support a streamlined origination process, faster approval and implementation for Community Fix Up initiatives, and facilitates new lender recruitment while supporting the Agency's mission to serve low and moderate-income homeowners. The goal of the program is to ensure statewide availability of an affordable home improvement loan product to low and moderate-income borrowers that are not well served by the private market.

Request Details:

Staff requests approval for the following changes to the FUL Program:

1) Use qualifying income to determine program eligibility, thereby eliminating a burdensome non-industry standard practice tied to bond funding (which is no longer used to fund the FUL Program).
2) Match FUL Program income limits to the Agency's first mortgage Step Up Loan Program income limits, set at 130% of the Area Median Income (Table 1).
3) Increase the garage size limit to 1,000 square feet (from 800 square feet), which will allow for a 3 car garage.
4) Eliminate the requirement to provide a copy of the deed for unsecured transactions (owner occupancy will still be verified).
5) Allow the actual cost of a credit report to be passed on to the borrower, bringing the program in line with industry standard practices.
6) Incorporate Community Fix Up criteria into the Fix Up Loan Program Procedural Manual, which will streamline launching new initiatives.
7) Offer an interest rate discount to both secured and unsecured loan borrowers who use ACH to automate payments, providing equal access to this benefit, in recognition that loans on ACH tend to perform better (a discounted rate is currently offered on non-energy incentive unsecured loans on ACH). Program staff will work with Finance staff to determine the discounted rate and update the daily interest rate schedule posted on Minnesota Housing's web site accordingly. The ACH discount would not be available for energy incentive loans or accessibility loans because those loans are already offered at a reduced interest rate.

Table 1: Proposed FUL Income Limits

Metro, Dodge and Olmsted Counties	All Other Counties
$ 135,100	$ 120,200

Table 2: Current FUL Income Limit

Statewide	$ 104,000

Fix Up Loan Program
Procedural Manual

~~*October 26, 2017*~~*TBD*

- The relevant requirements of any state or federal laws with respect to consumer credit, plain language consumer contracts, and truth-in-lending are satisfied;
- Any loan transaction subject to the right of rescission which has not been effectively waived, has been delivered after the rescission period has expired and the loan has not been rescinded;
- The Seller has no knowledge that any improvement covered by the loan is in violation of any zoning law or regulation; and
- The Seller also agrees that the person who confirms on the Minnesota Housing Loan Commitment System the Seller Representations and Warranties on behalf of the Seller is fully conversant with Minnesota Housing program requirements and has the authority to legally bind the Seller; and the Seller has complied with all terms, conditions, and requirements of the Participation Agreement and this Procedural Manual unless those terms, conditions, and requirements are specifically waived in writing by Minnesota Housing.

1.08 Seller Compensation

Secured Loans

The Seller is compensated for each secured Fix Up loan or Community Fix Up loan purchased by Minnesota Housing as follows:

- A Processing fee of $400 for each Fix Up loan; or
- A Processing fee of $400 for each Community Fix Up loan; and
- The Seller may charge, and the Borrower may finance, an origination fee of not more than 1% of the principal balance of the loan, the actual cost of the title search and flood certification, and the actual cost of document preparation not to exceed $50.
- The Seller may charge, and the Borrower may finance, the actual cost of a broker's purchase price opinion based on a Competitive Market Analysis (CMA), not to exceed $150.00.
- ~~Credit investigation fees up to $15~~Actual cost of the credit report, recording fees and mortgage registration tax fees must be paid from the Borrowers own funds and may not be financed in the loan amount.

Unsecured Loans

- The Seller is compensated $250 for each unsecured Fix Up loan purchased by Minnesota Housing.[1]
- The Seller may charge, and the Borrower may finance, the actual cost of document preparation not to exceed $50.

[1] Community Fix Up loans must be secured by a lien in favor of Minnesota Housing.

- ~~Credit investigation fees up to $15~~ Actual cost of the credit report must be paid from the Borrower's own funds and may not be financed in the loan amount.
- There are no origination fees, title search, flood certification, recording or mortgage registration tax fees for unsecured loans.

1.09 Annual Renewal Requirements and Fees

- An annual renewal fee in the amount of $250;
- Minnesota Housing may adjust the annual renewal fees at any time at its discretion; and
- The Seller must meet the minimum loan volume requirements as specified by Minnesota Housing.

1.10 Selection of Contractors

The Seller must permit the Borrower to choose a contractor(s).

- Ownership by any form of trust except Community Land Trust and individual home-site lease assignments on tribal trust land; and
- Ownership subject to a reverse mortgage (except that unsecured loans may be made to a Borrower(s) whose ownership interest is subject to a reverse mortgage and when the Borrower(s) agree to automatic monthly payments).

Title may be held in the following ways:

- Individually;
- Joint tenants;
- Tenants in common;
- Tenancy by the entirety;
- Vendee interest in a recorded contract-for-deed; or
- A recorded life estate. (Remaindermen to a life estate aren't eligible to be a Borrower, but remaindermen and spouses, if any, must sign the mortgage that secures the loan.)

Secured Loans
Title investigation may be conducted by the Seller through documented contact with the County Recorder's Office/Registrar of Titles, or with an Owner's and Encumbrances report.

Unsecured Loans
The Borrower(s) ownership interest must be documented using the most recent property tax statement~~ and a copy of the deed (mortgage deed, warranty deed, quitclaim deed, etc.)~~.

When a property is located on tribal trust land, the Seller must obtain a copy of the Borrower's home-site lease assignment.

2.06 Principal Residence/Occupancy Requirement

The Borrower(s) must own and occupy the property as their Principal Residence at the time of Fix Up loan closing. Further, the Borrower(s) must continue to own and occupy the property as their Principal Residence during the term of the loan.

2.07 Credit Scores

The minimum allowable credit score(s) for Borrower(s), Co-Borrower(s), and Guarantor(s), if applicable, are as follows:

- 620 for secured loans; and
- 680 for unsecured loans.

If the Borrower(s), Co-Borrower(s), and Guarantor(s), if applicable, do not have available credit scores, at least three alternative credit sources showing payments are made as agreed must be

established in accordance with the requirements listed in section 4.06 of this Procedural Manual.

Note: Alternative credit sources may not be used to offset unavailable credit scores for a Borrower requesting an unsecured loan. (Section 4.06)

2.08 Fix Up Loan Program ~~Eligibility~~ Income Limits

The calculated income figure used to qualify the Borrower(s) may not exceed the Fix Up Loan Program income limits posted on Minnesota Housing's website. Income is defined by and calculated according to the Seller's credit underwriting guidelines (i.e. qualifying income). ~~Fix Up Loan Program Eligibility Income is the Annualized Gross Income from whatever source derived, before taxes or withholdings, of:~~

- ~~The Borrower(s);~~
- ~~The Borrowers' spouse, if any; and~~
- ~~Any other household resident who has ownership interest in the property to be improved.~~

~~The Minnesota Housing maximum total Fix Up Program Eligibility Income may not exceed the amounts listed on Minnesota Housing's website. The calculation of Fix Up Program Eligibility Income must take place in the 120 day period immediately preceding loan closing. The lender must rely on most recently verified income documentation in the loan file.~~

~~**Program Eligibility Income Calculation**~~

~~For more technical guidance in calculating Fix Up Loan Program Eligibility Income, use the Program Eligibility Income Calculation Worksheet in the Forms section of the Fix Up Loan Program page of Minnesota Housing's website.~~

~~**Note:** Refer to exceptions below when originating loans for Accessibility Improvements and Incentive Rate Energy Conservation and Accessibility Improvement Loans.~~

~~Annualized Gross Income includes:~~

- ~~Salary, commissions, bonuses, tips, earnings from part-time employment;~~
- ~~Interest, dividends, gains on sale of securities;~~
- ~~Annuities, pensions, royalties;~~
- ~~Veterans Administration compensation, public assistance, social security benefits, unemployment compensation, and sick pay;~~
- ~~Net rental income after adding back depreciation;~~
- ~~Net income received from business activities after adding back depreciation, entertainment and travel expenses, and private retirement contribution;~~
- ~~Alimony, child support;~~
- ~~Estate or trust income;~~
- ~~Seasonal employment income; and~~

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- Contract-for-deed income deducting principal, interest, taxes, and insurance paid by the property Seller on outstanding debt against the property. (Deductions cannot exceed the contract-for-deed income.)

Ineligible income adjustments include:

- Any temporary, nonrecurring reduction of income of a known duration including, but not limited to, layoff, maternity leave, or sabbatical leave may not be considered when calculating gross annual income. Rather, income is calculated based on the normal annual income of the temporarily unemployed person.

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Exception for Accessibility Improvements:

- The maximum Fix Up Loan Program Eligibility Iincome limits may be waived, with prior written approval by Minnesota Housing, when the loan proceeds will be used exclusively for Accessibility Improvements. If anticipating a waiver, the income of the spouse and any other household resident who has ownership interest in the property to be improved is not considered in determining whether the household meets the Program Eligibility Income limit.

Exception for energy conservation improvements:

- The maximum Fix Up Loan Program Eligibility Iincome limits are is waived when the loan proceeds will be used exclusively for energy conservation improvements outlined in Section 5.02 of this Procedural Manual. As such, the income of the spouse and any other household resident who has ownership interest in the property to be improved is not considered in determining whether the household meets the Program Eligibility Income limit.

2.09 Separated Spouses

All spouses must sign the mortgage, even Wwhen the Seller establishes that a spouse permanently resides outside the household., the income of that separated spouse is excluded from Fix Up Loan Program Eligibility Income as calculated pursuant to Section 2.08 of this Procedural Manual. However, the separated spouse must sign the mortgage.

Examples of separated spouse documentation include:

- Legal separation documentation; or
- Proof of initiated divorce proceedings; or
- Verification of separate principal residence and absence of joint accounts.

2.10 Loans to Employees and Affiliated Parties

The Seller may make Minnesota Housing loans to their directors, officers, employees, or their families as well as to builders, realtors, and their families, and any other principal with whom

the Seller does business. Minnesota Housing employees and their families are eligible. The Borrower must satisfy all eligibility criteria for the program.

4.01 Eligible Loans

General Loan Eligibility Requirements

Minnesota Housing purchases closed and funded loans from Sellers under contract in Minnesota Housing loan programs. The Seller must warrant that the following criteria are met for each loan submitted for purchase:

- All loans are originated, processed, credit underwritten, closed, and disbursed in accordance with the requirements of this Procedural Manual;
- If the loan is secured by a mortgage in first lien position, the combination of the interest rate and loan repayment term may not cause the annual percentage rate (APR) for the loan to exceed the first lien position rate published on Minnesota Housing's website by more than .49%;
- All loans must be current as to monthly payments at the time of loan purchase;
- All local, state, and federal laws and regulations including those relating to affirmative action, fair housing, equal opportunity, truth-in-lending, and wrongful discrimination in residential housing are met;
- Minnesota Housing program income and property requirements are met; and
- The loan must be originated and closed in the name of the Seller that is a party to the Participation Agreement and that has gained an Individual Commitment of funds from Minnesota Housing via the Minnesota Housing Loan Commitment System.

Eligible Loan Types/Loan Amounts/Loan Terms[2]

Fix Up Loan Type	Min. Ln. Amt.	Max. Ln. Amt.	Min. Ln. Term	Max Ln. Term
Regular - Secured Loan	$2,000	$50,000	1 year	20 years
Regular - Unsecured Loan	$2,000	$15,000	3 years	10 years
Energy/Accessibility Incentive-Secured Loan	$2,000	$15,000	1 year	20 years
Community Fix Up - Secured Loan	$2,000	$50,000	1 year	20 years

The above loan repayment terms apply subject to the following:

- The maximum possible maturity on a loan in an amount less than or equal to $10,000 is 10 years.
- The maximum possible maturity for secured loans in an amount greater than $10,000 is 20 years.
- The Seller will not make a loan term for an unreasonable length of time. Final maturity of the loan will be commensurate with the Borrower's ability to pay, including such considerations as debt-to-income ratio, size of household, and ~~Annualized Gross Income~~ qualifying income.

[2] See also Sections 4.02 and 4.12 of this procedural manual.

- For properties secured by a mortgage or contract-for-deed, the Fix Up loan term may not extend beyond the balloon payment due date, if applicable.
- For tribal trust properties:
  - the loan term may not extend beyond the term of the individual home-site lease; and
  - the loan must be unsecured.

4.03 Eligible Improvements

The proceeds of a loan under this Procedural Manual will be used to finance permanent improvements which:

- Improve the basic livability or energy efficiency of the property[3], including:
  - Structural additions;
  - Alterations;
  - Renovations and repairs; or
- Bring a property into compliance with state, county, municipal health, housing, building, fire, and housing maintenance codes or other public standards applicable to housing, including:
  - Replacement of a well; and
  - A septic system upgrade or replacement.

If the Fix Up loan will be used to reimburse the Borrower for improvements started or materials purchased before the loan closing, the Seller must document the following through the use of receipts or paid billing statements:

- The improvements were made within the 120-day period immediately preceding loan closing;
- The cost of materials and improvements; and
- The improvements are eligible under the Fix Up Loan Program.

Note: Further eligible and ineligible improvements may be found on the Eligible/Ineligible Improvements list, posted in the Resources section of the Fix Up Loan Program page on Minnesota Housing's website.

4.04 Ineligible Improvements

Ineligible improvements include, but are not limited to the following:

- Costs associated with a project which is incomplete (i.e. framing a room addition) unless accompanied by written verification of sufficient cash on deposit or approval from a supplemental funding source, to complete the project;
- Any improvement which is not a permanent fixture to the property (appliances, furniture or other personal items are not fixtures under Minnesota law);
- Payment, wholly or in part, of assessments for public improvements;
- Construction of or addition to existing residential garage space which will result in garage space per property, exceeding ~~800~~ 1,000 square feet;
- Improvements to a garage that is in excess of ~~800~~1,000 square feet;

[3] A property includes the main residence; its porch or deck; a garage not exceeding ~~800~~ 1,000 square feet, attached or detached; any sidewalks, retaining walls or driveways within the property's boundaries as outlined in the legal description.

4.08 Interest Rate/Payment Requirements General Interest Rate and Payment Information

The annual simple interest rates for all loans under the Fix Up Loan Program are the rates stated on Minnesota Housing's website, as applicable.

A final payment in an amount other than the regular installment may be required but may not be more than one and one-half times the amount of the regular installment.

Secured Loans and Unsecured Loans without Monthly Automatic Payments
Level monthly payments are required with the first payment due date to be 20 to 45 days following the Fix Up Loan Note date. The monthly payment is to be based on the loan amount, loan term and loan interest rate.

~~Unsecured~~ Loans with Monthly Automatic Payments (excluding Incentive Rate Energy Conservation and Accessibility Improvement Loans)

- The interest rate is the rate posted on Minnesota Housing's website and is ~~one half of one percent~~ below the rate for a loan without monthly automatic payments.
- Monthly automatic payments require that the Borrower complete the Authorization Agreement for Monthly Automatic Payment[4]. The Resources section of the Fix Up Forms page of Minnesota Housing's website contains a link to this form.
- The Borrowers may choose to have the loan payment deducted from either a checking or savings account.
- The Seller must submit a void blank check or savings account deposit slip with the executed Authorization Agreement for Monthly Automatic Payment within 5 days of purchase approval. (Section 7.02)
- Level monthly payments are required with the first payment due date to be 20 to 45 days following the Fix Up Loan Note date.
- The choices for payment draft dates on the Authorization Agreement for Monthly Automatic Payment are the 5th, 10th, 15th, or 20th of the month. Borrowers must choose either the payment due date or a date preceding the payment due date as the draft date. If no date is chosen, the draft date is the 5th of each month.
- If three or more payments are rejected or returned through the Monthly Automatic Payments system within a year, or if the Borrower voluntarily terminates participation in the Monthly Automatic Payment Program, Minnesota Housing may~~will~~ immediately and permanently increase the interest rate on the loan to~~by~~ the rate applicable for loans without automatic payment on the loan commitment date.~~one-half (.50%) of one percent~~.

[4] AmeriNat LLC (Servicer) form.

4.09 Conventional Loans

At the time of application, conventional financing for the proposed improvements must not otherwise be available from private lenders upon equivalent terms and conditions.

~~4.10 Credit Application~~

~~A fully completed, signed and dated Credit Application is required.~~

4.11 Refinancing

Minnesota Housing will not purchase loans for the purpose of refinancing or reimbursing the Borrower(s) for expenses incurred on the subject property more than 120 days before the loan closing, except in the following circumstance:

- Consolidation of the outstanding balance(s) of previously received Minnesota Housing loans when the Borrower is applying for funds to implement new eligible improvements, subject to the following conditions:
  - When consolidating the outstanding balance of previously received Fix Up or Community Fix Up loan(s), a prepayment penalty may apply (refer to the existing Fix Up Loan Note); and
  - Previously originated Fix Up loans with outstanding balances may not be consolidated into a new Fix Up unsecured or Incentive Rate Energy Conservation and Accessibility Improvement ~~l~~Loan.

4.12 Maximum Outstanding Loan Limit

- The total of outstanding Minnesota Housing Fix Up, Community Fix Up, Incentive Rate Energy Conservation and Accessibility Improvement ~~l~~Loans, and any new Fix Up, Fix Up unsecured, Incentive Rate Energy Conservation and Accessibility Improvement, or Community Fix Up loans may not exceed $50,000. The Seller must verify the Borrower's outstanding loan balance does not exceed the limit. (See Section 4.01 for Accessibility loan exception.)
- The total of Fix Up unsecured loans that a Borrower(s) may have outstanding at one time may not exceed $15,000.
- The total of Incentive Rate Energy Conservation and Accessibility Improvement ~~l~~Loans that a Borrower(s) may have outstanding at one time may not exceed $15,000.

4.13 Closing Costs and Pre-Paid Finance Charges

- ~~A credit investigation fee of up to $15 per loan~~ The actual cost of the credit report may be collected by the Seller. This fee must be collected from the Borrower and may not be deducted from proceeds or financed in the loan.

Recording fees and mortgage registration tax costs may be collected from the Borrower but may not be included in the face amount of the secured Fix Up Loan Note or paid from loan proceeds.

Chapter 5 – Special Assistance Program Requirements

5.01 Community Fix Up

Community Fix Up loans must meet the loan requirements of the Fix Up Loan Program and the Community Fix Up initiative. The Seller is responsible to determine the Borrower meets the initiative's requirements and to verify that the value-added services and/or interest rate discount available through the specific Community Fix Up initiative is provided.

Proposals for Community Fix Up initiatives must:

1. Address and incentivize specific community rehabilitation needs that cannot be effectively met under the statewide Fix Up Loan Program,
2. Provide or partner with community organizations (such as non-profits, utility companies, local governments, housing and economic development authorities) to provide:
    a. Leveraged funds in the form of discounted interest rates or matching funds; or
    b. Other value-added services or incentives such as donated rehabilitation advising, energy conservation rebates, or translation services
    c. A Loan Loss Reserve Fund
3. Include a written plan for targeted outreach and marketing

The Fix Up lender and their community partner(s) (if applicable) must submit a Community Fix Up proposal for their initiative. Minnesota Housing staff will review and approve proposals on an ongoing basis. A pool of funds is available to the approved initiative for two years, provided that the Fix Up Loan Program funding remains available and the Fix Up lender remains in good standing with Minnesota Housing.

- Discount Loan Initiatives:
    - Provides lenders with the ability to offer alternative interest rates under the Community Fix Up Loan Program using leveraged funds to buy down the current program rate.
    - Minnesota Housing reimburses the lender for the loan principal and processing fee and the loan is serviced at the rate and payment amount indicated on the Fix Up Loan Note.
- Value Added Services:
    - The ~~Lenders~~ Seller provides value–added services or partner with non-profit or governmental organizations offering value-added services to address community needs.
- Loan Loss Reserve Fund
    - The Seller is allowed to fund a Loan Loss Reserve, as approved by Minnesota Housing.

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5.02 Incentive Rate Energy Conservation and Accessibility Improvement Loans

Incentive Rate Energy Conservation and Accessibility Improvement ~~l~~Loans are eligible for reduced interest rates and must be used exclusively for energy conservation and Accessibility Improvements and meet all the requirements of this Procedural Manual as modified below:

- Eligible improvements for Energy Conservation Loans must meet Energy Star® requirements and are limited to:
  - Window replacement with Energy Star® Windows
  - Heating system replacement;
  - Central air conditioning replacement;
  - Water heater replacement;
  - Light fixture replacement; or
  - Insulation/attic air sealing.
- Because Energy Star® requirements change over time, the Sellers must refer to the Fix Up Loan Program Incentive Rate Energy Conservation and Accessibility Improvement Loan improvements list that may be accessed on Minnesota Housing's website for the specific, technical requirements of eligible energy improvements.
- Eligible Accessibility Improvements for reduced rate loans include but are not limited to:
  - Construction entrance or exit ramps;
  - Widening interior or exterior doors or hallways;
  - Moving electrical outlets and switches;
  - Installing or modifying fire alarms, smoke detectors and other alerting systems;
  - Installing handrails, grab bars or stairway lifts; or
  - Modifying hardware, doors or bathrooms.
- For other Accessibility Improvements not listed above, the Accessibility Evaluation for Reduced Interest Rate form must be used to document the accessibility needs of the Borrower(s). The Accessibility Evaluation for Reduced Interest Rate form must be submitted to Minnesota Housing for approval before commitment.

For requirements pertaining to waiver ~~Annualized Gross Income~~Fix Up Loan Program income limits, refer to Section 2.08.

For requirements pertaining to loan amount minimums and maximums as well as loan term minimums and maximums, refer to Section 4.01 of this Procedural Manual.

7.03 Signature Requirements

Fix Up Loan Note ~~and Credit Application~~

- The Borrower(s) must sign the Fix Up Loan Note ~~and the Credit Application~~ as the Borrower(s).
- If the Borrower's spouse or any other resident of the household with ownership interest is included in qualifying the loan, those person(s) must sign the Fix Up Loan Note ~~and Credit Application~~ as a Co-Borrower(s).

Mortgage

Any person with an ownership interest, whether or not they reside in the property must sign the mortgage.

7.04 Records Retention

The Seller must retain any and all documents (including compliance with Minnesota Housing program guidelines) as may be required, including, but not limited to:

- A written verification of all major sources of income;
- The credit report and any necessary supplementary information;
- A written verification of current property ownership (if contract-for-deed, a copy of the properly recorded contract);
- The bids and estimates for all proposed improvements; and
- All compliance documents required by the Seller's regulatory authority.

Appendix A: Definitions

All terms used in the Procedural Manual use industry standard definitions except for the following:

TERM	DEFINITION
Accommodation Party	An owner of the property who is not a Borrower on the Fix Up Loan Note, such as a non-borrowing spouse or a contract-for- deed vendor.
Accessibility Improvement	An interior or exterior improvement or modification to a property, which is necessary to enable a resident or a Borrower with a permanent physical or mental condition that substantially limits one or more major life activities to function in that property.
~~Annualized Gross Income~~	~~Gross monthly income multiplied by 12.~~
Dealer Loan	A loan where an intermediary such as a contractor, salesman or materials supplier, having a financial interest in the contract for the repair, alteration, or improvement of the Borrower's property, intervenes or participates in the application for or disbursement of the loan.
Direct Loan	A loan applied for by, and disbursed to the Borrower; and where the ~~Credit Application~~application, signed by the Borrower is filled out by: A. The Borrower; or, B. A maker of the Fix Up Loan Note other than a Borrower; or, C. A person acting at the direction of a Borrower who has no financial interest, directly or indirectly, in the contract for the repair, alteration, or improvement of the Borrower's property.
Incentive Rate Energy Conservation and Accessibility Improvement Loans	Those loans referenced in Section 5.02 of this Procedural Manual. (As opposed to the Regular Secured Accessibility Loan under the Fix Up Loan Program.)
Individual Commitment	A specific legal commitment of funds with specific terms and conditions for use by a specific Borrower purchasing a specific property.

TERM	DEFINITION
~~Fix Up Loan Program Eligibility Income~~	~~Annualized Gross Income from whatever source derived, before taxes or withholdings, of:~~ ~~• The Borrower(s);~~ ~~• The Borrowers' spouse, if any; and~~ ~~• Any other household resident who has ownership interest in the property to be improved.~~ ~~The Minnesota Housing maximum gross household income may not exceed the amounts listed on Minnesota Housing's website.~~
Minnesota Housing Program Underwriting Income	Gross annual income that is verified and documented as stable and likely to continue. This income is used to determine: • the Debt-to-Income Ratio for the Borrower(s) and Guarantor(s); ~~and~~ • whether approving the loan application constitutes a prudent investment risk; and~~.~~ • whether the borrower(s) meet program income limits.
Order Discharging Debtor	The notice filed with the Bankruptcy Court proving the bankruptcy case was successfully completed and all debt was discharged. **Note:** If the bankruptcy case is dismissed, it means that something went wrong with the case and the debts are still owed to the creditors.
Principal Residence	A property used as the primary domicile of the owner-occupant Borrower and the household.
Seller	A lender under contract to participate in Minnesota Housing programs.

Appendix B: Forms List

See www.mnhousing.gov for required Fix Up Loan Program forms as well as optional forms.
~~Accessibility Evaluation for Reduced Interest Rate~~
~~Authorization Agreement for Monthly Automatic Payment (Servicer Form)~~
~~Credit Application~~
~~Homeowner Information~~
~~Homeowner Labor Agreement~~
~~Fix Up Loan Program Eligibility Income Calculation Worksheet~~
~~Loan Transmittal~~
~~Fix Up Loan Note~~

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MINNESOTA HOUSING

Board Agenda Item: 7.C
Date: 2/22/2018

Item: Approval, Community Homeownership Impact Fund Program Procedural Manual

Staff Contact(s):
Nick Boettcher, 651.296.9567, nick.boettcher@state.mn.us

Request Type:
☒ Approval
☒ Motion
☐ Resolution
☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
Staff requests board approval of the Community Homeownership Impact Fund (Impact Fund) Program Procedural Manual.

Fiscal Impact:
There is no direct fiscal impact as a result of the Impact Fund Procedural Manual changes. The Impact Fund Program is funded with State appropriated Economic Development and Housing Challenge funds, Pool 2, and housing infrastructure bond proceeds awarded to Administrators via an annual request for proposals process. The Impact Fund Procedural Manual will guide the use and management of funds awarded to Impact Fund Administrators.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Community Homeownership Impact Fund Program Procedural Manual

Background:
Since 1999, Minnesota Housing has operated the Community Homeownership Impact Fund (Impact Fund) Program (formerly known as the Community Revitalization Fund [CRF or CRV]), offering funding statewide via the Single Family Request for Proposals (RFP). The Impact Fund awards funds to Administrators to address locally-identified needs for affordable, single family, owner-occupied housing.

Many of the Impact Fund Procedural Manual changes are made to align with efforts to standardize grants management practices throughout the Agency. The Agency has adopted a new template Grant Contract that exclude many provisions previously included in the Impact Fund Fund Availability, Disbursement, and Loan/Grant Agreement (Agreement). The Impact Fund has adopted this template Grant Contract, beginning with Impact Fund Awards made under the 2017 Single Family RFP, and a companion Loan Contract, and has revised the Impact Fund Procedural Manual to incorporate provisions that had been included in the Agreement but are now excluded from the Grant Contract template. The revisions also clarify existing procedures and language in the Impact Fund Procedural Manual. Finally, some revisions change or add policies and procedures. Below is a summary of the revisions to the Impact Fund Procedural Manual.

Alignment with Grant Contract Templates
These revisions ensure greater consistency with provisions in the Grant Contract. The revised Impact Fund Procedural Manual:

- Clarifies the Agency's ability to conduct financial reconciliation as well as monitoring, and further differentiates between monitoring and quality control.
- Bars Administrators from contracting with vendors who are suspended or debarred.
- Incorporates Minnesota Housing's Conflict of Interest Procedures for Grants Management.
- Includes sections concerning fraud disclosure and suspension, similar to sections in the Grant Contract and Loan Contract.
- Aligns reasonable cost estimate requirements with contracting and bidding requirements contained in Agency Grant Contracts.

Previously in Funding Agreements
These revisions incorporate procedures that had been conditions under the Funding Agreement. Due to the adoption of the Agency's Grant Contract template for this program, these items are no longer in the legal contract between the Administrator and the Agency. These are provisions still required by the program. As a result, they are incorporated into the revised Impact Fund Procedural Manual:

- Moves property inspection requirements from the Agreement to the Impact Fund Procedural Manual.
- In accordance with similar language included in individual Agreements for the past several years, requires that Administrators offering owner-occupied rehabilitation programs consider households' eligibility for, and refer households to, other types of assistance prior to offering Impact Fund assistance. These other types of assistance include:
    - Minnesota Housing's Fix Up Loan Program
    - Minnesota Housing's Community Fix Up Loan Program
    - Minnesota Housing's Rehabilitation Loan Program/Emergency and Accessibility Loan Program

  - U.S. Department of Agriculture Rural Development Section 504 rehabilitation loans and grants
  - Weatherization assistance
  - Other home rehabilitation and repair programs available, including those funded through the Minnesota Department of Employment and Economic Development's Small Cities Development Program.
- Moves requirements concerning escrow accounts from the Agreement to the Impact Fund Procedural Manual.

Clarifications to Existing Policies or Procedures
These revisions clarify, but do not substantively change, policies and procedures contained in prior versions of the Impact Fund Procedural Manual. The revised Impact Fund Procedural Manual:

- Provides that only the Administrator or a Processing Entity approved by Minnesota Housing may originate loans to homeowners. Prior versions of the Impact Fund Procedural Manual did not restrict which entities may originate loans to homeowners.
- Provides that the Administrator may establish more stringent household selection requirements, including maximum purchase prices, household asset limits, loan-to-value limits and combined loan-to-value limits. Prior versions of the Impact Fund Procedural Manual did not address this issue.
- Requires that the Impact Fund Mortgage Note (Note) be executed by all parties whose income must be included in calculating household income. Previously, the Procedural Manual required that the Note be executed by the "household."
- Updates records retention requirements for consistency with the Agreement, Grant Contract, and Loan Contract.
- Requires that the Household Demographic Project Information form be submitted upon Project completion and defines Project completion. The Household Demographic Project Information form is a key document that provides the Agency with information on Project costs and Households served. Previously, the Impact Fund Procedural Manual did not define Project completion. It required a Household Demographic Project Information form but did not stipulate when to submit the form.
- Provides that, in the case of conflicting provisions between the Procedural Manual, Application for Funds, and the Agreement, Grant Contract or Loan Contract, the most stringent requirements apply.
- Provides guidance as to when Administrators should request waivers to the minimum 25% housing-to-income ratio requirement for Affordability Gap eligibility, including instances where the household is maximizing the amount of financing for which it has qualified from the first-mortgage lender.
- Specifies that land trust ground lease fees and manufactured home park lot rent be considered as housing costs in calculating household housing-to-income ratios for purposes of determining eligibility for Affordability Gap assistance. Previously, those costs had not been specifically identified as housing costs to be considered in calculating a household's housing ratio.
- Provides that Administrators' (inclusive of processing entities' and affiliates') compensation is limited to the Developer Fee or Administration Fee, unless Minnesota Housing has approved additional compensation.

- Lists “ineligible costs,” correlating with the list of “eligible costs” contained in prior versions of the Impact Fund Procedural Manual. Ineligible costs include: costs reimbursed from another source; payment for labor performed by a member of the Household; and, costs not included in the list of eligible costs.

Changes to Existing Policies or Procedures
These revisions change existing policies or procedures. The revised Impact Fund Procedural Manual:

- Provides that Administrators must request and receive an approved waiver by the Agency prior to exceeding the maximum per-unit investment. Previously, Administrators could exceed the maximum per unit investment as stated in the Agreement, Grant Contract, or Loan Contract by up to 50 percent without prior written approval from Minnesota Housing.
- Eliminates procedures for revolving loan funds. Previously, the Impact Fund would consider requests received in the Single Family Request for Proposals (RFP) to “revolve” interim loan funds awarded under a prior RFP for use in an activity to be funded under the new RFP. As it did in the 2017 Single Family RFP, the Impact Fund will, in the future, provide interim loan funds as new loans rather than “revolving” loans.
- Eliminates the mid-year reporting requirement. Previously, Administrators had to provide a report six months into their most recent award on the same template used for annual reporting. Administrators will continue to provide annual reports and staff will communicate with Administrators throughout the award period to determine and address Administrator progress.

Effective Date and Applicability
Following board approval, the proposed new Impact Fund Procedural Manual would go into effect March 1, 2018.

Agreements, Grant Contracts and Loan Contracts currently in effect refer to the Procedural Manual as may be amended; therefore, this updated version would apply to all activity occurring on and after March 1, 2018.

Community Homeownership Impact Fund Program Procedural Manual

~~*June 7, 2016*~~

~~MINNESOTA HOUSING – COMMUNITY HOMEOWNERSHIP IMPACT FUND PROGRAM PROCEDURAL MANUAL – JUNE 7, 2016~~

March 1, 2018

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~~MINNESOTA HOUSING – COMMUNITY HOMEOWNERSHIP IMPACT FUND PROGRAM PROCEDURAL MANUAL – JUNE 7, 2016~~

The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation in the provision of services.

An equal opportunity employer.

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

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~~MINNESOTA HOUSING – COMMUNITY HOMEOWNERSHIP IMPACT FUND PROGRAM PROCEDURAL MANUAL – JUNE 7, 2016~~

Introduction

Mission Statement

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.

Background

The Minnesota Housing Finance Agency (Minnesota Housing) was created in 1971 by the Minnesota Legislature.

Minnesota Housing offers funding through an annual Single Family Request for Proposal (RFP) to assist communities/neighborhoods in addressing local housing concerns by leveraging resources to maintain and/or develop ownershipowner-occupied housing that is Affordable to the Local workforceWork Force.

Community Homeownership Impact Fund Program

The Community Homeownership Impact Fund Program (Impact Fund), formerly known as the Community Revitalization Program (CRV), is the umbrella name for a variety of limited funding resources offered in the Single Family RFP, including the Economic Development and Housing Challenge Fund (Challenge) and other Minnesota Housing resources which vary each yearfrom time to time.

The Impact Fund allows for a variety of housing activities including: Acquisition, Rehabilitation and Resale, New Construction (which may include demolition/rebuilding rebuild), Owner-Occupied Rehabilitation, and new construction,stand-alone Affordability Gap and Value Gap. In some cases, fundsassistance. Funding for Owner-Occupied Rehabilitation and downpaymentAffordability Gap assistance may be provided ifare generally limited to situations where the articulated community need for thesuch funds cannot be served by other Agency programs or other available programs and resources, including Minnesota Housing programs.

Procedural Manual

This Procedural Manual sets forth for Administrators the terms and conditions under which Minnesota Housing will award Impact Fund Dollars to Administrators.

~~MINNESOTA HOUSING – COMMUNITY HOMEOWNERSHIP IMPACT FUND PROGRAM PROCEDURAL MANUAL – JUNE 7, 2016~~

Chapter 1 – Partner Responsibilities/Warranties

(See Appendix C~~, Section A~~ for ~~Chapter~~ minimum documentation requirements.)

1~~ Documentation Requirements.)~~

.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Fund Availability, Disbursement and Loan/Grant Agreement~~ (hereinafter~~, Loan Contract, and/or Grant Contract (each of which is referred to as the "Agreement") executed between the Administrator~~, Processing Entity (if applicable)~~ and Minnesota Housing. ~~It~~ This Procedural Manual is incorporated into the Agreement by reference~~ and is a part thereof as fully as if set forth therein at length.~~.

Minnesota Housing reserves the right to:

- Alter or waive any of the requirements herein;
- Impose other and additional requirements; and
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated.

Minnesota Housing grants waivers, alterations or revisions at its sole discretion. Administrators may request, in writing to Minnesota Housing, waivers, alterations or revisions to this Procedural Manual.

In the case of a conflict between this Procedural Manual and the Application for Funds, this Procedural Manual controls. In the case of a conflict between the Agreement and this Procedural Manual, the Agreement controls. This Procedural Manual, may, however, contain more stringent requirements than those found in the Application for Funds or the Agreement. In which case, Administrators must comply with the most stringent requirements.

1.02 The Agreement

If an Administrator submits ~~their Impact Fund~~its Application for Funds to Minnesota Housing and is selected to receive Impact Fund Dollars through an Impact Fund Award, Minnesota Housing and the Administrator will execute ~~the~~an Agreement or Agreements outlining the legal relationship and responsibilities ~~of~~between the Administrator ~~to~~and Minnesota Housing.

~~The~~Each Agreement is labeled with an Impact Fund ~~Agreement~~Award ID Number, which is the unique identifier for the ~~Agreement.~~Impact Fund Award. The Administrator must use ~~this~~the Impact Fund ~~Agreement~~Award ID Number on all forms and correspondence to Minnesota Housing.

1.03 Evidence of Misconduct Referred to Attorney General

Minnesota Housing will refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of the Impact Fund ~~Program~~ to the Minnesota Attorney General's office for appropriate legal action.

Minnesota Housing may exercise all remedies available to it, both legal and equitable, to recover funds from the Administrator and/or the Household. This includes Impact Fund Dollars, together with all applicable administrative costs and other fees or commissions received by the Administrator in connection with the Impact Fund Dollars and for all attorney fees, legal expenses, court costs or other expenses incurred by Minnesota Housing in connection with the Impact Fund Dollars or recovery ~~thereof~~of such funds.

1.04 Compliance with Privacy Statutes

The Minnesota Government Data Practices Act:

- Requires the Administrator to supply ~~Borrowers and Households receiving Grant funds~~individuals with the Tennessen Warning and the Privacy Act Notice when requesting private data~~1~~;[1];
- Governs when the disclosure of ~~the Borrower's~~an individual's social security number is required;
- Provides that when a Household receives a ~~deferred or amortized~~ loan, only the Borrower's name, address and amount of assistance received are public data ~~and may be released~~;
- ~~Further~~ Provides that all data regarding a Household that receives or benefits from ~~a~~ Grant Funds, except the amount of assistance, are private data on individuals and may not be released without the Household's permission; and
- Provides that ~~with both Grant and loan assistance,~~ all other data created by or collected from the Household, including financial information such as credit reports, financial statements and net worth calculations, are classified as private data on individuals under Minnesota Statutes §462A.065 and §13.462 subdivision 3.

1.05 Unauthorized Compensation

The Administrator may receive fees approved in this Procedural Manual. However, the Administrator shall not receive or demand from the builder, remodeler, contractor, supplier, or Borrower:

- Kickbacks;
- Commissions;
- Rebates; or

[1] Administrators that are governmental entities are to use the form approved by their "Responsible Authority", as defined in Minnesota Government Data Practices Act § 13.02, Subd. 16. Other Administrators must provide a Tennessen Warning and Privacy Act Notice and use the applicable Tennessen Warning and Privacy Act Notice located on Minnesota Housing's Impact Fund webpage.

- Other compensation.

In order to reduce the Total Development Cost associated with an eligible Property, an Administrator may receive discounts from the seller, builder, remodeler, contractor, or supplier. In these cases, the Administrator file must be documented to prove that the discounts received are considered normal for the market area and do not constitute a kickback, commission, rebate or compensation for products or services rendered. Any discounts that exceed the norm must be documented as a charitable contribution by the representative of the seller, builder, remodeler, contractor or supplier providing the discount.

~~[1] Administrators who are Governmental Entities shall use the form approved by their "Responsible Authority", as defined in Minnesota Government Data Practices Act § 13.02, Subd. 16. Other Administrators shall provide a Tennessen Warning and Privacy Act Notice and may use the applicable, fillable Tennessen Warning and Privacy Act Notice located on the Impact Fund Forms page of Minnesota Housing's website.~~

~~1. Audit and Monitoring Guidelines and Requirements~~

~~The Administrator is required to keep on file a complete copy of all documents for each activity completed.~~

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1.06 Monitoring, Financial Reconciliation and Quality Control Audits

With reasonable notice to the Administrator and~~/or~~, where applicable, to the Household, Minnesota Housing reserves the right to make site visits~~ or conduct an audit related to all~~, review Administrator's records and Project files~~ utilizing any Impact Fund Dollars~~, and conduct quality control audits.

Administrator's records and Project files, including but not limited to Administrator, Household/Borrower and Construction/Property files ~~may be requested to~~as specified in Appendix C, must be made available upon request in order to conduct~~:~~ monitoring and quality control audits.

Monitoring and Financial Reconciliation

Administrator's records and Project files ~~may be requested to~~must be made available to Minnesota Housing at the Administrator's office during regular business hours~~.~~, or via remote submission, if so requested by Minnesota Housing. Monitoring ~~visits will include~~and financial reconciliation generally includes:

- Physical inspection of ~~eligible properties; and~~Projects;
- Verification of ~~accounting and~~ Project files including eligibility requirements and documentation requirements (see Appendix C~~).~~); and
- Review of expense documentation (e.g., any and all books, records, invoices, and receipts), other program-related documents, and accounting procedures and practices relevant to the Agreement and this Procedural Manual.

Quality Control Audits

Quality control audits typically focus on an Administrator's use of Deferred Loan Funds to make Deferred Loans to Borrowers, including Deferred Loans originated by a Processing Entity. Administrator's records and Project files ~~may be requested to be forwarded to~~must be made available to Minnesota Housing via remote submission, or at the Administrator's office during regular business hours, if and as requested by Minnesota Housing~~ for review.~~. Audited files are reviewed for:

- Minnesota Housing program/policy compliance;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends and~~/or~~ other indicators that may have an impact on the financial viability of the ~~program in part or in whole.~~Impact Fund.

~~MINNESOTA HOUSING – COMMUNITY HOMEOWNERSHIP IMPACT FUND PROGRAM PROCEDURAL MANUAL – JUNE 7, 2016~~
~~For documentation requirements, see Appendix C.~~

1.07 Term of Funds Availability

Minnesota Housing reserves the right to cancel the Impact Fund Award specified in the Agreement if ~~it~~the Agreement is not executed and returned to Minnesota Housing within 60 days of the Administrator's receipt of the Agreement.

Impact Fund Dollars will be available to the Administrator for a period of 20 months unless otherwise stated ~~by Minnesota Housing in the Agreement.~~
in the Agreement.
~~Any Impact Fund Dollars not used by the Administrator during that 20-month period shall be repaid to Minnesota Housing in accordance with the terms and conditions outlined in the Agreement.~~ Minnesota Housing, at its sole discretion, may extend the period Impact Fund Dollars are available to the Administrator.

Any Impact Fund Dollars the Administrator receives but does not expend on eligible activities must be repaid to Minnesota Housing, in accordance with the terms and conditions outlined in the Agreement.

1.08 Termination of Administrator Participation

Minnesota Housing may terminate the participation of any Administrator under this Procedural Manual at any time and may preclude Administrator's future eligibility for reasons including, but not limited to, nonconformance with:

- This Procedural Manual;
- The Agreement;
- The procedural ~~manual~~manuals and agreements of other Minnesota Housing programs;
- The Federal Fair Housing Law ~~and/or~~ ;
- The Equal Credit Opportunity Act;
- Any federal or state laws or acts that protect ~~the Homebuyer's~~individuals' rights with regard to obtaining homeownership;
- The Application for Funds; and
- Other applicable state and federal laws, rules and regulations.

Minnesota Housing may, at its option, impose remedies other than termination of the Agreement for Administrator nonperformance.

Administrator may request reinstatement into Minnesota Housing programs. The decision whether or not to reinstate an Administrator ~~shall be~~is at Minnesota Housing's sole discretion.

1.09 Representations and Warranties

The Administrator agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders including, but not limited to, the following:

- Title 24, Code of Federal Regulations, Part 35, Subpart A;
- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- The Equal Credit Opportunity Act;
- The Fair Credit Reporting Act and any applicable regulations and orders thereunder;
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62;
- Federal Fair Housing Law (Title VIII);
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);
- Minnesota Statutes Section 462A.05 Subdivision 2;
- Minnesota Statutes Section 462A.33;
- Minnesota Rules 4900.3600-3652;
- Minnesota Government Data ~~Privacy~~Practices Act - Minnesota Statutes Chapter 13 and Minnesota Statutes Section 462A.065;
- Minnesota Secure and Fair Enforcement for Mortgage Licensing Act (S.A.F.E. Act) of 2010;
- Minnesota Statutes §58A.03;
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101;
- Fair and Accurate Credit Transactions Act;
- National Flood Insurance Act;
- Truth in Lending Act~~;~~ (TILA);
- Home Mortgage Disclosure Act;
- Anti-Predatory Lending Act;
- USA Patriot Act;
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;
- Internal Revenue Code of 1986, Section 6050H; ~~and~~
- Real Estate Settlement Procedures Act of 1974~~,~~ (RESPA), as amended;
- Dodd-Frank Wall Street Reform and Consumer Protection Act; and
- TILA-RESPA Integrated Disclosure Rule.

In addition to the above warranties and representations, Administrator also warrants and represents that:

- It is ~~either~~ a city~~;~~, a housing and redevelopment authority, a joint powers board established by two or more cities~~;~~, a federally recognized American Indian tribe or subdivision located in Minnesota, a tribal housing corporation, a ~~Private Developer, a~~ nonprofit organization, a Private Developer, or a Public Housing Agency ~~or a natural person who is the owner of the eligible housing;~~;
- It will fully comply with all terms and conditions in the Agreement, the Single Family RFP, the Application for Funds and this Procedural Manual for each eligible activity undertaken unless prior written approval is obtained from Minnesota Housing;

- It will not modify Minnesota Housing forms unless it first receives written authorization from Minnesota Housing;
- It will not contract with vendors who are suspended or debarred in Minnesota, including those identified in the Minnesota Department of Administration's Suspended/Debarred Vendor Report: http://www.mmd.admin.state.mn.us/debarredreport.asp;
- It will comply with the Minnesota Housing Lead Based Paint Guidebook if the activity includes the identification and correction of health and safety hazards;
- If it or a Processing Entity originates loans, it will comply with standard underwriting requirements of the secondary market and prudent lenders that originate Deferred loans for similar Projects;
- It will use Impact Fund Dollars only for an eligibility activity or eligible activities;
- It will use Impact Fund Dollars in accordance with the eligible activity or eligible activities outlined in the Administrator's Impact Fund Application for Funds;

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1. It will close the Deferred Loan in accordance with the Agreement and this Procedural Manual;

- It will control the disbursement of Deferred Loan, Interim Loan and Grant proceedsImpact Fund Dollars in accordance with the terms of the Agreement and this Procedural Manual;
- It will monitor the construction or rehabilitation of the Qualified Dwelling Unit in accordance with the terms of the Agreement and this Procedural Manual;
- It will obtain and review all applicable documentation to determine and record compliance with all Minnesota Housing requirements;
- It will maintain adequate capital and trained personnel for the administration of the Impact Fund Dollars;
- It will not assign any agreements executed with Minnesota Housing without prior written approval from Minnesota Housing;
- It will represent in the Application for Funds, the specific organization with which it intends to sign the Agreement with Minnesota Housing and to which Impact Fund Dollars will be disbursed;
- The ProjectProperty owner has good and marketable fee simple title to or a long-term "mortgageable" lease for the Property;
- If the Property is subject to a mortgage, lien or other encumbrance, it is a mortgage, lien or other encumbrance acceptable to prudent lenders that make loans and/or grants for similar Properties; and
- It is an entity duly formed or incorporated under the laws of the State of Minnesota.

1.10 Processing EntityEntities

2. WhenThe Administrator may contract with a Processing Entity to originate Deferred Loans on the Administrator's capacity or federal/state laws or acts preventbehalf. Only the Administrator from directly originating Impact Fund Program loans, or a Processing Entity may originate Deferred Loans to Borrowers. The Processing Entity's participation must be approved in writing by Minnesota Housing at the time of Administrator's Impact Fund Application for Funds.

Thebefore that Processing Entity must enter into aoriginates Deferred Loans. The Administrator must have a written contractual relationship with the Processing Entity. The Administrator. Minnesota Housing, however, will hold the Administrator solely responsibleretains sole responsibility for any default under the Fund Availability, Disbursement and Loan/Grant Agreement.

1.11 Affirmative Marketing

The Administrator must take necessary steps to affirmatively market to Underserved Populations.

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1.12 Conflicts of Interest

The Administrator must avoid and immediately disclose to Minnesota Housing any and all actual, perceived, or potential conflicts of interest. The Administrator must also maintain a conflict of interest policy.

A conflict of interest, actual, potential, or perceived, occurs when a person has actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. A potential or perceived conflict of interest exists even if no unethical, improper or illegal act results from it.

An individual conflict of interest is any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a friend, relative, acquaintance or business or organization with which they are involved.

Organizational conflicts of interest occur when:

- An Administrator is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties.
- An Administrator's objectivity in carrying out the award is or might be otherwise impaired due to competing duties or loyalties.
- An Administrator has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors.

Once notified or otherwise made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing Impact Fund Awards. Determinations could include:

- Revising the Administrator's responsibilities to mitigate the conflict.
- Allowing the Administrator to create firewalls that mitigate the conflict.
- Asking the Administrator to submit an organizational conflict of interest mitigation plan.
- Terminating the Administrator's participation.

1.13 Fraud Disclosure

The Administrator must report all known or suspected instances of fraud in connection with the making or receipt of Impact Fund Dollars to Minnesota Housing's Chief Risk Officer as soon as evidence of fraud is discovered by the Administrator. "Fraud" means an intentional deception made for personal gain or to damage another.

1.14 Suspension

By entering into any agreement with Minnesota Housing, accepting any award of funds from Minnesota Housing, or otherwise conducting any business with Minnesota Housing, the Administrator represents that the Administrator, or any principal of the Administrator, has not been suspended from doing business with Minnesota Housing pursuant to the Minnesota Housing Finance Agency Board of Directors Participant Suspension Policy. A principal is defined

as: (a) an officer, director, owner, partner, principal investigator, or other person within an organization or entity doing business with Minnesota Housing with management or supervisory responsibilities; or (b) a consultant or other person, who: (1) is in a position to handle Minnesota Housing funds; (2) is in a position to influence or control the use of those funds; or (3) occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to be performed under contract with Minnesota Housing. The Administrator must contact Minnesota Housing for a list of all suspended individuals and organizations.

Chapter 2 – Household Eligibility Requirements

(See Appendix C, Section B for Chapter minimum documentation requirements.)

2 Documentation Requirements.)

.01 Households

One individual or multiple individuals areA Household is eligible to be a Homebuyer or Homeownerbenefit from assistance only if such individual or individuals meetthat Household meets the requirements of this Procedural Manual. Households receivingbenefitting from Impact Fund Dollars must be Owner-Occupants.

A Homebuyer Household is a type of Household that is eligible to benefitpurchase a Property or Qualified Dwelling Unit and benefits from the use of an Impact Fund DollarsAward in the new construction of or acquisition and/or, rehabilitation and resale of a Qualified Dwelling Unit and/or for Affordability Gap Financing to purchase a Qualified Dwelling Unit.

A Homeowner Household is a type of Household eligible to use Impact Fund Dollars for the rehabilitation of a Qualified Dwelling Unit in which there isthe Household has an ownership interest by the Household. The Homeowner Household must occupy the subject Property as its Principal Residence.

In addition to above-noted requirements, Households served by anbenefitting from Indian Housing Set-Aside Funds must be considered an American Indian Household.Households. Verification of tribal affiliation or membership is required.

2.02 Household Selection

The Administrator must establish and maintain a Household selection process, which ensures that Households meet Impact Fund requirements.

The Administrator may establish more stringent Household selection requirements including maximum purchase prices, Household asset limits, loan-to-value and combined loan-to-value limits.

2.03 Household Affordability Gap Eligibility

The Administrator's Household selection process must include an assessment of the Households' needs for Affordability Gap assistance indicated by the Housing to income ratio. Generally, a Household Ratio. To be eligible for Affordability Gap assistance, a Household must spend no less than 25% percent of its gross monthly income for housing payments. associated with the Property. Housing payments includeare: monthly first mortgage principal and interest on the first mortgage and any, subordinate mortgage, any Home Owners Association (HOA) principal and interest, mortgage insurance, homeowners' association fees, Property taxes, hazard insurance, land trust ground lease fees, and mortgage insurance.manufactured home park lot rent.

~~To serve certain Low Income Households at a lower housing ratio than 25%, an Administrator must establish an Affordability Gap eligibility policy that specifies a lower minimum housing ratio given programmatic goals to promote sustainable homeownership. The lowest minimum housing ratio permitted by Minnesota Housing for Affordability Gap eligibility is 20%.~~

Minnesota Housing may, at its sole discretion, waive the housing-to-income ratio requirement for Affordability Gap Financing on a case by case basis, when the Administrator provides a written waiver request. Waiver requests are viewed more favorably in cases where one or more of the following is true:

- A party whose income must be included when calculating Annualized Gross Income cannot, according to the underlying first-mortgage lender, be named on an underlying first mortgage due to credit or title constraints;
- A Household's purchasing power is insufficient due to the underlying first-mortgage lender's debt-to-income limits;
- The Household is maximizing the amount of financing for which it has qualified from the first-mortgage lender.

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2.04 Homebuyer Age

~~Homebuyer(s)~~Anyone obtaining title to Property, or a vendee interest in a contract-for-deed or contract-for-title, and all Borrowers must be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction.

2.05 Unauthorized Compensation

Households ~~shall~~must not receive kickbacks, rebates, discounts, ~~and/~~or other compensation from any party in the transaction.

2.06 Principal Residence/Occupancy Requirements

Each Household that receives or benefits from Impact Fund Dollars must occupy the eligible ~~housing~~Property as ~~their~~its Principal Residence.

2.07 Impact Fund Eligibility Income

The Administrator and Minnesota Housing ~~may, through the Agreement,~~ establish Household income limits for each eligible activity undertaken with Impact Fund Dollars~~.~~ through the Agreement. These limits ~~may~~must not exceed 115~~%~~ percent of state or area median income (AMI).

~~The~~ Administrators must not serve Households with Annualized Gross Income in excess of these limits.

Annualized Gross Income is the earned ~~or~~and unearned income of the parties in the Household as described below from sources outlined in the list below (and not including the exceptions that follow).

Parties Whose Income Must be Included When Calculating Annualized Gross Income

The income of the following persons must be verified and included when calculating Annualized Gross Income for ~~Homebuyers~~Homebuyer Households of Qualified Dwelling Units constructed or rehabilitated using Impact Fund Dollars or ~~Homebuyers~~Households receiving Impact Fund Affordability Gap assistance:

- Anyone who will have title to the subject Property and signs the mortgage ~~Deed~~.
- ~~1.~~ Anyone expected to reside in the subject Property and who will be obligated to repay ~~the~~an underlying mortgage ~~loans (signs the Note)~~loan but who is not in title to the subject Property~~;~~
- (i.e. ~~the~~a Co-Signer ~~(not named in title to the subject Property and does not sign the Mortgage Deed~~on the mortgage note).
- The legal spouse of the mortgagor who will also reside in the subject Property.

The income of the following persons must be verified and included when calculating Annualized Gross Income for ~~Homeowners~~Homeowner Households of Qualified Dwelling Units receiving Impact Fund Owner-Occupied Rehabilitation assistance:

- Anyone in title to the subject Property who also resides in the subject Property.
- The legal spouse of the mortgagor who also resides in the subject Property.

If the mortgagor is legally married and the spouse does not or is not expected to reside in the subject Property, the Household file must contain either the Non-Occupant Spouse Statement or another statement indicating the spouse does not or will not occupy the subject Property. The spouse may still be required to sign any Impact Fund Mortgage (see "Accommodation Parties," below, and Chapter 6 of this Procedural Manual).

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~~or another statement indicating the spouse is not obligated to repay the loan and is not named in title to the subject Property.~~

Any person whose income must be included in the Annualized Gross Income calculation who receives no income must sign either the Zero Income Statement or another statement indicating he or she receives no income.

The Administrator must establish and adhere to standard procedures for determining Annualized Gross Income in accordance with this Procedural Manual.

Accommodation Parties
An accommodation party is anyone with an ownership interest in an eligible Property that is not a Borrower. Examples include but are not limited to a non-borrowing relative, spouse, or heir in title to an eligible Property, or a seller of a contract-for-deed to an Owner-Occupant. An accommodation party must sign the Impact Fund Mortgage.

Co-Signers
Co-signers are permitted on first mortgage loans originated for ~~Homebuyers of Qualified Dwelling Units receiving Impact Fund Dollars.~~Homebuyer Households. Co-signers are not vested in title and may reside in the subject Property.

Annualized Gross Income Calculation
Total Annualized Gross Income includes, but is not limited to:

- Base pay, which includes full-time, part-time or seasonal work with regular hours, expressed hourly, weekly or monthly, etc.;
- Variable income, which includes irregular hourly income, income from commissions, overtime and bonuses, income from irregular employment, shift differential, tips, profit sharing, sick pay, holiday pay and vacation pay;
- Self-Employment or Business Income;
- Income from financial assets, trusts or annuities, including but not limited to, dividends, royalties and interest earned from non-retirement accounts;
- Government Transfer Payments, including retirement benefits, disability benefits, medical benefits, social security benefits, pensions, veterans' benefits, workers' compensation, public assistance, unemployment benefits, federal education and training assistance and income maintenance benefits;
- Insurance or benefit payments, such as long-term care insurance, disability insurance, pensions or death benefits;
- Net rental income from investment property;
- Contract-for-deed interest income;
- Child ~~and/or spousal~~ support ~~payments~~;
- Spousal maintenance;
- Regular cash contributions;
- Employer-paid allowances such as housing, automobile, cell phone, etc.;

- Flexible benefit cash;
- Custodial account income;
- Estate income; and
- Other sources of income not specifically excluded below.

The following types of income are excluded from the Annualized Gross Income calculation:

- Income no longer available;
- One-time (non-recurring) income; for example, income received once that does not have a history and is unlikely to reoccur in the future;
- Income generated by IRA, VIP, 403(b), and 401(k) accounts;
- Food stamps, Supplemental Nutrition Assistance Program (SNAP) benefits;
- Meals on Wheels, or other contributions of food;
- Government-paid child care which is paid directly to the provider;
- Foster care income;
- Educational scholarships, grants, loans or tuition reimbursement;
- Earned Income Tax Credit refund payments;
- Potential roommate income or rental income of future duplex or accessory dwelling unit;
- Court-ordered child or spousal support not received;
- 529 plans;
- Custodian accounts where someone other than the parents are named as custodian;
- Unearned income of adult dependents; and
- Non-recurring payments from:
  - Inheritances
  - Insurance settlements
  - Lottery winnings
  - Gambling winnings
  - Capital gains
  - Liquidation of assets
  - Settlements for personal loss.

Chapter 3 – Property Eligibility

(See Appendix C, Section C for Chapter 3minimum documentation requirements.)

3.01 Qualified Dwelling Unit

A Qualified Dwelling Unit must:

- Be attached or detached, owner-occupied housing including manufactured homes;
- Be residential in nature and have a remaining economic life equal to the loan term plus 10 years;
- Be occupied by an eligible Household;
- Be Affordable to the Local Workforce;
- Be ableaffordable to be completed byHouseholds with incomes not exceeding the end of the 20-month period during which Impact Fund Dollars are availableEligibility Income established according to Section 2.07 of this Procedural Manual;
- Be completed during the effective term of the AdministratorAgreement; and
- Contain no more than four units with at least one unit being occupied by the Household that owns the entire -unit structure.

3.02 Title Examination Requirements

The Administrator must ensure that title to Property is clear and marketable prior to development, at the time of transfer to an Administrator or , and at the time of transfer to a Homebuyer acquires title to a Qualified Dwelling Unit, the title for that Qualified Dwelling Unit must be establishedHousehold, as demonstrated by way of an attorney's legal title opinion or a title insurance policy showing.

In addition, if making a secured loan, such as a Deferred Loan, the Administrator or Homebuyer is acquiring clear and marketable title.must ensure that title to the Property to be mortgaged is good and marketable prior to making the loan, and the security instrument is fully executed, valid and enforceable.

In the case of Tribal Lands, the Administrator must ensure that the proper official of the Tribal Land office establishes a clear and marketable title as defined by the tribe governing the Land on which the Qualified Dwelling Unit is located.

3.03 Community Land Trusts

A Community Land Trust (CLT) must meet the following conditions:

- The CLT must provide evidence, satisfactory to Minnesota Housing, that Homebuyersmembers of Homebuyer Households purchasing Qualified Dwelling Units in the CLT receive full disclosure of their rights and obligations under the trust, including future limitations on sale;
- The CLT must submit evidence, satisfactory to Minnesota Housing, that land trust HomebuyersHomebuyer Households have access to the secondary mortgage market; and

- The terms and conditions of the CLT must be compatible with those developed by the National CLT Network and otherwise satisfactory to Minnesota Housing.

3.04 Reasonable Cost Estimates for Improvements

The Administrator must determine and document that all Project costs as represented in the Scope of Work are reasonable, necessary, and cost effective. To that end, the Administrator, and must include any of the following documents in the file:

1. Bids and/or estimates for improvements from a licensed contractor(s);
2. A cost study, performed by a disinterested third party showing the cost of improvements conforms to other projects in the area; or

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Othermaintain documentation that has been approved by Minnesota Housing.of the purchasing and/or bidding process utilized. The Agreement may contain additional contracting and bidding requirements.

3.05 Building Code Compliance

All eligible activities must be in compliance with all applicable state, county and municipal health, housing, building, fire prevention, and housing maintenance codes and local ordinance or other public standards.

In areas of the State where there is a local building code or the State building code has been adopted, a licensed building official/inspector must provide a building permit, certificate of occupancy, certificate of completion or a final inspection report in order to document that the improvements meet building code.

In areas of the State where there is no local building code or where the State building code has not been adopted, the Administrator must include in its contracts a requirement that improvements are completed in accordance with the State Building Code.

(a) Tribal Housing Awards

When working within tribal reservations and/or on Tribal Lands, compliance with the governing tribal laws and regulations relating to building and zoning shall be used to meet the requirements ofis sufficient for compliance with this Section 3.05.

Chapter 4 – Eligible Activities

(See Appendix C, Section C for Chapter minimum documentation requirements.)

4 Documentation Requirements.)

.01 Eligible Activities

Impact Fund Dollars **may** be used for:, only to the extent allowed in the Agreement and this Procedural Manual, for:

1. Acquisition of Land or existing structures;
- Construction of new housing; (New Construction);
- Rehabilitation of existing housing;, including Acquisition, Rehabilitation, Resale, and Owner-Occupied Rehabilitation;
- Conversion to housing from another use;
- Site preparation;

2. Demolition or removal of existing structures ;

3. Construction financing;

4. Construction of development infrastructure directly related to the Qualified Dwelling Unit such as connection to city water and sewer;

- Reduction of interest rates only when used in conjunction with the Minnesota Housing's Community Fix Up Loan Program home improvement or lead hazard reduction;
- Financing to fill aan Affordability Gap or Value Gap; and

5. Innovative approaches to housing construction or rehabilitation; or

6. Soft costs as defined in section 5.04.

- Other activities approved by Minnesota Housing.

Eligible activities **must** endculminate in the maintenance or rehabilitation, construction or purchase of a Qualified Dwelling Unit occupied by an Owner-Occupant.

4.02 Ineligible Activities

Impact Fund Dollars **maymust not** be used for:

- Non-owner occupied housing;
- Community development projects including, but not limited to,such as parks or community centers;
- The construction of public development infrastructure, including but not limited to, city water, sewer, curbs and gutters that are not directly related to the development or rehabilitation of Qualified Dwelling Units;

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- The construction of private infrastructure that does not lie within the Land upon which the Qualified Dwelling Unit to be owned solely by the Owner-Occupant is located;
- Administration costs not connected to the development or rehabilitation of Qualified Dwelling Units;
- Individuals who want to refinance their existing loan; and
- Improvements for commercial use.; and
- Other activities not approved by Minnesota Housing.

4.03 New Construction Requirements

All required program documentation that must be included in the Construction/Property file is listed in Appendix C, Sections C1 and C2. See also Section C4 (if applicable).

(See Appendix C for minimum documentation requirements.)

Visitability

Visitability requirements apply for all newly constructed properties financed in whole or in part by Minnesota Housing's state-appropriated Interim Loan dollars. Minnesota Housing may offer 2% Interim Loan dollars under the Single Family RFP from other fund sources which do not require visitable unit construction. An Administrator unsure of whether its Interim Loan dollars are state-appropriated should contact Minnesota Housing.

Visitability Elements are:

- One no-step entrance;
- 32-inch opening doorways throughout the Qualified Dwelling Unit not to include closet doors; and
- At least a half bath on the main level that meets minimum clearance criteria.

Green Communities Criteria

If Impact Fund Dollars are used to assistEach new construction Qualified Dwelling Units, the unitsProject must comply with the Enterprise Green Communities mandatory criteria as modified by the most current version of the Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, in effect at or another version approved by Minnesota Housing for use in the time of applicationProject.

For additional requirements and guidance regarding Green Communities Criteria, please refer to Minnesota Housing's Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, found on Minnesota Housing's webpage.available on Minnesota Housing's Impact Fund webpage.

Inspections

The Administrator must inspect Qualified Dwelling Units during the course of and upon completion of construction to determine that work has been done properly.

4.04 Acquisition-, Rehabilitation-, Resale

All required program documentation that must be included in the Construction/Property file is

listed in Appendix C, Sections C1 and C2. See also Section C4 (if applicable).
(See Appendix C for minimum documentation requirements.)

All Acquisition, Rehabilitation, Resale Projects
All acquisition-rehabilitation-resale Qualified Dwelling Units assisted with Impact Fund Dollars must meet the following criteria:
HUD's

- U.S. Department of Housing and Urban Development (HUD) Housing Quality Standards (HQS);
- The most current version of the Enterprise Green Communities criteria as modified by the most current version of the Minnesota Overlay and Guide to the Enterprise Green Communities Criteria at the time of application, or another version approved by Minnesota Housing for use in the Project.
- Minnesota Housing Lead Based Paint Guidebook requirements must be satisfied if an Acquisition-rehabilitation-, Rehabilitation, Resale Project includes the identification and correction of lead-paint related health and safety hazards. The requirements in the Minnesota Housing Lead-Based Paint Guidebook must be satisfied.

Inspections
The Administrator must inspect Qualified Dwelling Units during the course of and upon completion of rehabilitation to determine that work has been done properly.

4.05 Owner-Occupied Rehabilitation

All required program documentation that must be included in the Project file is listed in Appendix C, Sections B and C4. See also Section C5 (if applicable).

(See Appendix C for minimum documentation requirements.)

If Minnesota Housing awards an Administrator Impact Fund Dollars in the form of interest-free Deferred Loan Funds to operate anconduct Owner-Occupied Rehabilitation programactivity for eligible HomeownersHomeowner Households, all requirements of Chapter 6, Part 1, Deferred Loans – Challenge ProceedsLoan Funds, apply.

The requirement to comply with the Enterprise Green Communities mandatory criteria as modified by the Minnesota Overlay and Guide to The Enterprise Green Communities Criteria isare not applicable to Owner-Occupied Rehabilitation programsactivity.

If an Owner-Occupied rehabilitation Project includes the identification and correction of health and safety hazards, the Minnesota Housing Lead Based Paint Guidebook must be followed.

Completion Certificate
At the completion of construction or rehabilitation work for all Owner-Occupied Rehabilitation Projects, the Administrator must document via a completion certificate that the work has been completed to the satisfaction of the Administrator and Owner-Occupant. Minnesota Housing's

Impact Fund Owner-Occupied Rehabilitation Project Completion Certificate may be used for this purpose.

The preceding paragraph does not apply to Community Fix Up Loan Program interest rate write-down Projects. Instead, Community Fix Up Loan Program interest rate write-down Projects must adhere to completion certification requirements of the Community Fix Up Loan Program.

Coordination with Other Programs

Administrators must be knowledgeable of basic eligibility and referral sources for Minnesota Housing's Fix Up Loan Program, Minnesota Housing's Community Fix Up Loan Program, Minnesota Housing's Rehabilitation Loan Program/Emergency and Accessibility Loan Program, U.S. Department of Agriculture Rural Development Section 504 rehabilitation loans and grants, weatherization assistance, and other home rehabilitation and repair programs available, including those funded through the Minnesota Department of Employment and Economic Development's Small Cities Development Program. For more information, refer to Minnesota Housing's website (including the Impact Fund Training section of the Impact Fund webpage), the Minnesota Homeownership Center's Home Rehab and Repair Matrix, and the U.S. Department of Agriculture's Minnesota Rural Development Single Family Housing Contacts.

The Administrator, or a Processing Entity, must:

- Review each Homeowner Household's basic eligibility for those other programs listed in the preceding paragraph which offer financing at more generous terms than is available with Impact Fund Dollars;
- Refer the Homeowner Household to programs offering financing at more-generous terms for which it appears to be eligible;
- Provide Homeowner Households with the opportunity to access those programs before providing a loan for Owner-Occupied Rehabilitation; and
- Document each review and referral in the Household/Borrower file.

The Administrator, or a Processing Entity, must also, prior to providing a loan for Owner-Occupied Rehabilitation, review each Homeowner Household's basic eligibility for and ability to repay a loan under the Minnesota Housing Fix Up Loan Program or Community Fix Up Loan Program according to a fair, reasonable and consistent standard and either:

- Offer the Homeowner Household a loan under the Fix Up Loan Program or Community Fix Up Loan Program if the Administrator or Processing Entity is a participating Fix Up Loan Program lender, or refer the Homeowner Household to a participating Fix Up Loan Program lender for a loan under the Fix Up Loan Program or Community Fix Up Loan Program; or,
- Document the Homeowner Household's ineligibility for or inability to repay a loan under the Fix Up Loan Program or Community Fix Up Loan Program.

4.06 Affordability Gap

All required program documentation that must be included in the Project file is listed in Appendix C, Sections B and C3. See also Section C5 (if applicable).

(See Appendix C for minimum documentation requirements.)

Funds awarded for Affordability Gap must be approvedused by Minnesota Housingthe Administrator for one or more of the following specific uses:, as approved by Minnesota Housing:

- The minimum downpayment amount required by a Homebuyer'sHomebuyer Household's first mortgage;
- Homebuyer'sA Homebuyer Household's settlement charges;
- If Additional downpayment is required for a Homebuyer Household to qualify for the first mortgage;

7. If additional downpayment is required for a Homebuyer's housing ratio to meet the program ratio requirements for Affordability Gap Financing. (see Section 2.03 of this Procedural Manual);

- Long-term (30+ years) subsidy tied to real Property; and/or
- Other Affordability Gap assistance to a Homebuyer Household as approved by Minnesota Housing.

If Minnesota Housing awards to an Administrator Impact Fund Dollars in the form of interest-free Deferred Loan funds to finance Affordability Gap for eligible Homebuyers, all requirements of Chapter 6, Part 1, Deferred Loans – Challenge Proceeds, apply.

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If Minnesota Housing awards an Administrator Impact Fund Dollars in the form of Grant funds to operate an Affordability Gap Financing program for eligible Homebuyers, all requirements of Chapter 7, Grants, apply.

If required by HUD must approve nonprofit, Administrators of the Impact Fund that provide secondary financing and/or , including but not limited to Affordability Gap to an eligible homebuyer who has or will haveFinancing, to a Homebuyer Household also receiving an FHA-insured first mortgage. In addition to being must be approved by HUD, the nonprofit must be and listed on HUD's Nonprofit Organization Roster.

Chapter 5 - General Administration of Impact Fund Award

~~All required program documentation that must be included in the Administrator file is listed in Appendix C, Section A. See also Section 5 (if applicable).~~

(See Appendix C for minimum documentation requirements.)

5.01 Fund Types

Minnesota Housing will award Impact Fund Dollars to Administrators in the form of:

- An Interim Loan;
- A Deferred Loan; ~~An Interim Loan;~~

~~1. A Deferred Loan; or~~

- ~~A~~ Deferred Loan Funds;
- A Bond Proceeds Loan; or
- Grant Funds.

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5.02 Escrow Account

The Administrator must promptly deposit Impact Fund Dollars received to an escrow account it has established. Any interest earned on such funds while held in this escrow account may be used by the Administrator for activities eligible under the Impact Fund. The Administrator must maintain a detailed accounting of all of its escrow account(s) and, upon request by Minnesota Housing, provide a copy of such accounting to Minnesota Housing. The Administrator may commingle funds it is holding in escrow, provided that it maintains a separate ledger entry for Impact Fund Dollars received under each individual disbursement from Minnesota Housing.

5.03 Prohibition Against Layering Impact Fund Dollars

Administrators ~~may~~must not layer (combine) Impact Fund Dollars ~~in the form of a Deferred Loan or Grant from~~under two separate Impact Fund Awards in the same Project unless specifically approved in writing by Minnesota Housing. It is the Administrator's responsibility to review all funding sources in a Project to ensure layering does not occur. ~~If an Administrator's request to layer funds has been approved in writing by Minnesota Housing, the Administrator must indicate both Funding Agreement ID Numbers on the Household Demographic-Project Information Form~~Combining Grant Funds, Deferred Loan Funds, and Bond Proceeds from the same Impact Fund Award is not considering layering.

~~Combining Impact Fund Grant dollars with Deferred Loan dollars from the same Impact Fund award is not considering layering.~~

Interim Loan funds ~~that will be repaid to Minnesota Housing~~ are exempt from this ~~requirement~~prohibition against layering.

To request a waiver to this prohibition against layering, the Administrator must submit a written request to layer funds to Minnesota Housing for review and approval as soon in the process as possible. A written request to layer funds from multiple Impact Fund awards in the same Project must and allow sufficienta reasonable amount of time for Minnesota Housing to review it prior to closing and must. The written waiver request should include:

1.• A breakdown of Total Development Costs. For example, new construction or rehabilitation costs, gap financing needs, and the proposed gap financing sources and amounts; and
2.• A written narrative that explicitly references each Impact Fund Award proposed to be layered and whyjustifies the layering is justified. The request must include a statement outlining the degree of consistency with the award (i.e. the proposed layering is clearly consistent with the award; or inconsistent but still justifiable based on other considerations).funds.

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5.04 Impact Fund Per-Unit Investment

If an Administrator seeks to increase an individual exceed the typical or average per-unit investment of Deferred Loans or Grants provided for in the Agreement by more than 50% of percent, or seeks to exceed the maximum per-unit investment as stated in the Agreement or the average per unit investment of Deferred Loans or Grants indicated under an provided for in the Agreement with no stated maximumby any amount, the Administrator must obtain prior written approval byfrom Minnesota Housing.

Interim Loan funds that will be repaid to Minnesota Housing are exempt from this requirement.

If no typical or average per-unit investment is explicit in the Agreement, the average is to be imputed by dividing the total dollar amount of funds awarded by the number of Projects or units to be completed as stated in the Agreement.

5.05 Eligible Costs

Eligible costs includeare hard costs and soft costs that are necessary, reasonable, relate directly related to eligible activities, which and eligible Property, are part of a Project, and that culminate in the purchase, construction or rehabilitation of a Qualified Dwelling Unit. occupied by an Owner-Occupant.

Hard costs are:

Hard costs are:

- Land and Property acquisition;

- Demolition;
- Removal of existing structures;
- Site preparation;

1. Site Preparation;

2. General construction costs;

- Construction or rehabilitation;
- Construction or rehabilitation of private infrastructure directly related to the Qualified Dwelling Unit such as connection to city water and sewer;
- Lead mitigation or abatement; and
- Other costs approved by Minnesota Housing.

Soft costs incurred by the Administrator must be reasonable, and necessary, and must directly relate to the financing of acquisition, construction or rehabilitation of Qualified Dwelling Units. Soft costs are:

- A Developer Fee or an Administration Fee;
- Architectural, engineering or related professional services required to prepare plans, drawingdrawings, specifications, or work write-ups;
- Costs to process and settle the financing for a Qualified Dwelling Unit, such as:
  - Private lender origination fees;
  - Credit reports;
  - Fees for the title evidence;
  - Fees for recordation and filing of legal documents;

    1. Building permits;
  - Attorney fees;
  - Real estate agent commissions; and
  - Appraisal and independent cost estimate fees; or

    2. Builder or developer fees.

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~~3.~~ Costs of any audit that Minnesota Housing may require with respect to Impact Fund Dollars;

- ~~Costs to provide information services such as affirmative marketing~~ and ~~fair housing information to prospective Households; and~~

~~4. Staff and overhead costs directly related to carrying out an eligible activity, such as:~~

~~1. Preparation of work specifications;~~

~~o Deferred Loan or Grant processing;~~

~~o **Inspections**; and~~

- Other costs approved by Minnesota Housing.

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5.06 Ineligible Costs

Ineligible Costs are:

- Costs reimbursed from another source;
- Reimbursement for the value of donated items such as labor, materials or property;
- Payment for labor performed by a member of the Household (e.g., homeowner labor);
- Costs not included in Section 5.05, Eligible Costs;
- Profit, overhead, wages, benefits, and other compensation to the Administrator, Processing Entity, or other entity affiliated with the Administrator or Processing Entity outside of a Minnesota Housing approved Administration Fee or Developer Fee, unless such costs have been approved in writing by Minnesota Housing; and
- Costs not approved by Minnesota Housing.

5.07 Administration Fees

Administrators not ~~directly involved in the construction or rehabilitation of a Qualified Dwelling Unit and not~~ compensated by a ~~builder or~~ Developer Fee may take an Administration Fee.

~~5. Minnesota Housing requires the disclosure of all Deferred Loan or Grant administration fees in the Administrator's Impact Fund Application for Funds.~~

~~6. Minnesota Housing requires Administrators to include administration fees in the Total Development Cost of the Project whenever possible. If Administrators charge a fee to the Household as a closing cost, the following requirements apply:~~

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The Administration Fee is the total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for services performed in an Owner-Occupied Rehabilitation or stand-alone Affordability Gap Project. The Administrator, Processing Entity, and any affiliate of the Administrator or Processing Entity, must earn no additional fee, profit or compensation, nor include costs for wages, benefits or overhead in the Total Development Cost of a Project, without Minnesota Housing's written consent.

- Administrators must disclose the Administration Fee in its Application for Funds.
- The maximum Administration Fee ~~for a Qualified Dwelling Unit is~~ is $500 per Project~~.~~, or a higher amount if approved by Minnesota Housing.

- Administration Fees higher than the maximum allowed fee of $500 per unitProject may be allowed if approved at the sole discretion of Minnesota Housing if transaction costs to the Administrator are excessive and the need for the increased administration fee is adequately justified by the Administrator. The Administrator's Impact Fund Application for Funds must itemize the higher costs..

  1. When layering with applicable Minnesota Housing partners in a transaction, the policy allows for only one administration fee may be charged to the Household. A list of applicable Minnesota Housing partners can be found on Minnesota Housing's website each year under single family RFP materials, partners/co-funders.

- Any fee charged to the Household must be disclosed to the Household in advance with a description of the costs the fee covers in order to satisfy industry regulations, laws and practices..
- The Administration Fee must reflect thenot exceed actual administration costs of Deferred Loans or Grants, including:
  - Securing and maintaining the funding source;
  - BorrowerHousehold education specific to the Deferred LoansLoan or Grantsgrant;
  - Lender identification, communication, and coordination;
  - Requesting the funds Impact Fund Dollars from Minnesota Housing for specific transactions;
  - Document preparation;
  - Tracking and reporting and other costs specific to the Deferred Loans or GrantsImpact Fund Award; and
  - Other costs as approved in writing by Minnesota Housing.

  2. The administration fee may not contain costs not approved by Minnesota Housing, such as:

     1. Homebuyer education and counseling not specific to the Deferred Loans or Grants;

     2. General consumer credit counseling;

     3. CLT borrower education; or

     4. Other costs not specific to the Deferred Loans or Grants.

  3. The description of the administration fee must reference the Impact Fund Program and may not reference any other Minnesota Housing mortgage or downpayment assistance program. Charging an administration fee for any other Minnesota Housing mortgage or downpayment assistance program would violate the terms of those programs.

  4. Fees to cover other costs such as credit counseling, CLT education and CLT document preparation may be charged in addition to the Deferred Loan or Grant administration fee in accordance with industry regulations, laws and practices.

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5.08 Developer Fees

Administrators directly involved in the developmentand bearing primary responsibility for the New Construction or Acquisition, Rehabilitation, Resale of a Qualified Dwelling Unit may charge a builder or developer fee.Developer Fee. This Developer Fee is paid at the time of closing from home sale proceeds. The maximum developer fee an Administrator may charge is 10% and must not exceed the lesser of 10 percent of the Project's Total Development Cost, though Administrators are encouraged to charge a lesser amount. (less the Developer Fee), or the Developer Fee stated in the Application for Funds.

The Developer Fee is the total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for services performed in a New Construction or Acquisition, Rehabilitation, Resale Project. The Administrator, Processing Entity, and any affiliate of the Administrator or Processing Entity, must earn no additional profit or compensation, nor include costs for wages, benefits or overhead in the Total Development Cost of a Project, without Minnesota Housing's written consent.

Administrators maymust not charge a Developer Fee when providing only Affordability Gap Financing or Owner-Occupied Rehabilitation financing to an eligible Household.

Administrators maymust not charge both an Administration Fee and a Developer Fee for the same Project.

Chapter 6 – Deferred Loans

All required program documentation that must be included in the Household/Borrower file and the Construction/Property file is listed in Appendix C, Sections B and C.

(See Appendix C for minimum documentation requirements.)

Part 1 –Deferred Loans – ChallengeProceedsLoan Funds

6.01 General

Impact Fund DollarsDeferred Loan Funds may be provided to an used by the Administrator or Household in the form of an interest-free Deferred Loan to:to:

- Provide Affordability Gap Financing for Homebuyer Households (Homebuyers);;
  1. Bridge funding gaps not covered by a first mortgage or other sources of funding for Qualified Dwelling Units on behalf of the Administrator;
- Provide financing for Owner-Occupied Rehabilitation, or
- To Support other eligible activities as specified in the Agreement.

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6.02 Disbursements

Administrators will not receive disbursements from current awards until past award outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

Administrators must submit a fully executed Request for Funds Form to To request disbursement of funds. By executing the Request for Funds, the Administrator certifies that the activity delineated in the Agreement has commenced and that the funds being requested will be used to support that activity.

must submit a Request for Funds form. The Request for Funds form is located Request for Funds form is available on Minnesota Housing's website.

Disbursement of Funds to the Administrator may occur after the Agreement is fully executed as follows:

2. If the award ≤ $50,000 – 1 disbursement;
3. If the award > $50,000 – up to ⅔ of the total is available in the first disbursement at the discretion of Minnesota Housing;
    1. When the Administrator has demonstrated (via submission of theImpact Fund webpage. Administrators must request Deferred Loan Funds only on a loan-by-loan basis and no sooner than upon the Administrator's or Processing Entity's commitment to lend to a Household Demographic and Project Information Form) that a significant portion of the award has been provided to Households, Minnesota Housing, at its sole discretion will make further disbursements to the Administrator upon receipt of the fully executed Request for Funds form; and

Disbursements depend upon Project progress as reported on a specified closing date agreed to by the Administrator or Processing Entity and at the sole discretion of Minnesota HousingHousehold.

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4. Minnesota Housing may forward disbursements via wire; electronic funds transfer (EFT) or check, upon execution of the Agreement and receipt of the fully executed Request for Funds form within 10 business days from the receipt of the request.

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Notwithstanding the above listed requirements, Minnesota Housing reserves the right to disburse funds more conservatively, e.g.: unit by unit or Project by Project. All disbursements must be used in accordance with the Agreement and this Procedural Manual.. Minnesota Housing may withhold disbursements from current Impact Fund Awards until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

6.03 Mortgage Documents

For each Deferred Loan the Administrator or a Processing Entity originates, the Administrator must require the Borrowers to execute theensure it has a fully executed, valid, and enforceable Impact Fund Mortgage and Impact Fund Mortgage Note using the forms provided by Minnesota Housing and available on Minnesota Housing's website.Impact Fund webpage.

The Impact Fund Mortgage is the legal document used to secure a loan onagainst a Qualified Dwelling Unit. The Household Anyone with an ownership interest in the mortgaged Property, including at least one member of the Household, is required to be a party to the mortgage in order to protect the Impact Fund subsidy.Mortgage. The Impact Fund Mortgage must be assigned to Minnesota Housing.

The Impact Fund Mortgage Note is legal evidence of the debt to be repaid. The Impact Fund Mortgage Note must be endorsed to Minnesota Housing. All parties whose income must be included when calculating Annualized Gross Income according to Section 2.07 of this Procedural Manual must execute the Impact Fund Mortgage Note.

An Administrator seeking to serve a Household in a Qualified Dwelling Unit that is not real property and is not located on real property owned or to be owned by the Household, such as a manufactured home in a manufactured home park, must contact Minnesota Housing for assistance. Such Projects are approved at the sole discretion of Minnesota Housing.

6.04 Nationwide Mortgage Licensing System (NMLS) Registration

In compliance with the S.A.F.E. Act, all Administrators and Processing Entities, including local units of government and non-traditional lenders, must determine which staff members are considered individual mortgage loan originators and must comply with the S.A.F.E. Act and which staff members are exempt from compliance with it.

The Minnesota Department of Commerce requires (pursuant to MS §58A.03 subd.2) all mortgage lenders and entities deemed exempt to register with the Nationwide Mortgage Licensing System & Registry and obtain a unique identifier number.

6.05 Repayment

Unless otherwise outlined in the Agreement, Borrower(s) must repay Deferred Loans upon according to the first occurrence of any terms of the following events:

5. When the Qualified Dwelling Unit is sold, transferred, or otherwise conveyed by the Borrower[2];

6. The date of repayment of the first mortgage, if co-terminus with the Deferred Loan, or On the date that is 30 years from the date of the loan closing or at the end of the loan term as delineated in the Impact Fund Mortgage and Impact Fund Mortgage Note.

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[2] Not applicable if Affordability Gap is used with an FHA first mortgage loan.

~~There may be certain situations which will require repayment of the Deferred Loan when the Borrower(s) cease to occupy the Property as their primary residence[3].~~ Deferred Loans made by Minnesota Housing to the Administrator ~~are required to~~ must be repaid ~~as per~~according to the terms of the Agreement.

~~*2. Revolving Funds*~~

~~Minnesota Housing may, at its sole discretion and on a case by case basis, provide Impact Fund Dollars to an Administrator in the form of a Deferred Loan that may be revolved for the same eligible activity outlined in the Agreement.~~

~~The Administrator's ability to revolve the Impact Fund Dollars received beyond the initial two years may be renewed upon application to and approval by Minnesota Housing. Minnesota Housing may at its sole discretion, require the Administrator to apply to renew the ability to revolve the funds through the Single Family RFP.~~

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~~*3. Homeowner/ Volunteer Labor Policy*~~

~~Impact Fund Deferred Loan proceeds may not be used to pay for materials for repair or rehabilitation completed by the Homeowner(s) or volunteer(s) unless Minnesota Housing approves the purchase of these materials as an eligible cost identified in the Administrator's Impact Fund Application for Funds. If approved, Minnesota Housing reserves the right to require the Administrator to document the materials used and their respective costs.~~

~~All work completed with homeowner labor must comply with Section 3.05 of this Procedural Manual. Under no circumstances will Minnesota Housing pay or reimburse the cost of labor performed by the Homeowner or any other Household resident.~~

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6.06 Delivery of Loans to Minnesota Housing

For each Deferred Loan originated, the Administrator must forward to Minnesota Housing the Deferred Loan documentation listed in the Deferred Loan Closing Instructions and Deferred Loan Transmittal Form. The documents must be delivered in the same form, order, and timeline prescribed in the Deferred Loan Closing Instructions and Deferred Loan Transmittal Form. The Deferred Loan Closing Instructions and Deferred Loan Transmittal Form is available on Minnesota Housing's Impact Fund webpage.

6.07 Servicing

Deferred Loans to Borrowers will be assigned a designated servicer by Minnesota Housing. Deferred Loans to Borrowers are typically serviced by AmeriNat, although Minnesota Housing may, at its discretion, designate other servicers. Servicing inquiries, including satisfaction and subordination requests, should be directed to AmeriNat, unless another servicer is designated by Minnesota Housing.

6.08 Assumption

Deferred Loans are not assumable.

6.09 Hardship Policy

Minnesota Housing has in place a hardship policy for its Deferred Loans to Borrowers that allows forgiveness either in part or whole if the Household is experiencing severe financial hardships that prevent full repayment of indebtedness. Please contact Minnesota Housing for more information regarding this policy.

Part 2 – ~~Deferred Loans -~~ Housing Infrastructure Bond ~~Sale~~ Proceeds Loans

~~In addition to the requirements listed below, CLT Administrator Projects awarded Impact Fund Dollars resulting from the sale of Housing Infrastructure Bonds must meet the requirements in section 6.02 of this Procedural Manual.~~

6.10 General

Minnesota Housing may issue its State Appropriation Bonds (Housing Infrastructure ~~Bonds~~) and use Bond Proceeds to ~~generate proceeds for specific purposes, including providing CLT~~make Bond Proceeds Loans to Administrators ~~Impact Fund Dollars~~ to finance the following ~~uses~~costs related to Land owned by or to be owned by a Community Land Trust:

- Acquisition of Land;
- Demolition; and/or
- Utility Connections.

[3] ~~Not applicable if Affordability Gap is used with an FHA first mortgage loan.~~

Deferred Loans offered as a result of the sale of Housing Infrastructure Bonds are forgivable after 30 years.

Any demolition or Utility Connections financed by a Bond Proceeds Loan to an Administrator must be completed prior to conveyance of the Qualified Dwelling Unit to an Owner-Occupant.

6.11 Properties Eligible to be Financed with Bond Proceeds

Unless otherwise noted in this Section 6.0911, when Deferred Loan – Bond Proceeds are used on a Property where eligible activity occurs as specified in Sections 4.01 and 6.08 of this Procedural Manual, thata Project, the associated Property must have been acquired no earlier than the date specified on the *Certificate of Administrator as to Expenditure of Deferred Loan – Bond Proceeds* provided by Minnesota Housing.

When Deferred Loan – Bond Proceeds awarded on October 23, 2014 are used onin a Property where an eligible activity occurs as specified in Sections 4.01 and 6.08 of this Procedural Manual, thatProject, the associated Property must have been acquired no earlier than September 14, 2014.

When Deferred Loan – Bond Proceeds awarded on October 25, 2012 are used on a Property where an eligibility activity occurs as specified in Sections 4.01 and 6.08 of this Procedural Manual, the Property must have been acquired no earlier than September 1, 2012 and be either "Abandoned" or "Foreclosed", defined as follows:

1. "Abandoned" Property is Property that:
    1. Has been substantially unoccupied or unused for any commercial or residential purpose for at least one year by a person with a legal or equitable right to occupy the Property;
    2. Has not been maintained; and
    3. For which taxes have not been paid for at least two previous years.
2. "Foreclosed Property" is defined as residential Property where foreclosure proceedings have been initiated or have been completed and title transferred or where title is transferred in lieu of foreclosure.

Other properties considered "Foreclosed" are:

3. A Property still occupied by a homeowner which has gone through tax forfeiture. To adequately document tax forfeiture status, the CLT must provide in the file, a copy of the published county tax forfeiture listing, notice of expiration of redemption period or other proceedings in the tax forfeiture process.
4. A Property still occupied by a homeowner where foreclosure proceedings have been initiated, which requires recordation of the notice of pendency or notice of lis pendens.

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~~The CLT Administrator may acquire and sell the Qualified Dwelling Unit under the community land trust model, to an eligible Owner-Occupant or to the same homeowner if~~

the CLT obtains a copy of the recorded notice of pendency or the recorded notice of lis pendens for the file.

5. A foreclosed Property that is first purchased and/or rehabilitated by a non-CLT organization before being sold to an eligible CLT Administrator may be sold to an eligible Owner-Occupant providing no one has occupied the Property as his or her residence during the period between Property acquisition by the non-CLT organization and purchase by the CLT Administrator.

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6.12 Additional Documentation Required

Files for Projects using Deferred Loan – receiving a Bond Proceeds Loan must, at minimum, contain the documents in Appendix C to this Procedural Manual.

In addition, within 14 days of the sale of a Property funded in whole or in part by Deferred Loan a Bond Proceeds Loan, the Administrator must provide Minnesota Housing the following:

- A certificate identifying the amount of the Deferred Loan – Bond Proceeds Loan applied to a Project and the costs of any eligible site clearing, demolition and Utility Connections for the Project. Minnesota Housing has provided the *Certificate of Administrator as to Expenditure of Deferred Loan – Bond Proceeds* as the required form to be used for this purpose. The This *Certificate of Administrator as to Expenditure of Deferred Loan – Bond Proceeds* must be executed by an officer of the Administrator responsible for its financial management or reporting;
- The market value of the real Property relating to the Project (evidenced by a current appraisal accompanying the *Certificate*); and *of Administrator as to Expenditure of Deferred Loan – Bond Proceeds*); and
- The Household Demographic Project Information Form.

Additional documentation requirements for units using Deferred Loan – Bond Proceeds **awarded October 25, 2012** are detailed below.

(b) For Abandoned Property

Each file must contain documented evidence provided by a sheriff, deputy sheriff, building inspector, zoning administrator, housing official or other county official that:6.13

The Property was substantially unoccupied or unused by any person with a legal or equitable right to occupy the Property for any commercial or residential purpose for at least one year; and

1. The Property has not been maintained.

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In addition to the above-noted 2 requirements, each file for an abandoned Property must contain one of the two following documents:

2. A statement from the county auditor that Property taxes have not been paid for the previous two years; or

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A published delinquency list provided by the county auditor indicating Property taxes are delinquent for at least the two previous years.

An appraisal or Multiple Listing Service (MLS) real estate listing is insufficient documentation to meet the requirements for this section.

(c) For Foreclosed Property

To show that foreclosure proceedings have been initiated or have been completed, the CLT Administrator must obtain one of the following types of documents for each Project file:

3. Initiated – the recorded notice of pendency or the recorded notice of lis pendens; or
4. Completed – the title showing transfer happened or documents evidencing title was transferred in lieu of foreclosure.

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Acceptable alternative documents include:

5. A Property tax delinquency list published by the county auditor; or
6. Subsequent documents in the tax forfeiture process such as Notice of Expiration of Redemption Period.

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An appraisal or Multiple Listing Service (MLS) real estate listing is insufficient documentation to meet the requirements for this section.

Disbursement of Deferred Loan – Bond Proceeds Loans

To request disbursements of Bond Proceeds Loans, the Administrator must submit a Request for Funds form. The Request for Funds form is available on Minnesota Housing's Impact Fund webpage.

Minnesota Housing mayPrior to the disbursement of any Deferred – Loan Bond Proceeds, Minnesota Housing must approve the form of the Lease, containing applicable income restrictions to be used by the CLT Administrator for the Project.

No disbursements will be made to a CLT Administrator until all outstanding Level 3 Monitoring Exceptions from past awards have been cleared with Minnesota Housing.

Disbursements must be requested by a CLT Administrator using the Request for Funds form located on the Impact Fund web page. With a Request for Funds, the CLT Administrator must certify that the activity as stated in the Agreement has commenced and that the funds being requested will be used to support this activity.

Disbursement of Deferred Loan – Bond Proceeds awarded to an Administrator may occur pursuant to Section 6.02 of this Procedural Manual.

Notwithstanding the above, Minnesota Housing may, at its sole discretion, disburse Bond Proceeds to the Administrator to fund a Bond Proceeds Loan as follows:

- Up to one-third of the total award of Bond Proceeds Loan is available in the first disbursement upon Administrator's request and at the discretion of Minnesota Housing.
- When the Administrator has demonstrated significant progress, Minnesota Housing, at its discretion, will make further disbursements to the Administrator upon receipt of additional Request for Funds forms.

Minnesota Housing reserves the right to disburse funds more conservatively; for example, unit-by-unit or Project-by-Project.

If the amount of Deferred Loan - Bond Proceeds expended for the funded Project exceeds the sum of the market value of the Land and the amount of eligible demolition and Utility Connections costs, the Administrator must, within 30 days of the delivery of the certificate described in section 6.10 of this Procedural Manual, repay Minnesota Housing for the amount of such excess unless otherwise approved in writing and may withhold disbursements until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

6.14 Repayment of Bond Proceeds Loans

In general, The CLT Administrator must repay Deferred Loan – Bond Proceeds as specifiedLoans upon the occurrence of events, and at the times, set forth in the Agreement.

Additional Repayment Requirements

The CLT Administrator's ground lease assures that properties acquired by the CLT Administrator using Bond Proceeds will remain affordable during the term of the bonds. However, the following apply in the event of the following situations:

1. If, during the term of the bonds, the Property is sold to a non-CLT Homebuyer or leased to a ground lessee that does not meet the income limits established in the CLT Administrator's ground lease, the CLT Administrator must repay Minnesota Housing all or a portion of the bond proceeds lent to the CLT Administrator and allocable to the Property.
2. If, during the term of the bonds, the Community Land Trust is dissolved or sells bond-financed Property to another entity, unless the successor or the purchaser is a community land trust, all or a portion of the bond proceeds, or the portion of the bond proceeds allocable to the bond-financed Property sold must be repaid to Minnesota Housing.
3. If the community land trust Property is foreclosed upon during the term of the bonds, bond proceeds do not have to be repaid to Minnesota Housing.

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Chapter 7 – GrantsGrant Funds

All required program documentation that must be included in the Household/Borrower file and the Construction/Property file is listed in Appendix C, Sections B and C.

(See Appendix C for minimum documentation requirements.)

7.01 General

Impact Fund DollarsGrant Funds may be awarded to an used by the Administrator in the form of a Grant if the funds will be used to:to:

- Provide Value Gap financing; or
- Finance other eligible activities, as approved by Minnesota Housing, that preserve long term affordability or for which repayment is economically infeasible.

7.02 Disbursements

Administrators will not receive disbursements from current awards until past award outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

Administrators must submit a fully executed Request for Funds Form To request disbursement of Grant funds. By executing the Request for Fundsfunds, the Administrator certifies that the activity delineated in the Agreement has commenced and that the funds being requested will be used to support that activity.

must submit a Request for Funds form. The Request for Funds form is located Request for Funds form is available on Minnesota Housing's website.Impact Fund webpage.

Disbursement ofMinnesota Housing may disburse Grant Funds to the Administrator may occur after the Agreement is fully executed as as follows:

1. If the award ≤ $50,000 – 1 disbursement;

- If the award > $50,000 – Up to ⅓one-third of the total award of Grant Funds is available in the first disbursement upon Administrator's request and at the discretion of Minnesota Housing;.
- When the Administrator has demonstrated (via submission of the Household Demographic and Project Information Form) that a significant portion of the award has been provided to Owner-Occupantsprogress, Minnesota Housing, at its sole discretion, will make further disbursements to the Administrator upon receipt of the fully executed additional Request for Funds form;forms.

2. Disbursements depend upon Project progress as reported by the Administrator and at the sole discretion of Minnesota Housing; and

3. Minnesota Housing may forward disbursements via wire; electronic funds transfer (EFT)

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~~or check, upon execution of the Agreement and receipt of the fully executed Request for Funds form within 10 business days from the receipt of the request.~~

Notwithstanding the above listed requirements, Minnesota Housing reserves the right to disburse funds more conservatively, i.e.: unit by unit or Project by Project. All disbursements must be used in accordance with Section 5 and may withhold disbursements until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

7.03 and 5.04 of this Procedural Manual.

Repayment

Grants to the AdministratorRepayment conditions are required to be repaid as perspecified in the Agreement.

Chapter 8 – Interim Loans

~~All required program documentation that must be included in the Administrator file is listed in Appendix C, Sections B and C.~~

(See Appendix C for minimum documentation requirements.)

8.01 General

Minnesota Housing may provide an Interim Loan to an Administrator to acquire, rehabilitate, demolish, and~~/or~~ construct Qualified Dwelling Units. Whether and at what rate an Interim Loan ~~to Administrators will bear~~bears interest is outlined in the ~~Administrator's Agreement. Interim Loans under the Impact Fund must comply with the provisions of Chapters 1 through 5 and Chapter 9 of this Procedural Manual, as well as with the requirements outlined below.~~Agreement.

If an Interim Loan bears interest, interest will accrue ~~at 2% per annum (or another rate as determined by Minnesota Housing)~~ from the date of ~~loan~~ disbursement to the date ~~the Qualified Dwelling Unit is sold to an Owner-Occupant~~of repayment.

If Minnesota Housing determines that a Project requires an Interim Loan and that an interest-bearing loan would adversely affect the affordability of the housing for the ~~eligible homebuyers~~Homebuyer Households the Administrator will serve, Minnesota Housing may award an interest-free Interim Loan.

~~*1. Zero Percent (0%) Interim Loans*~~

~~If a Project that includes the rehabilitation or construction of Qualified Dwelling Units involves the use of equipment or building materials, or a method of design, construction, marketing or financing which are not generally in use in the housing industry or of which the public is not generally aware, Minnesota Housing may, at the time of application, deem the Project to be innovative, and provide the Administrator with an interest-free Innovative Interim Loan.~~

~~Projects selected by Minnesota Housing as innovative must demonstrate qualities such as efficiency, acceptability, effectiveness, durability, and potential for widespread applicability.~~

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~~*2. Loan Term*~~

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8.02 Disbursements

To request funds, the Administrator must submit a Request for Funds form and documentation of the acquisition, demolition, or start of construction of the Projects for which it is requesting funds. The Request for Funds form is available on Minnesota Housing's Impact Fund webpage. Minnesota Housing may withhold disbursements until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

8.03 Repayment

The term of an Interim Loan is 20 months unless otherwise specified in the Agreement. ~~.~~ ~~Principal and interest, if any, shall be due and payable at the end of the term or when the home is sold to an Owner-Occupant, whichever occurs first.~~

~~1. Interim Loans shall not be transferred to Homebuyers.~~

~~2. Minnesota Housing may adjust the~~ Interim Loan ~~term at its sole discretion.~~

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Revolving Interim Loan Funds

Minnesota Housing may, at its sole discretion and on a case by case basis, allow the proceeds of an Interim Loan to revolve under the following conditions:

3. The eligible activity remains feasible;
4. The Administrator uses the proceeds for the same eligible activity originally outlined in the Agreement; and
5. The Interim Loan term has not expired.

3. Disbursement

1. No disbursements will be made from an award to an Administrator until all past award outstanding Level 3 Monitoring Exceptions have been cleared with Minnesota Housing.
2. Disbursements must be requested by an Administrator using the Request for Funds form, located on the Minnesota Housing Impact Fund website. With a Request for Funds, the Administrator must certify that the activity as stated in the Agreement has commenced, and that the funds being requested will be used to support this activity.
3. Upon receipt of the Request for Funds form, Minnesota Housing will forward via wire, electronic fund transfer (EFT) or check of up to 50% of the Interim Loan amount within 10 working days. In the event the Administrator can document a need for more than 50% of the award, Minnesota Housing may disburse more funds. The Impact Fund Dollars must be deposited into an interest bearing account and the Administrator or Processing Entity if applicable, may retain the interest earned from this account.

4. Repayments

Generally, Impact Fund Dollars awarded for an Interim Loan, plus interest due, must be repaid when the eligible activity is complete and the Qualified Dwelling Unit is sold to a Homebuyer.and interest accrued must be repaid on or before the repayment date or termination of availability date noted in the Agreement. Specific repayment requirements will beare detailed in the Agreement. Contact Minnesota Housing with any questions about repayment procedure and amounts due.

5. Interest Rate Calculation

If the Interim Loan bears interest, interest will begin to accrue upon disbursement of Interim Loan funds from Minnesota Housing to the Administrator. Interest will continue to accrue on the amount disbursed until the date the Interim Loan is repaid to Minnesota Housing. The interest calculation will be completed by Minnesota Housing. If the date of the Homebuyer closing changes, the pay-off figure will also change and the pay-off amount must be recalculated by Minnesota Housing.

8.04 Assumption

Interim Loans are not assumable.

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Chapter 9 – Records Retention and Reporting , Record Retention and Documentation Requirements

All required program documentation that must be included in the Project file is listed in Appendix C, Section A.

9.01 Records Retention

AdministratorAdministrators must retain any and maintain copies of all compliance books, records, Project files, documents (including compliance with , and accounting procedures related to the Agreement during the term of the Agreement and for a minimum of six years after the termination or expiration of the Agreement. These documents are subject to examination by Minnesota Housing, the State of Minnesota, the State Auditor, and the Legislative Auditor.

9.02 Reporting Individual Household Demographic and Project Information

Administrators must submit a Household Demographic Project Information form to Minnesota Housing for each Project either upon Project completion as described in this Section 9.02, or when:

- All program guidelines) as may be eligible activities to be performed on a Project have been performed in accordance with the Agreement;
- The Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant; and
- If the Project is supported by Deferred Loan Funds, all necessary Deferred Loan documents have been executed and, where required by the Administrator's regulatory authority, submitted for recording.

The Household Demographic Project Information Form template is available on Minnesota Housing's Impact Fund webpage.

Project Completion by Activity Type

A Project is considered complete for each activity type when the requirements of the underlying loan productbelow are met.

- New Construction: A New Construction Project is complete when construction has been completed, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if any and the requirements of the insurer/guarantorapplicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 6.06 of this Procedural Manual.
- 1. Acquisition, Rehabilitation, Resale: An Acquisition, Rehabilitation, Resale Project is complete when rehabilitation and any construction has been completed, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if any as appropriateapplicable, have been executed, recorded,

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and submitted to Minnesota Housing as required per Section 6.06 of this Procedural Manual.

Minimum and/or alternative documentation requirements of loan or Grant products benefiting the Homebuyer/Household in addition to the Impact Fund Loan or Grant does not relieve the Administrator from the responsibility of acquiring and maintaining complete files, including any and all documents and materials as would customarily be required for servicing and/or loan audit.

- Owner-Occupied Rehabilitation: An Owner-Occupied Rehabilitation Project, except for a Community Fix Up Loan Program interest rate write-down Project, is complete once any loan closing and all rehabilitation has been completed, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 6.06 of this Procedural Manual.
- Community Fix Up Loan Program Interest Rate Write-Down: A Community Fix Up Loan Program interest rate write-down Project is complete when the loan closing is complete and all necessary documents have been recorded and delivered to Minnesota Housing and the servicer, as designated under the Fix Up Loan Program.
- Affordability Gap: An Affordability Gap Project is complete when the Affordability Gap Financing has been expended, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 6.06 of this Procedural Manual.

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9.03 Annual Reporting

Annual reporting will be required so that Minnesota Housing can track the progress of each Administrator's eligible activities. All Administrators with an open Agreement will be required to provide an Annual Report known as the "Impact Fund Annual Report/Final Close out Report". Minnesota Housing will provide the format for this report.

An updated "Impact Fund Annual Report/Final Administrators must provide an annual report known as the Impact Fund Annual Report/Final Close Out Report for each open Impact Fund Award. The format for this report is available on Minnesota Housing's Impact Fund webpage.

9.04 Close Out Report" must also be submittedReporting

Administrators must submit an updated Impact Fund Annual Report/Final Close out Report when an Impact Fund Award is completed. A completedAn Impact Fund Award is defined as follows:complete when:

- All Impact Fund resources from a specific awardDollars have been expended, in accordance with the Agreement, or returned to Minnesota Housing or approved to revolve by Minnesota Housing;;
- All Projects have been completed as described in Section 9.02 of this Procedural Manual; and

1. All completed Projects have been reported to Minnesota Housing via Household Demographic /Project Information forms have been submitted to Minnesota Housing; and

2. All Deferred Loan documents have been recorded and submitted to Minnesota Housing as required.

If the completed Impact Fund award has unspent funds, the funds must be returned to Minnesota Housing with the Impact Fund Annual Report/Final Close out Report.

2. *Mid-Year Reporting*

Newly-funded administrators (awarded under the previous year's Single Family RFP) are required to submit a mid-year progress report to demonstrate activity that has happeneddescribed in the first six monthsSection 9.02 of the award contract. The reportthis Procedural Manual, or via another format to be used is the "Impact Fund – Annual Report/Final Award Close out Report," which must be submitted by July 15 of the year

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~~after funds were awarded. Administrators who have made minimal or no progress will be required to answer additional questions to provide information to explain the delay.~~

Article II. **Chapter 10 – Servicing of Deferred Loans**

1. Servicing

- Each Administrator will be assigned a designated servicer by Minnesota Housing. Currently, all Impact Fund Deferred Loans are serviced by AmeriNational Community Services, Inc. (AmeriNational) or other servicer designatedapproved by Minnesota Housing. Servicing, satisfaction or subordination inquiries should be directed to AmeriNational's Servicing Department.

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Minnesota Housing may, at its discretion, designate other servicers.

2. Delivery of Loans to Servicer

Administrator must forward to Minnesota Housing the Deferred Loan documentation listed in the Deferred Loan Closing Instructions and Deferred Loan Transmittal Form, and in the same form, order, and timeline prescribed therein. The Deferred Loan Closing Instructions and Deferred Loan Transmittal Form is available on the Impact Fund website.

3. Assumption

Loans are not assumable.

4. Hardship Policy

Minnesota Housing has in place a hardship policy for its Deferred Loans that allows forgiveness either in part or whole if the Household is experiencing severe financial hardships that prevent full repayment of indebtedness.

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Appendix A: Definitions

TERM	DEFINITION
Accommodation Party	Anyone with an ownership interest in an eligible Property that is not a Borrower. Examples include but are not limited to a non-borrowing relative, spouse, or heir in title to an eligible Property, or a seller of a contract-for-deed to an Owner-Occupant Household.
Acquisition, Rehabilitation, Resale	Eligible Acquisition, Rehabilitation, Resale activity as described in Chapter 4 of this Procedural Manual.
Administrator	The entity with which Minnesota Housing has a contractual relationship to administer Impact Fund Dollars, including the entity identified as a "Grantee" in a Grant Contract, and any successors or assigns approved in writing by Minnesota Housing. Eligible Administrators include a city, a cities, housing and redevelopment authorities, joint powers boardboards established by two or more cities, a federally recognized American Indian Tribetribes or subdivisionsubdivisions located in Minnesota, a tribal housing corporation, a private developer, acorporations, non-profit organization, a public housing agency or a natural person who is the owner of a Qualified Dwelling Unitorganizations, Private Developers, and Public Housing Agencies.
Administration Fee	The total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for services performed in an Owner-Occupied Rehabilitation or stand-alone Affordability Gap Project, as described in Section 5.07 of this Procedural Manual.
Affordability Gap	The difference between the total cost of acquiring the Property, generally determined by the Fair Market Sales Price of the Property, and the amount of the first mortgage loan for which the Owner-Occupant qualifies based on industry standard, prudent underwriting practice.
Affordability Gap Financing	A Deferred Loan or Grant underFunds used, in amounts not exceeding the Impact Fund usedAffordability Gap, to assist the Owner Occupanta Household in the acquisition of a Property.
Affordable to the Local Work Force	The amount of housing payments made by the occupants of housing funded under the Economic Development and Housing Challenge programFund is affordable based on the wages of jobs being created or retained in the local area, the fastest growing jobs in the local area, the jobs with the most openings in the local area, or the wages of the workforce employed by organizations making contributions under the Economic Development and Housing Challenge program.Fund. Housing payments are affordable if they do not exceed 30% percent of the wages being paid in the local area as the wages are described in the application for Economic

	Development and Housing Challenge ~~program~~Fund funding.
Agreement~~American Indian Household~~	~~A Household that includes at least one household member who is enrolled in a federally recognized tribe.~~A Fund Availability, Disbursement and Loan/Grant Agreement, a Grant Contract, or a Loan Contract.

TERM	DEFINITION
American Indian Household	A Household containing at least one person enrolled in a federally recognized tribe.
Annualized Gross Income	Gross monthly income multiplied by 12. (See Chapter 2 of this Procedural Manual.)
Application for Funds	The application for funds prepared by an Administrator and submitted in response to the Single Family RFP as accepted in writing or electronically by Minnesota Housing including any conditions, restrictions or limitations contained in the ~~Fund Availability, Disbursement and Loan/Grant~~ Agreement.
~~Borrower~~Bond Proceeds	~~A Household that receives funds in the form of a loan with the obligation of repaying the loan and in addition, any person purchasing the real Property securing the loan, executing the promissory note or executing a guarantee of the debt evidenced by the promissory note.~~Proceeds of Minnesota Housing's State Appropriation Bonds (Housing Infrastructure) that are disbursed by Minnesota Housing to the Administrator as a deferred, 0 percent interest loan for the acquisition of, demolition on, or Utility Connections on Land owned or to be owned by a Community Land Trust.
Bond Proceeds Loan	A deferred, 0 percent interest loan made by Minnesota Housing to the Administrator from Bond Proceeds for the purposes set forth in the Agreement.
Borrower	A person who is obligated to repay a Deferred Loan, typically under an Impact Fund Mortgage Note, and is a member of a Household.
Co-Signer	~~Any one~~A person who is obligated to repay the underlying mortgage loan (signer of the mortgage note) but who is not in title to the subject Property and has not signed the mortgage deed.
Community Land Trust (CLT)	A private, non-profit organization that is designated a Section 501 (c) (3) tax-exempt organization and that is authorized to acquire Land to be leased for owner-occupied single family housing for low-and-moderate-income persons or families and that meets the criteria set forth in Chapter 3 of this Procedural Manual.
CRV	Minnesota Housing's Community Revitalization Program, now known as the Community Homeownership Impact Fund Program.
Deferred Loan	A non-amortizing, zero percent or low-interest loan ~~from Minnesota Housing~~made to ~~the~~ a Household or to an Administrator ~~which in turn is lent by the Administrator to an Owner-Occupant to provide~~

	Affordability Gap Financing or rehabilitation or other improvements to Qualified Dwelling Units whichthat must be repaid to the extent provided in the Agreement and Chapter 6 of this Procedural Manual, be processed and closed by the Administrator and be assigned and transferred to Minnesota Housing.
Deferred Loan Funds	Funds reserved by Minnesota Housing for use by the Administrator to provide Deferred Loans to Households for Affordability Gap Financing or Owner-Occupied Rehabilitation.
Developer Fee	The total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for services performed in a New Construction or Acquisition, Rehabilitation, Resale Project, as described in Section 5.08 of this Procedural Manual.

TERM	DEFINITION
Fair Market Sales Price	The market value of a Property as determined in an appraisal as completed by a licensed, qualified, third party appraiser at the time of sale to the Homebuyer Household, in accordance with the Uniform Standards of Professional Appraisal Practice.
Fund Availability, Disbursement and Loan/Grant Agreement	TheA legal contract executed between Minnesota Housing and an Administrator that includes a cover letter and that may be amended or supplemented in writing according to its terms. This "Agreement" articulates funds awarded to an Administrator pursuant to Impact Fund and/or Indian Housing Set-aside funds to complete Eligible Activities.
Grant Funds	Funds awarded by Minnesota Housing to an Administrator under the Agreement generally not requiring repayment and for use by the Administrator in accordance with this Procedural Manualthe Agreement.
Grant Contract	A legal contract executed between Minnesota Housing and an Administrator providing Impact Fund Dollars in the form of a grant.
Homebuyer Household	A type of Household that is eligible to purchase a Property or Qualified Dwelling Unit and benefits from the use of an Impact Fund Award in the New Construction or the Acquisition, Rehabilitation and resale, Resale of a Qualified Dwelling Unit and/or for Affordability Gap Financing to acquire a Property or Qualified Dwelling Unit.
Homeowner Household	A type of Household eligible to use Impact Fund Dollars for the rehabilitation of a Qualified Dwelling Unit in which the Household has an ownership interest. and that occupies the subject Property as its Principal Residence.
Household	A Homebuyer Household or Homeowner who meets Impact Fund Program guidelines and is eligible to receive Impact Fund Dollars from an AdministratorHousehold.
Housing Ratio	The portionproportion of a Household's monthly gross income (Annualized Gross Income divided by 12) necessary to pay the Borrowers'

TERM	DEFINITION
	monthly housing expenseProperty expenses, which includes:are: monthly first-mortgage principal and interest charges on the first and any, subordinate mortgage(s), principal and interest charges, Property taxes, hazard insurance, mortgage insurance, homeowners' association fees, land trust ground lease fees, and any Homeowners Association (HOA) fees.manufactured home park lot rent.
HQS	U.S. Department of Housing and Urban Development Housing Quality Standards.
HUD	The U.S. Department of Housing and Urban Development.
Impact Fund	Minnesota Housing's Community Homeownership Impact Fund Program.
Impact Fund Award	Impact Fund Dollars awarded to an Administrator by Minnesota Housing for a specific purpose and governed by a Fund Availability, Disbursement and Loan/Grant Agreement, Grant Contract, or Loan Contract, or some combination of those.
Impact Fund AgreementAward Identification (ID) Number	The unique identifier assigned to an Administrator's Impact Fund Award and listed on theAn Agreement and which mustshould be used on all forms and correspondence with Minnesota Housing.
Impact Fund Dollars	The aggregate funds that Minnesota Housing reserves and makes available to the Administrator for eligible activities under one or more Agreements.
Indian Housing Set-Aside Funds	A set-aside funding source awarded under the Impact Fund to an Administrator to exclusively serve American Indian Households by conducting eligible activities under the Agreement.
Interim Loan	A short-term loan made to an Administrator to assist with acquiring, demolishing, rehabilitating or constructing homes for Owner-Occupants.
Land	The real property upon which Qualified Dwelling Units are located or are to be constructed.

~~TERM~~	~~DEFINITION~~
~~Impact Fund Application for Funds~~	~~An Administrator's request for Impact Fund Dollars prepared in response to Minnesota Housing's Single Family RFP.~~
~~Impact Fund Dollars~~	~~The aggregate funds identified in Section 2.01 of the Agreement that Minnesota Housing will reserve and make available to the Administrator for eligible activities under the Agreement.~~
~~Indian Housing Set-Aside Funds~~	~~A set-aside funding source that is awarded by the Impact Fund to a specific Administrator to exclusively serve American Indian Households by conducting eligible activities under the Agreement and pursuant to this Procedural Manual.~~
~~Interim Loan~~	~~A short-term, non-or-low-interest bearing loan made to an Administrator to assist with acquiring, demolishing, rehabilitating or constructing Owner-Occupied housing~~
~~Land~~	~~The real property upon which Qualified Dwelling Units are located or to be constructed.~~
Level 3 Monitoring Exception	A monitoring finding that is a critical exception and requires a response by the Administrator. Level 3 findings are usually violations of published program guidelines and may significantly increase the overall risk to the program/project. A Level 3 finding is the only type of monitoring exception that requires a response.
Lien Waiver	A legal document that is executed by a contractor, subcontractors and material suppliers under which they relinquish any right they may have to place a lien on the Property for work performed or materials supplied.
~~Low Income Households~~Loan Contract	~~Households whose Annualized Gross Income is less than or equal to 80% of state or area median income (AMI). Income limits are listed on Minnesota Housing's website.~~A legal contract executed between Minnesota Housing and an Administrator providing Impact Fund Dollars in the form of a deferred loan funded by Bond Proceeds or an Interim Loan.
New Construction	Eligible New Construction activity as described in Chapter 4 of this Procedural Manual.
~~Low and Moderate Income Households~~Owner-Occupant	~~Households~~A Household whose ~~Annualized Gross Income is less than or equal to~~ income does not exceed 115~~%~~ percent of state or area median income (AMI~~). Income limits are~~) as adjusted from time to time by the U.S. Department of Housing and Urban Development and as listed on Minnesota Housing's website. An Owner-Occupant must own the Qualified Dwelling Unit and use it as its Principal Residence. A Household that has purchased a Property subject to a contract-for-deed is considered an Owner-Occupant.
Owner-Occupied	Eligible Owner-Occupied Rehabilitation activity described in Chapter 4 of

Comment [LN1]: Intentionally lower cased here to distinguish from Deferred Loan (caps) to homeowners/homebuyers.

Rehabilitation	this Procedural Manual.

~~TERM~~	~~DEFINITION~~
~~Owner-Occupant~~	~~A Homeowner or Household whose income does not exceed 115% of state or area median income (AMI) as adjusted from time to time by the US Department of Housing and Urban Development and as listed on Minnesota Housing's website. An Owner-Occupant must own the Qualified Dwelling Unit and use it as their Principal Residence. A Household that has purchased a Property subject to a contract-for-deed is considered an Owner Occupant.~~
Plans and Specifications	Documents including drawings, diagrams or sketches that describe the work to be done, as well as all measurements and construction details and a detailed list of the products and materials.
~~Private Developer~~Principal Residence	~~An individual or a for-profit, non-governmental entity, including, but not limited to, a cooperative housing corporation.~~The Property which the Homebuyer Household or Homeowner Household regularly occupies as its main dwelling place for at least nine months of the year.
~~Principal Residence~~Private Developer	~~The Property which the Homebuyer regularly occupies as their main dwelling place for at least nine months of the year.~~An individual or a for-profit nongovernmental entity, including a cooperative housing corporation as defined in Minnesota Rule 4900.0010, subpart 8, and a limited dividend entity as defined in part Minnesota Rule 4900.0010, subpart 14.
Processing Entity	~~A Minnesota Housing approved lender who enters into~~An entity that has a ~~contract~~contractual relationship with an Administrator and has been approved by Minnesota Housing to ~~process~~conduct eligible activities under the Impact Fund ~~awards.~~.
Procedural Manual	This Community Homeownership Impact Fund Program Procedural Manual.
Project	The housing development activity associated with a Property. The housing development activity is the approved activity carried out in accordance with the Agreement.
Property	The Land and the Qualified Dwelling Unit(s) situated thereon.
Public Housing Agency	Any state, county, municipality or other governmental entity or public body (or agency or instrumentality thereof) that is authorized to engage or assist in the development or operation of low-income housing.
Qualified Dwelling Unit	A structure consisting of one-to-four units, a condominium, or a townhouse ~~which~~that is or will be occupied by the ~~owner~~Homeowner Household or Homebuyer Household as ~~his or her~~its Principal Residence and ~~which~~that is located on or will be constructed on Land and ~~are~~is part of a Project.
Single Family Request for Proposal (RFP)	The process by which the Single Family Division of Minnesota Housing solicits Administrator Applications for Funding under the Impact Fund.

~~TERM~~	~~DEFINITION~~
~~Single Family Request for Proposal (RFP)~~	~~The process by which the Single Family Division of Minnesota Housing solicits Administrator Applications for Funding under the Impact Fund Program.~~
Scope of Work	A detailed outline of the necessary rehabilitation work to be completed on the Project.
Sworn Construction Statement	A sworn statement of fact made by a general contractor that lists all of the work to be performed on a Qualified Dwelling Unit, the subcontractors who will perform the listed work, material suppliers who will supply materials for the listed work, and the cost of each individual item of work and item of material that will be supplied.
~~Title Company~~	~~An organization that provides Property title examination and title insurance coverage, closing services and disbursements of construction funds.~~
Total Development Cost	Total eligible costs of a Project as described in Section 5.~~04~~05 of this Procedural Manual.
Tribal Land	Any Land owned or governed by a federally recognized tribe.
Underserved Populations	Households of color or Hispanic ethnicity~~;~~, single heads of Households with minor children~~;~~, and Households with a disabled member(s).
Utility Connections	Connections on the Land from utilities in the street or alley to a Qualified Dwelling Unit, ~~including~~limited to the following: ~~1.~~• ~~Provision~~Connection of gas supply to a Qualified Dwelling Unit's gas service regulator. ~~2.~~• ~~Provision~~Connection of utility ~~electricity service~~electrical supply to the electricity meter at a Qualified Dwelling Unit. ~~3.~~• ~~Provision~~Connection of municipal water supply to a water meter located inside a Qualified Dwelling Unit. ~~4.~~• ~~Provision~~Connection of sanitary sewer ~~service~~ to the Qualified Dwelling Unit~~,~~ (i.e., construction or replacement of the house sewer between the ~~5.~~• sewer and the building drain~~.~~). The waste stacks within the walls of a Qualified Dwelling Unit are not included in this definition. ~~6.~~• If required by a local municipality: ~~Provision~~Connection of storm sewer service to the Qualified Dwelling Unit and/or any storm water retention system located on the Property.
Value Gap	The difference between the ~~Fair Market Sales Price and the~~ Total Development Cost of a Project~~.~~ and the Fair Market Sales Price of the Property.

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Appendix B: Forms List

~~Certificate of Administrator as to Expenditure of Deferred Loan – Bond Proceeds~~
~~Extension Request~~
~~Household Demographic Project Information Form~~
~~Impact Fund Annual Report/Final Close Out Report~~
~~Impact Fund Deferred Loan Closing Instructions and Deferred Loan Transmittal Form~~
~~Impact Fund Mortgage~~
~~Impact Fund Mortgage Note~~
~~Lead-Based Paint Summary~~
~~Non-Occupant Spouse Statement~~
~~Request for Funds~~
~~Zero Income Statement~~

The forms listed below are available on Minnesota Housing's Impact Fund webpage.

Certificate of Administrator as to Expenditure of Deferred Loan – Bond Proceeds
Extension Request
Household Demographic Project Information Form
Impact Fund Annual Report/Final Close Out Report
Impact Fund Deferred Loan Closing Instructions and Deferred Loan Transmittal Form
Impact Fund Mortgage
Impact Fund Mortgage Note
Lead-Based Paint Summary
Non-Occupant Spouse Statement
Request for Funds
Zero Income Statement

Appendix C: Required Program Documentation

~~A. ADMINISTRATOR FILE~~

A. ADMINISTRATOR FILE

	Annual/Progress Reports (if applicable)
	The Agreement
	~~Evidence of Minnesota Housing staff approval of Program-, Household-and/or-Property–specific Waiver(s), as applicable.~~Application for Funds
	~~Request for Funds~~Evidence of Minnesota Housing staff approval of Program-, Household-and/or-Property–specific Waiver(s), as applicable.
	~~Administrator insurance certificate(s) - Commercial General Liability and Worker's Compensation, at statutory coverages.~~Request(s) for Funds
	~~Other Correspondence (if applicable)~~General ledger and any sub ledger(s) evidencing all Project revenues, including Impact Fund Dollars received, and Project expenditures

B. HOUSEHOLD/BORROWER FILE

Household Last Name	First Name	Middle Initial	
Property Address	City		Impact Fund Award Number

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	Household's/Borrower's application(s) for assistance (for Owner-Occupied Rehabilitation Projects and Homebuyers receiving Affordability Gap assistance)
	Evidence of Tennessen and data privacy disclosure
	Verification of American Indian tribal affiliation/membership (if applicable)
	Appraisal completed, at the time of sale to the Homebuyer by a licensed, qualified, third party appraiser in accordance with the Uniform Standards of Professional Practice (not required for Owner-Occupied Rehabilitation)
	Assignment of Mortgage to MHFA (if applicable)
	Impact Fund Mortgage and Mortgage Note (for ~~Affordability Gap-financed houses and~~ Borrowers receiving ~~Owner-Occupied rehabilitation~~Impact Fund Deferred Loans)
	Good Faith Estimate & Truth-in-Lending disclosure, a Loan Estimate, or memorandum explaining exemption from disclosure requirements (for ~~deferred loans for Affordability Gap or Owner-Occupied rehabilitation)~~Borrowers receiving Impact Fund Deferred Loans)
	Documented method to determine Affordability Gap (for Households receiving Affordability Gap assistance)

	~~Mortgage Note~~Evidence of eligibility review and referral for ~~underlying first mortgage of Homeowner~~ other programs/(in ~~cases of an occupying Co- Signer (not required~~)ability to repay a Fix Up loan (for Households receiving Owner-Occupied Rehabilitation~~)~~ loans)
	~~Documented method to determine Affordability Gap~~Borrower's first-mortgage Uniform Residential Loan Application (Fannie Mae Form 1003) (for Households receiving Affordability Gap assistance)
	Lender/Owner's Title Insurance Policy (if purchased) or Attorney's Title Opinion
	~~Evidence of Tennessen and data privacy disclosure~~
	~~Household Demographic/Project Information Form~~
	Income Verification, including but not limited to the prior year's federal income tax returns and one month of recent paystubs or nonwage income statements

	~~and one month of recent paystubs~~
	Non-Occupant Spouse Statement (if applicable)
	Zero Income Statement (if applicable)
	Annualized Gross Income Worksheet (optional)
	Proof of ownership – copy of Deed with recent verification from a recorder's office, Certificate of Title, a title report, or ~~approved equivalent, such as~~ an Owners & Encumbrance Report
	Purchase Agreement (if applicable)
	Settlement statement or closing document (HUD-1, HUD-1A, or Closing Disclosure), or memorandum explaining exemption from disclosure requirements
	Notice of Homeowner's Right of rescission (for Households receiving Owner-Occupied Rehabilitation loans)
	Household Demographic Project Information Form
	Land Lease Agreement (if applicable)

~~**C. CONSTRUCTION/PROPERTY FILE**~~

~~1~~C. CONSTRUCTION/PROPERTY FILE	~~**New Construction and Acquisition/Rehabilitation/Resale**~~

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1	**New Construction and Acquisition, Rehabilitation, Resale**
	Documentation of Project budget and actual expenses including but not limited to all books, records, bills, invoices, receipts, and statements of account
	Purchase Agreements
	Settlement Statements
	~~Building Permits~~Appraisal(s) establishing Fair Market Sales Price
	Certificate of Occupancy or certificate of completion
	Evidence of clear predevelopment title (e.g., Title Insurance) ~~(if applicable)~~
	Evidence of using state licensed contractor, if required to be licensed
	Final Project Budget/Cost Summary/Sources and Uses document (including documented ~~method to determine~~determination of Value Gap)

	Scope(s) of Work (only for rehabilitation)
	Before and after pictures of rehabilitation work
	Bids, Documentation of the bidding and/or purchasing process, including bids/cost estimates for improvements or a Cost Study
	Contracts and Change Orders
	Evidence that no contractor used is debarred or suspended
	Site and Building Plans and Specifications (only for New Construction)
	Survey (only for New Construction)
	Sworn Construction Statement(s)
	Lien Waivers corresponding to the Sworn Construction Statement(s) and corresponding lien waivers (or approved equivalent)
	Evidence of Foreclosed or Abandoned Property, as required by the Agreement (If using Bond Proceeds awarded in October 2012,; see Section 6.10 for specific requirements)
	Housing Infrastructure Bond Proceeds Certificate, (evidence of expenditure of deferred loan), if applicable (See Section 6.10 for details)

2	**Green Communities Compliance**
	Minnesota Housing-approved Green Communities Criteria Waivers (if applicable)
	Pre-construction:
	Intended Methods Worksheet
	Acquisition/, Rehabilitation:, Resale: Energy Audit and Energy Efficiency Improvement Plan or HERS rater energy model
	Acquisition, Rehabilitation, Resale: Post-renovation energy auditor inspection report or HERS rater report
	Acquisition/, Rehabilitation, Resale of Homes Built Prior to 1978: Lead Based Paint Risk Assessment or Inspection Report
	Acquisition, Rehabilitation, Resale of Homes Built Prior to 1978: Lead Based Paint Summary and, if required, a Lead Hazard Clearance Report
	Acquisition, Rehabilitation, Resale: Radon Testing Report(s)
	New Construction: HERS rater energy model to ENERGY STAR® Certified New Home standards
	PostNew Construction: ENERGY STAR® Certified New Home certificate
	Post-construction:
	Intended Methods Worksheet including End of Construction Compliance Certification, or Enterprise Green Communities Certification

Stand-alone Affordability Gap activity (which does not include construction or rehabilitation) and Owner-Occupied Rehabilitation activity are exempt from Green Communities Compliance.

3	Acquisition/**Owner-Occupied Rehabilitation**: Post-renovation energy auditor inspection report or HERS rater report
	New Construction: ENERGY STAR® Certified New Home certificate
	Rehabilitated Homes Built Prior to 1978: Lead Based Paint Summary and, if required, a

	~~Lead Hazard Clearance Report~~Documentation of Project budget and actual expenses including but not limited to all books, records, bills, invoices, receipts, and statements of account
	~~Acquisition/Rehabilitation: Radon Testing Report(s)~~

~~*Stand-Alone Affordability Gap programs (which do not include construction or rehabilitation) and Owner-Occupied rehabilitation programs are currently exempt from Green Communities Compliance.*~~

~~**3**~~	~~**Owner Occupied Rehab**~~
	~~Rehabilitation Scope of Work~~
	~~Bids, Cost Estimates for Improvements or a Cost Study~~
	~~Evidence of using State licensed contractor~~
	~~Building Permits~~
	~~Certificate of Completion~~
	Final Project Budget/Cost Summary/Sources and Uses document
	Rehabilitation Scope(s) of Work
	Documentation of the bidding and/or purchasing process including bid(s)/cost estimate(s) for the Scope(s) of Work
	Evidence of using state licensed contractor, if required to be licensed
	Contracts for rehabilitation, including any Change Orders (not applicable to Community Fix Up Loan Program write-down Projects)
	Certificate(s) of completion (not applicable to Community Fix Up Loan Program write-down Projects)

Manufactured Housing

4	**Manufactured Housing**
	Documentation of Project budget and actual expenses including but not limited to all books, records, bills, invoices, receipts, and statements of account
	Final Project Budget/Cost Summary/Sources and Uses document
	Building Permits (e.g., utility hook-ups, etc.)
	Certificate of Occupancy
	Documented method to determine Value Gap (if applicable)
	Rehabilitation Scope of Work (if applicable)
	Evidence of using state licensed contractor/installer
	~~Bids,~~ Documentation of the bidding and/or purchasing process including bids/cost estimates for improvements ~~or a Cost Study~~
	~~Final Project Budget/Cost Summary~~
	~~Scope of Work – Rehab~~

~~Administrators using Indian Set-aside Funds should contact~~*For Projects on Tribal Land, Minnesota Housing* ~~to determine the acceptability of~~*may accept additional* ~~documents equivalent to those provided in the lists~~*or alternative documentation to that listed above.*

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MINNESOTA HOUSING

Board Agenda Item: 7.D
Date: 2/22/2018

Item: Approval, Proposed State of Minnesota Housing Tax Credit 2020 Qualified Allocation Plan (QAP) and the 2020 Housing Tax Credit Program Procedural Manual

Staff Contact(s):
Devon Pohlman, 651.296.8255, devon.pohlman@state.mn.us
Summer Jefferson, 651.296.9790, summer.jefferson@state.mn.us

Request Type:
☒ Approval
☒ Motion
☐ Resolution
☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
Staff recommends adoption of a motion to approve the release of the proposed State of Minnesota Housing Tax Credit 2020 Qualified Allocation Plan (QAP), the 2020 Housing Tax Credit Self-scoring Worksheets and the 2020 Housing Tax Credit Program Procedural Manual in draft form for public comment.

Fiscal Impact:
This is a federally sponsored program and the allocation of housing tax credits does not have any direct fiscal impact on Minnesota Housing's financial condition.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Timeline
- 2020 Qualified Allocation Plan (QAP) Summary of Proposed Content Changes
- QAP Cover Memo to Stakeholders
- Proposed State of Minnesota Housing Tax Credit Qualified Allocation Plan (QAP) and the 2020 Housing Tax Credit Program Procedural Manual
- Proposed 2020 Housing Tax Credit Self-scoring Worksheets for 9% and 4%
- Methodologies:
    - Access to Higher Performing Schools
    - Community Economic Integration
    - Cost Containment
    - Location Efficiency
    - Rural/Tribal Designated Areas
    - Qualified Census Tracts, Tribal Equivalent Areas
    - Workforce Housing Communities
    - Continuum of Care (CoC) Priorities

SUMMARY OF REQUEST:
Staff recommends adoption of a motion to approve release of the proposed 2020 Housing Tax Credit (HTC) Program Qualified Allocation Plan (QAP), the 2020 Housing Tax Credit Self-scoring Worksheets and the 2020 Housing Tax Credit Program Procedural Manual in draft form for public comment.

BACKGROUND
The Federal Tax Reform Act of 1986 created the Housing Tax Credit Program (HTC) for qualified residential rental properties. The HTC program is one of the principal federal subsidies contained within tax law for acquisition/substantial rehabilitation and new construction of low-income rental housing. Section 42 of the Internal Revenue Code (IRC) requires that state allocating agencies develop a Qualified Allocation Plan (QAP) for distribution of the tax credits within their jurisdiction. The QAP is subject to modifications to ensure the provisions conform to the changing requirements of the IRC, applicable state statute, the changing environment and market conditions, and to best promote Minnesota Housing's strategic priorities.

Minnesota Housing's HTC Program administration includes use of the following documents: A QAP (described above); a procedural manual that includes detailed definitions and procedures for implementation of the QAP; and a self-scoring worksheet that assigns points to the degree to which a development meets Minnesota Housing's HTC Program funding priorities. The HTC Program is reviewed and revised annually to ensure it meets IRS requirements as well as Minnesota Housing's strategic priorities.

Copies of the current QAP and procedural manual are available on Minnesota Housing's website at www.mnhousing.gov (Home – Multifamily Rental Partners –> Funding –> Tax Credits –> 2019 HTC Procedural Manual and Documents).

TIMELINE: 2020 HTC PROGRAM SCHEDULE

March 14, 2018	Minnesota Housing 2020 QAP public hearing
May 24, 2018	Minnesota Housing board asked to approve final 2020 QAP and Manual
April 15, 2019 (tentative date)	Publish RFP for HTC 2020 Rounds 1 and 2
June 13, 2019 (tentative date)	HTC 2020 Round 1 and 2019 MF Consolidated RFP application deadline
October 17, 2019 (tentative date)	Minnesota Housing board asked to approve HTC 2020 Round 1 selection recommendations
January 31, 2020 (tentative date)	HTC 2020 Round 2 application deadline
April 23, 2020 (tentative date)	Minnesota Housing board asked to approve 2020 HTC Round 2 selection recommendations

TIMELINE: 2019 HTC PROGRAM SCHEDULE

May 14, 2017	Minnesota Housing 2019 QAP public hearing
July 27, 2017	Minnesota Housing board approved final 2019 QAP and Manual
April 16, 2018	Publish RFP for HTC 2019 Rounds 1 and 2
June 14, 2018	HTC 2019 Round 1 and 2018 MF Consolidated RFP application deadline
October 18, 2018	Minnesota Housing board asked to approve HTC 2019 Round 1 selection recommendations
January 31, 2019	HTC 2019 Round 2 application deadline
April 25, 2019	Minnesota Housing board asked to approve HTC 2019 Round 2 selection recommendations

STATE OF MINNESOTA HOUSING TAX CREDIT 2020 QUALIFIED ALLOCATION PLAN AND 2020 HOUSING TAX CREDIT PROGRAM PROCEDURAL MANUAL PROPOSED REVISIONS

Staff provided an overview of proposed 2020 Qualified Allocation Plan (QAP) changes at the January 25, 2018 board meeting and a summary of the proposed content changes is attached. This memo outlines the proposed policy changes to the QAP, Procedural Manual, and Self-scoring Worksheets (9% and 4%). A brief description of the proposed policy change, including impacts to HTC documents, is outlined in one of two tables below. The first table highlights general proposed policy changes that govern the HTC program through the QAP or Procedural Manual. The second table highlights proposed policy changes that impact strategic priorities and selection categories through the Self-scoring Worksheet(s) in addition to, in some cases, the QAP and/or Procedural Manual.

The tables below also highlight how the proposed policy change impacts the type of tax credits Minnesota Housing allocates and the process the Agency uses to allocate the tax credits. Both 9% and 4% tax credits are allocated through competitive funding rounds (HTC Round 1 and HTC Round 2). In addition, Minnesota Housing allocates 4% tax credits in connection with tax exempt volume limited bonds issued pursuant to an allocation of state volume cap by Minnesota Management and Budget (MMB) when Minnesota Housing's QAP requirements are met (4% Only). Redline versions of the QAP, Procedural Manual and Self-scoring Worksheets are included in the board packet.

Table 1 - Proposed Policy Changes: Qualified Allocation Plan and Procedural Manual

	Impacted Documents		HTC Impact
Proposed Change	**QAP**	**Procedural Manual**	**Policy Impact to HTC Round 1 or 2, or 4% Only**
Clarify the tie breaker criteria		x	9% HTC Round 1 and 2
Increase the per-development tax credit limit to $1,250,000	x	x	9% HTC Round 1 and 2
Increase the per-developer or general partner tax credit limit	x	x	9% HTC Round 1 and 2
Increase the rural development/small project set-aside to $350,000		x	9% HTC Round 1 and 2
Revise the state designated basis boost		x	9% HTC Round 1 and 2
Clarify and revise unacceptable practices: transfer of ownership, cost containment and compliance		x	9% HTC Round 1 and 2 4% HTC Consolidated RFP 4% Only

Table 2 – Proposed Policy Changes to Strategic Priority Policy Thresholds and Selection Criterion

	Impacted Documents	Policy Impact	
Proposed Change	**QAP, Procedural Manual and/or SSW Impact**	**Strategic Priority/Selection Criterion**	**Policy Impact to HTC Round 1 or 2, or 4% Only**
Greater Minnesota Workforce Housing: • Deleted requirement for cooperatively developed plan • Clarified requirement for employer support	QAP, Procedural Manual and SSW 9% and 4%	Strategic Priority and Selection Criterion	9% HTC Round 1 and 2 4% HTC Consolidated RFP 4% Only
Reform Planned Community Development to Community Development Initiative	QAP, Procedural Manual and SSW 9% and 4%	Strategic Priority and Selection Criterion	9% HTC Round 1 and 2 4% HTC Consolidated RFP 4% Only
Supportive Housing: High Priority Homeless (HPH) and People with Disabilities (PWD). Clarification to rent guidelines for units without rental assistance	Procedural Manual and SSW 9% and 4%	Selection Criterion	9% HTC Round 1 and 2 4% HTC Consolidated RFP 4% Only
Preservation: Allow a market study deemed acceptable to Minnesota Housing to satisfy the threshold requirement for Risk of Loss due to Market Conversation	Procedural Manual and SSW 9% and 4%	Selection Criterion	9% HTC Round 1 and 2 4% HTC Consolidated RFP 4% Only
Preservation: Clarify scoring requirements for RAD 1 projects under Critical Affordable Units as Risk of Loss.	Procedural Manual and SSW 9% and 4%	Selection Criterion	9% HTC Round 1 and 2 4% HTC Consolidated RFP 4% Only

Other changes to the HTC Program Procedural Manual include clarification specific to Identity of Interest and clarification to specific provisions of the qualified contract. Requirements specific to the Community Development Initiative, Permanent Supportive Housing, and Preservation selection criterion were eliminated from the HTC Program Procedural Manual and now reside in one place, the Self-scoring Worksheet(s). Clarifications were made to the relief provision criteria for rental assistance and/or operating support.

Other changes to the QAP impact Article 8, which outlines requirements for credits for buildings financed by tax exempt volume limited bonds. Clarifications were also made to the definition of selection priorities and preference priorities through the addition of long-term affordability to the preference priority criteria. In cases where tiebreaker criteria are needed, Minnesota Housing's preference and selection priorities are used.

One proposed clarification we made to both the QAP and HTC Program Procedural Manual relates to timeline submission requirements for projects financed by tax exempt volume limited bonds seeking 4%

tax credits; developers must submit a full and complete application to Minnesota Housing for issuance of a Preliminary Determination by Minnesota Housing at least thirty days prior to bond issuance.

General Administrative and Clarifications

Staff will continue to perform various administrative checks for formatting, spelling, text and instruction corrections and clarifications within the QAP, HTC Program Procedural Manual, Self-scoring Worksheet and other 2020 HTC related documents.

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MINNESOTA HOUSING

2020 Qualified Action Plan (QAP)
Summary of Proposed Content Changes

Key Changes

In the 2019 QAP, Minnesota Housing proposed and adopted significant streamlining changes. With these changes now in place, the proposed changes for the 2020 QAP are recommended only for critical policy or clarification purposes. Key changes are identified below in three categories based on their impact on: projects with 9% tax credits allocated through the competitive RFP process; tax-exempt bond/4% projects selected through the competitive Request for Proposals (RFP) process; and projects receiving tax exempt bonds through the Minnesota Department of Management and Budget (MMB) and seeking an allocation of tax credits through the 4% Only (42M) process. While these are the proposed changes identified at this point, there may be additional modifications to the 2020 QAP, including addressing concerns and suggestions that arise from public comments.

9% Housing Tax Credits (HTC) Allocated Through the Competitive RFP

- **Clarify the tie breaker criteria** by making long-term affordability a preference priority, which is given weight in the first round of a tie breaker. This change is in line with Internal Revenue Code preferences. Cost containment is removed as a preference priority and will become a selection priority.
- **Increase the per-developer or general partner tax credit limit** to the greater of: the amount representing 10 percent of the state's per capita volume limit in tax credits, or the amount needed to support two developments in the case that two developments selected are being developed by the same developer or general partner. Such projects are subject to the per development limit shown below.
- **Increase the per-development tax credit limit** from $1.2 million to $1.25 million, based on an annual inflation factor.
- **Increase the rural development/small project set-aside** from $300,000 to $350,000. This set-aside was last adjusted in the 2013 QAP. Minnesota Housing intends to apply an annual inflation adjustment factor in future QAP rounds.
- **Revise the State Designated Basis Boost** to apply to developments that meet one of the following two strategic priority policy thresholds: Supportive Housing or Preservation. Allocating agencies are allowed to award a basis boost of up to 30 percent to HTC buildings, and allocating agencies are authorized to determine their individual policy objectives for projects eligible for the basis boost. Minnesota Housing seeks to ensure that the boost continues to advance critical state housing priorities through targeted and strategic use. Note that many projects qualify under more than one strategic priority; for example, many projects meet the Greater Minnesota Workforce Housing strategic priority policy threshold in addition to the Supportive Housing strategic priority threshold.

Competitive RFP (9% and 4% HTC) and 4% Only (42M)

- **Reform the Planned Community Development Strategic Priority into the Community Development Initiative Strategic Priority** to streamline this strategic priority and to facilitate use of the priority by communities with active community development initiatives that include affordable housing as a key strategy. Clarify what additional information is required by federal regulations for developments in a Qualified Census Tract (QCT) for a plan to be considered a concerted community revitalization plan.
- **Clarify and Revise Unacceptable Practices**, as outlined in the *2019 Housing Tax Credit Program Procedural Manual*, which result in negative points on future application submittals or the inability to

apply for future HTC rounds in severe cases. Minnesota Housing is recommending clarifications or changes that impact three areas: transfer of ownership, cost containment and compliance.

- Transfer of Ownership. Clarify that approval for transfer of ownership (more than 50 percent interest in a general partner or member, or a change in a nonprofit partner) is required for the duration of the Land Use Restrictive Agreement (LURA), and that if a transfer of ownership occurs, a fee is required throughout the term of the LURA. Also clarify that a failure to notify Minnesota Housing of a transfer of ownership constitutes an unacceptable practice for which a negative point penalty is assessed.
- Cost Containment. Clarify how penalties will be assessed for future projects. The penalty will be assessed against a future tax credit request of the same type of funding round for which the points were initially awarded. Specifically:
  - Projects awarded cost containment points in a competitive funding round (HTC Round 1 or Round 2) would receive a penalty on the next competitive HTC funding round application if costs exceed the benchmark.
  - Projects requiring points to reach the minimum score and that are awarded such points under the 4% Only (42M) allocation process would receive a penalty on the next 4% Only (42M) application if costs exceed the benchmark.
- Compliance. Add an unacceptable practice provision for failure:
  - To comply with critical life, safety and/or compliance and monitoring procedures; or
  - To correct or submit an acceptable timeline for correction of non-compliance after repeated notices.

Other notable clarifications or changes to selection categories and criteria are outlined below.

Selection Categories and Selection Criteria

Changes to the selection categories and criteria include:

- **Community Development Initiative.** This selection category is being streamlined to better clarify the eligibility criteria. Developments seeking these points must continue to provide evidence of a targeted geographic area for the initiative, a current implementation plan with goals or outcomes specific to the need identified by the initiative, and developments should demonstrate that affordable housing is a key strategy and there is active local stakeholder involvement.
  - In addition, in order for a plan to be considered a concerted community revitalization plan, as defined in federal guidance, for purposes of the statutory preference, plans in a QCT should include **a demonstrated strategy for obtaining a commitment of public or private investment (or both) in non-housing infrastructure, amenities or services.**
- **Greater Minnesota Workforce Housing.** Currently, to meet this strategic priority, projects must demonstrate need based on a low vacancy rate, have employer support and have a cooperatively developed plan. Minnesota Housing proposes to change one of these requirements and clarify a second:
  - Cooperatively Developed Plan. Remove the cooperatively developed plan requirement because it is redundant of the existing strategic priority and scoring criterion focused on community development initiative efforts.
  - Employer Support. Clarify that a letter of employer support is required. An employer with 20 or more Full-time Employees (FTEs) must provide a description of the difficulty employees have had obtaining affordable housing in the jurisdiction of the proposed project. A

description of local wage levels and affordable rent levels must be provided. Minnesota Housing will provide a sample letter that applicants can use.

- **Supportive Housing: High Priority Homeless and People with Disabilities.** Both of these scoring criterion are being modified to specify that, for units occupied by households without rental assistance that are seeking these points, the gross rent, including an allowance for tenant-paid utilities, cannot exceed the greater of 30 percent of the household's monthly income or the most current supportive housing standard for the unit size as published by Minnesota Housing. Owners must establish and implement policies and procedures to specify the calculation method used to determine the appropriate rent amount and the periodic income recertification used when adjusting rents.
- **Preservation: Threshold Requirement: Risk of Loss Due to Market Conversion.** We currently require projects that meet this threshold requirement to provide proof of a market for conversion as evidenced by a low physical vacancy rate (4% or lower) for market rate comparable units and one of three of the following: a market study commissioned by Minnesota Housing, an appraisal commissioned by Minnesota Housing or a Rent Comparability Study (for properties with project-based Section 8 contracts).
    - **Clarify that one option for demonstrating a market for conversion is a market study as deemed acceptable to Minnesota Housing** instead of one commissioned by Minnesota Housing.
- **Preservation. Scoring: Critical Affordable Units at Risk of Loss**. Preservation projects are currently eligible for points under this scoring criterion only if the development also satisfies the Serves Lowest Income Tenants/Rent Reduction criteria, which requires that rents be restricted to 50 percent Multifamily Tax Subsidy Projects (MTSP) limits. Properties that convert through RAD 1 may not satisfy the 50 percent MTSP rent restriction as the project-based Section 8 contract on the converted property may be above that limit.
    - Minnesota Housing proposes to modify this scoring criterion to provide that **a RAD 1 development is eligible for these points if 50 percent or more of the units in the development are covered by a project-based Section 8 rental assistance contract.**

Next Steps, Feedback and Public Comments

Minnesota Housing staff will present proposed changes, including a redline version of changes, at Minnesota Housing's February 22, 2018 board meeting. Opportunities to provide feedback are currently open and include several different options listed below. While the formal comment period begins if and after the board approves the proposed 2020 QAP changes at its February 22, 2018 meeting and culminates on March 14, 2018 at 5:00 p.m., Minnesota Housing invites earlier comments and will consider all comments received through the March 14, 2018 deadline.

- Formal public comment period: **February 22 – March 14, 2018**
- In-person session at Minnesota Housing: **March 5, 2018**
- Public hearing at Minnesota Housing: **March 14, 2018**
- Email: tamara.wilson@state.mn.us
- Telephone: Tamara Wilson, 651.296.4451
- In writing: Attn: Tamara Wilson, Minnesota Housing,
  400 Wabasha Street North, Suite 400
  St. Paul, MN 55102

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February 22, 2018

RE: 2020 HTC Qualified Allocation Plan

Dear Stakeholders,

Minnesota Housing is pleased to present our DRAFT 2020 HTC Qualified Allocation Plan (QAP). This plan was created in collaboration with partners and stakeholders who share our goal of providing affordable housing as a foundation for success.

Process
To develop the draft QAP, we gathered economic, demographic, market and community data, as well as feedback from:

- Regional Housing Dialogues with community and housing leaders from around the state
- Informal conversations with partners and stakeholders
- Targeted information sessions

Goals
The draft QAP reflects priorities in Minnesota Housing's 2016-2019 Strategic Plan and our need to balance competing goals. It is responsive to statewide priorities, local needs and national best practices. Particular attention is given to the following:

- Serving people with greatest needs, largest barriers and fewest housing choices, including high priority homeless households, people with disabilities, large families, and the lowest income households
- Promoting housing in areas of opportunity, where developments leverage community resources such as jobs, transit and schools that assist families to be successful
- Supporting community and economic development in a variety of communities
- Preserving existing subsidized and federally-assisted housing
- Using scarce resources efficiently

Next Steps
The draft QAP will be open for a 30-day comment period, including a public hearing. Minnesota Housing staff will carefully review all comments and adjust the draft QAP as needed before presenting it to the Minnesota Housing board in final form in May 2018.

The final QAP is published about a year in advance of the application deadline to allow the development community extra time to plan and bring projects forward that reflect the QAP's priorities and objectives.
We look forward to working with all of our partners to implement the goals outlined in our draft QAP that, in turn, will provide more affordable housing opportunities for Minnesotans.

Sincerely,

Wesley J. Butler
Assistant Commissioner

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State of Minnesota Housing Tax Credit 2020 ~~2019~~ Qualified Allocation Plan (QAP)

Revised ~~07/2017~~ 02/2018

The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation in the provision of services.

An equal opportunity employer.

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

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Article 1 – Preparation of the Qualified Allocation Plan

Minnesota Housing was established by the Minnesota Legislature as the designated Low Income Housing Tax Credit (HTC) Allocating Agency for the State of Minnesota, with certain other cities and counties also designated as suballocators[1].

Federal law requires that Allocating Agencies adopt a Qualified Allocation Plan (QAP), and Minnesota Housing's QAP is developed in accordance with federal law and all applicable federal regulations are hereby incorporated by reference[2]. The QAP sets forth selection criteria that are appropriate to local conditions and priorities for allocating tax credits to housing projects. The selection criteria include project location, housing needs characteristics, project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan, sponsor characteristics, tenant populations with special housing needs, public housing waiting lists, tenant populations of individuals with children, projects intended for eventual tenant ownership, the energy efficiency of the project, and the historic nature of the project.

The QAP gives preference as required by federal law to:
a. Projects serving the lowest income tenants;
b. Projects obligated to serve qualified tenants for the longest periods;
c. Projects in Qualified Census Tracts that are part of a concerted community revitalization plan.

[1] Minn. Stat §§ 462A.221 to 462A.225
[2] Section 42(m)

Article 2 – Definitions

2.0 **Metropolitan Area**: The area over which the Metropolitan Council has jurisdiction, including the counties of Anoka, Carver, Dakota (excluding the city of Northfield), Hennepin (excluding the city of Hanover), Ramsey, Scott (excluding the city of New Prague) and Washington.

2.1 **Substantial Rehabilitation**: Rehabilitation of at least $5,000 per unit, as defined in Minn. Stat. § 462A.221, Subdivision 5.

2.2 **Federally Assisted Building**: The term "Federally Assisted Building" as defined by Section 42 of the Internal Revenue Code means any building which is substantially assisted, financed or operated under Section 8 of the United States Housing Act of 1937, Section 221(d)(3), 221(d)(4), or 236 of the National Housing Act, Section 515 of the Housing Act of 1949, or any other housing program administered by the Department of Housing and Urban Development (HUD) or by the Rural Housing Service of the Department of Agriculture.

2.3 **Internal Revenue Code (The Code or IRC)**: Title 26 of the United States Code.

2.4 **Section 42 (Internal Revenue Code Section 42)**: Low-Income Housing Credit (26 USC § 42) as amended.

2.5 **Housing Credit Agency (Allocating Agency)**: Any entity authorized by the State of Minnesota and Section 42 to allocate tax credits in Minnesota.

2.6 **Qualified Allocation Plan (QAP)**: As defined in Section 42 (m)(1)(B) and including the Self-Scoring Worksheet(s), this document, and the Housing Tax Credit Program Procedural Manual~~and all forms and attachments contained therein~~.

Article 3 – Geographic Distribution

3.0 The state of Minnesota is divided into two general geographic pools: (1) the Metropolitan Pool, as defined in Section 2.0; and (2) the Greater Minnesota Pool, which consists of the balance of the state. Distribution of tax credits between the two general pools is based on the share of the state's public assistance recipients residing in each area, pursuant to Minnesota Statutes § 462A.222, subd. 1a. ~~Greater Minnesota is 38 percent and the Metropolitan Pool is 62 percent.~~

3.1 Under Minnesota Statutes § 462A.222, certain cities and counties have been designated as suballocators to allocate and monitor tax credits to eligible projects in their cities or counties. Some suballocators have entered into a Joint Powers Agreement with Minnesota Housing under which Minnesota Housing will perform the credit allocation and compliance monitoring.

3.2 Except for the nonprofit set-aside, Minnesota Housing will not accept applications for developments located within the jurisdiction of suballocators in Round 1 unless the suballocator has entered into a Joint Powers Agreement with Minnesota Housing or has returned all of their credits to Minnesota Housing. Minnesota Housing will administer the tax credits for all areas outside the jurisdiction of suballocators.

For a thorough discussion of nonprofit set-aside procedures, refer to Article 4.
For suballocator procedures, refer to Article 12.

3.3 The distribution of tax credits for Greater Minnesota will be ~~is~~ based on the housing needs assessment prepared by Minnesota Housing staff and comments from the Greater Minnesota Allocation and Need Analysis Task Force, as amended for the 2020 ~~2019~~ QAP to incorporate updated demographic data.[3]

3.4 The distribution of tax credits for the Metropolitan Area will be ~~as~~ developed by the Metropolitan Council, in consultation with Minnesota Housing and representatives of local government and housing and redevelopment authorities, as amended for the 2020 ~~2019~~ QAP to incorporate updated demographic data[4].

3.5 As of January 2018, the distribution between the two pools is 39% in the Greater Minnesota Pool and 61% in the Metropolitan Pool. Minnesota Housing will update the distribution for the 2020 QAP based upon updated demographic data in early 2019 and the applicable distribution will be posted on Minnesota Housing's website.

[3] in accordance with Minn. Stat. § 462A.222, subdivision 4
[4] in accordance with Minn. Stat. § 462A.222, subdivision 4

Article 4 – Set-Asides

Nonprofit Set-Aside of Funds

4.0 Ten percent of the total tax credits available in the state's tax credit volume cap are set aside for allocation to nonprofit sponsored developments[5]. This set-aside is administered by Minnesota Housing.

In Round 1, the nonprofit set-aside is divided among the two Geographic Pools, with 38 percent for Greater Minnesota and 62 percent for the Metropolitan Area. In Round 2, any remaining nonprofit tax credit set-aside will continue to be set-aside until it is determined that it is not necessary to meet the IRS requirements. If the set aside is not necessary it will be available statewide. On an annual basis, an additional five percent may be set aside if all suballocators and Minnesota Housing agree to set aside this amount from their respective allocations to the respective geographic pool.

In Round 1, nonprofit developers with projects located within the jurisdiction of a suballocator may apply for tax credits from Minnesota Housing, but only in the nonprofit set-aside. Nonprofit developments located in the allocating jurisdiction of a suballocator may apply simultaneously to the suballocator and to the Minnesota Housing nonprofit set-aside. Nonprofit developments not located in the allocating jurisdiction of a suballocator will compete for tax credits in the respective general Geographic Pool once the nonprofit set-aside has been exhausted.

Rural Development/Small Projects Set-Aside of Funds

4.1 Minnesota Housing designates a portion of the state's tax credit volume cap to Rural Development (RD) financed projects, or small projects with a site located in a RD service area consisting of 12 or fewer units, will receive a special set-aside administered by Minnesota Housing until the end of Round 2, or until it is determined that there are no eligible applications for the set-aside.

[5] as required by Section 42(h)(5). Nonprofit must have a Section 501(c)(3) or (4) status or appropriate designation approval by the IRS

Article 5 – Application Rounds

5.0 Minnesota Housing will hold two funding competitions each year to allocate the states' tax credit volume cap ~~for tax credits~~, Round 1 and Round 2.

Round 1

5.1 **Distribution:** In Round 1, the distribution of credits in each Geographic Pool will be as follows:

a. Greater Minnesota Pool (see definition in Article 3)

1. RD/Small Project Set-Aside (25 percent, not to exceed ~~$300,000~~ $350,000 of Greater Minnesota tax credit total)
2. Three suballocators eligible to administer credits within their respective city limits:
   i. Duluth
   ii. Rochester
   iii. St. Cloud
3. Balance of Greater Minnesota Area and nonprofit set-aside administered by Minnesota Housing

b. Metropolitan Area Pool (see definition in Article 3)

1. Four suballocators eligible to administer credits within their respective city or county limits:
   i. Minneapolis
   ii. Saint Paul
   iii. Washington County
   iv. Dakota County
2. Balance of Metropolitan Area and nonprofit set-aside administered by Minnesota Housing.

5.2 **Suballocator Jurisdiction**: In Round 1, applications for developments located within the jurisdiction of a suballocator are not eligible to apply to Minnesota Housing with the exception of the nonprofit set-aside, or if the suballocator has entered into a Joint Powers Agreement with Minnesota Housing or has returned all of their credits to Minnesota Housing (see Article 3).

5.3 **Preservation Ceiling**: In Round 1, Minnesota Housing will establish a preservation award ceiling of 2/3 for each Geographic Pool, Metropolitan and Greater Minnesota, but not including the RD/Small Project Set-Aside nor the Nonprofit Set-Aside. Minnesota Housing reserves the right to exceed the 2/3 ceiling if qualifying new construction proposals are not available or do not rank competitively.

5.4 **Minimum Threshold Requirements**: For applications submitted in Round 1, all applicants statewide must meet one of the following threshold types. The threshold type the applicant applies under will become part of the Tax Credit Reservation and Commitment. It will be secured by a restrictive use covenant on the land for the term of the compliance period and, as

applicable, the extended use period. An Allocating Agency will allocate tax credits only to the following types of projects:

a. In the Metropolitan Area:

   1. New construction or Substantial Rehabilitation in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), at least 75 percent of the total tax credit units are single room occupancy, efficiency or one bedroom units with rents affordable to households whose income does not exceed 30 percent of the area median income.

   2. New construction or Substantial Rehabilitation family housing projects that are not restricted to persons 55 years old or older in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), at least 75 percent of the total tax credit units contain two or more bedrooms and at least one-third of the 75 percent contain three or more bedrooms.

   3. Substantial Rehabilitation projects in neighborhoods targeted by the city for revitalization.

b. Outside the Metropolitan Area:

   ~~1.~~ Projects that meet a locally identified housing need and that are in short supply in the local housing market, as evidenced by credible data ~~such as a local council resolution~~ submitted with the application. ~~(For HTC Threshold – Sample Letter, see www.mnhousing.gov > Multifamily Rental Partners > Housing Tax Credits > HTC Application Reference Materials.)~~

c. Projects that are not restricted to persons of a particular age group and in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), a percentage of the units are set aside and rented to persons:

   1. With a serious and persistent mental illness as defined in Minnesota Statutes § 245.462, Subdivision 20, paragraph (c);

   2. With a developmental disability as defined in Section 6001, paragraph 5 of the Code;

   3. Who have been assessed as drug dependent persons as defined in Minnesota Statutes § 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes § 254A.02, Subdivision 2;

   4. With a brain injury as defined in Minnesota Statutes § 256B.093, Subdivision 4, paragraph (a); or

   5. With permanent physical disabilities that substantially limit major life activities, if at least 50 percent of the units in the project are accessible as provided under Minnesota Rules Chapter 1341.

d. Projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the use of tax credits is necessary to (1) prevent conversion to market rate use or (2) to remedy physical deterioration of the project, which would result in loss of existing federal subsidies.

e. Projects financed by Rural Development, which meet statewide distribution goals.

Round 2

5.5 **Distribution:** In Round 2, all remaining or returned tax credits will be combined into one unified pool for allocation by Minnesota Housing on a statewide basis, without regard to geographic distribution and with no set-asides[6]. All Round 2 applications are submitted to Minnesota Housing.

5.6 **Waiting List**: Minnesota Housing may, at its discretion, establish a waiting list following Round 2 if sufficient credits are not available. If a waiting list is established and additional credits later become available, all applications would be considered at the same time to determine selection. A project on the waiting list that is awarded its credit request through the subsequent year's Round 1 will no longer be eligible to receive credits through the waiting list and will be removed from the list. If the waiting list is exhausted, Minnesota Housing may accept additional applications.

5.7 **Supplemental Priority**: Projects that have previously received tax credits and have an annual tax credit shortfall of at least 5 percent, but not more than 33.33 percent of the total qualified annual tax credit amount, subject to Minnesota Housing approval, will have priority over other applicants at the start of Round 2. Suballocators may recommend one of their partially funded projects for additional credits, if more than one applicant applies to Minnesota Housing.

[6] In the event that the Minnesota RD office has not received a funding allocation in time for RD projects to be included in Round 1, the RD/Small Projects set-aside will be carried forward until the end of Round 2, or until it is determined that there are no eligible applications for the set-aside. In the event that Minnesota Housing has not met the 10% IRS requirement in Round 1, the Non-profit set aside will also be carried forward until the end of Round 2.

Article 6 – Application Process

6.0 A complete application containing the submissions described in the Housing Tax Credit Program Procedural Manual must be submitted no later than each of the application due dates in order to be considered for selection, within the applicable competition.

a. Projects selected and approved by the Minnesota Housing board in each selection competition will be approved as eligible to proceed toward commitment and allocation.

b. Projects not selected may, upon notification, choose to compete in subsequent competitions.

6.1 Eligible projects will be evaluated for the amount of allocation pursuant to Section 42(m)(2)(B). Such a determination must not be construed to be a representation or warranty as to the feasibility or viability of the project. Minnesota Housing will conduct three evaluations prior to awarding the credit:

a. At the time of initial application/reservation

b. At the time of commitment to allocate credits/carryover allocation

c. At the time the building is placed in service

For each evaluation, the applicant must submit the most recent financial information on the project. Misrepresentations of information will result in failure to award Internal Revenue Service (IRS) Form 8609, debarment from participation in the HTC Program and possible criminal penalties.

Selected applicants failing to place a project in service in the allocation year for which the reservation was issued may be awarded a carryover allocation by submitting the required carryover application submissions detailed in the Housing Tax Credit Program Procedural Manual.

Minnesota Housing reserves the right not to allocate any tax credits.

Article 7 – Additional Administrative Procedures

7.0 ~~No individual application or project may receive more than $1.2 million in annual tax credits. No developer or general partner may receive tax credits in excess of10 percent of the state's per capita volume in any calendar year~~During the allocation year, the per-developer or general partner tax credit limit is the greater of: the amount representing 10 percent of the state's per capita volume limit in tax credits, or the amount needed to support two developments in the case that two developments selected are being developed by the same developer or general partner. Such projects are subject to a development limit of no more than $1,250,000 in cumulative tax credits awarded to any one development.

These limitations are subject to review and waiver by the Minnesota Housing board. The applicant must provide justification for exceeding this limit for consideration by Minnesota Housing.

7.1 No project may be divided into two or more projects during a single funding round to receive credits. Multiple applications, determined by Minnesota Housing to be one project, will be returned to the applicant and all fees forfeited. Minnesota Housing will consider factors such as, but not limited to, ownership entities, general partnerships, sponsor relationships and location of project, if contiguous site, to determine if a multiple application exists.

7.2 Minnesota Housing may elect not to give partial credits to a higher-ranking application but to give the credits to the next ranking application that can use the balance of the credits.

7.3 Minnesota Housing has no jurisdiction to interpret or administer Section 42, except in those instances where it has specific delegation.

7.4 Minnesota Housing may consult with local communities, Public Housing Authorities (PHAs), Housing and Redevelopment Authorities (HRAs), RD and HUD to determine the marketability of projects. If, in the opinion of Minnesota Housing, the issuance of the tax credits to a project could be detrimental to existing rental property, Minnesota Housing will not issue tax credits to the applicant.

7.5 Minnesota Housing reserves the right to adjust fees due to changing circumstances in order to cover its costs associated with producing and delivering Minnesota's HTC Program.

Article 8 – Credits for Buildings Financed by Tax-Exempt Volume Limited Bonds

8.0 Section 42 establishes a separate set of procedures to obtain tax credits through the issuance of tax exempt volume limited bonds.[7] Although the tax credits are not counted in the tax credit volume cap for the State of Minnesota, developers of projects should be aware that:

~~a.~~ Section 42 (m)(1)(D) provides that in order for a project to receive an allocation of tax credits through the issuance of tax exempt volume limited bonds, the project must satisfy the requirements of the QAP applicable to the area in which the project is located. The Minnesota Housing QAP applies to all projects for which Minnesota Housing is the issuer of the bonds and all other projects for which the issuer is not located within the area covered by a suballocator QAP. The project must comply with the QAP that is in effect for the calendar year in which the tax exempt volume limited bonds are issued sufficient, together with any tax exempt volume limited bonds issued in a prior calendar year, to finance at least 50 percent of the aggregate basis of the building and the land it is located on~~. that require an allocation of the state's volume cap for private activity bonds were first issued. If those tax-exempt bonds are issued on a short-term basis, the year the tax-exempt bonds are issued on a long-term basis may occur any time after the year the tax-exempt bonds were first issued. The effective QAP will always be the QAP for the year in which the tax-exempt bonds were first issued.~~

~~If, however, the principal amount of the tax-exempt bonds first issued is not sufficient to finance at least 50 percent of the aggregate basis of the building and the land it is located on, the project would not be eligible to apply for tax credits in connection with the initial bond issue. In that event these requirements would apply when tax-exempt bonds are issued in a principal amount that, together with the first issue of tax-exempt bonds, is sufficient to finance at least 50 percent of that aggregate basis of building and land.~~

~~NOTE: Minnesota Housing will not issue bonds in a principal amount greater than 53 percent of aggregate basis of building and land.~~

For projects to which the Minnesota Housing QAP applies, ~~The Allocating Agency~~ Minnesota Housing~~or appropriate suballocator)~~ must make a determination that the above requirements are satisfied. After this determination, Minnesota Housing ~~the Allocating Agency~~ will issue a preliminary determination letter. **Application for this determination must be made to Minnesota Housing at least 30 days** ~~the appropriate Allocating Agency~~ **prior to the issuance of the tax-exempt volume limited bonds sufficient, together with any tax exempt volume limited bonds issued previously for the same project, to finance at least 50 percent of the aggregate basis of the building(s) and land it is located on.** ~~that require an allocation of the state's volume cap for private activity bonds and that are in an amount sufficient to finance at least 50 percent of the aggregate basis of the building and the land it is located on.~~

In order to qualify under Minnesota Housing's QAP, a developer must demonstrate that the project is eligible for no less than **40 points**.

[7] Tax exempt volume limited bonds are "residential rental bonds" that are taken into account under the state ceiling on the aggregate face amount of tax exempt private activity bonds pursuant to Section 146 of the Internal Revenue Code. Residential rental bonds are exempt facility bonds issued pursuant to Section 142(d) of the Internal Revenue Code to finance a qualified residential rental project.

The threshold requirements in Article 5 of the QAP ~~and Chapter 5 (A) of the Housing Tax Credit Program Procedural Manual~~ do not apply to ~~tax-exempt bond financed~~ projects not receiving tax credits counted in the tax credit volume cap for the state. ~~using credits not counted in the state's volume cap.~~

In order to receive the preliminary determination described above, the developer must submit to Minnesota Housing ~~the Allocating Agency~~ all documents required for an application for tax credits as established by Minnesota Housing ~~the Allocating Agency~~'s QAP and Procedural Manual and any additional information requested by the Allocating Agency. ~~**If Minnesota Housing is the Allocating Agency,**~~ **These documents are those required for an application for tax credits under Chapter 6 of the Housing Tax Credit Program Procedural Manual and any additional information required by Minnesota Housing**. The developer must also submit to Minnesota Housing ~~the Allocating Agency~~ the required application fees identified in the ~~agency's~~ QAP/Manual.

b. Section 42 (m)(2)(D) provides that in order for a project to receive an allocation of tax credits through the issuance of tax exempt volume limited bonds, the governmental unit that issues the bonds (or on behalf of which the bonds were issued) must make a determination that the credit amount to be claimed does not exceed the amount necessary for the financial feasibility of the project and its viability as a qualified low income housing project throughout the credit period.

For projects to which the Minnesota Housing QAP applies, the determination by the issuer must be made in a manner consistent with ~~the tax credit Allocating Agency's~~ (Minnesota Housing's ~~or appropriate suballocator)~~ QAP and Housing Tax Credit Program Procedural Manual. Section 42 requires that the issuer evaluation must consider:

1. The sources and uses of funds and the total financing planned for the project
2. Any proceeds or receipts expected to be generated by reason of tax benefits
3. The percentage of the housing credit dollar amount used for project costs other than the cost of intermediaries
4. The reasonableness of the developmental and operational costs of the project, and
5. A comprehensive market study of the housing needs of low-income individuals in the area to be served by the project, conducted before the credit allocation is made, and at the developer's expense by a disinterested party approved by Minnesota Housing ~~the Allocating Agency~~

This determination must be made **prior to the issuance of the tax exempt volume limited bonds** ~~that require an allocation of the state's volume cap for private activity bonds and that are~~ in an amount sufficient, together with any tax exempt volume limited bonds issued previously for the same project, to finance at least 50% of the aggregate basis of the building and the land it is located on.

c. Section 42 provides that in order for a project to be eligible for tax credits, the taxpayer/owner must enter into an extended use agreement (Declaration of Land Use Restrictive Covenants). Section 42(h)(6)(C)(ii) provides that the credit amount claimed for buildings financed by tax exempt volume limited bonds by the taxpayer/owner under Section 42 (h)(4) may not exceed the amount necessary to support the applicable fraction specified in the use agreement for the buildings.

d. After the project is placed in service, the development must submit to Minnesota Housing ~~the Allocating Agency~~ an application and appropriate fees for Form 8609, meeting the requirements of the ~~Allocating Agency's~~ QAP/Manual. The developer must also submit to Minnesota Housing ~~the Allocating Agency~~ any other related fees identified in ~~the Allocating Agency~~ QAP/Manual.

Article 9 – Strategic Priority Policy Thresholds

9.0 To be eligible for tax credits, either from the state's tax credit volume cap under Minnesota Housing's QAP and non-competitive tax credits a developer must demonstrate that the project meets at least one of the following priorities:

a. **Access to Fixed Transit**: Projects within one-half mile of a planned ~~completed~~ or existing LRT, BRT or commuter rail station.

b. **Greater Minnesota Workforce Housing**: Projects in Greater Minnesota documenting all three of the following:

1. Need: Projects in communities with low vacancy (typically considered 4 percent and below, documented by a market study or other third party data) and:

   i. That have experienced net job growth of 100 or more jobs,

   ii. With 15 percent or more of the workforce commuting 30 or more miles to work, or

   iii. With planned job expansion documented by a local employer

2. Employer Support in the form of a letter of support from an employer with 20 or more FTE's. The letter should discuss the difficulty of employees' to locate housing in the jurisdiction where the project is located and provide a description of employee wages and proposed rents in the project.

~~3. Cooperatively Developed Plan: Projects that are consistent with a community-supported plan that addresses workforce housing needs.~~

c. **Economic Integration**: Projects located in higher income communities (outside of rural/tribal designated areas) with access to low and moderate wage jobs, meeting either First or Second Tier Community Economic Integration as defined in the Areas of Opportunity category ~~3.A.~~ on the Self-Scoring Worksheet.

d. **Tribal**: Projects sponsored by tribal governments, tribally designated housing entities or tribal corporate entities.

e. ~~**Planned Community Development**~~**Community Development Initiative:** Projects that contribute to active implementation of a Community Development Initiative, as defined in the Community Development Initiative selection criterion, to address locally identified needs and priorities in which local stakeholders are actively engaged ~~Projects that contribute to active implementation of Planned Community Development efforts, as defined in section 6.A of the Housing Tax Credit Program Procedural Manual, to address locally identified needs and priorities in which local stakeholders are actively engaged~~.

f. **Preservation**: Projects that preserve existing federally assisted housing or other critical affordable projects eligible for points under the Preservation selection criterion ~~5~~ on the Self-Scoring Worksheet.

g. **Supportive Housing**: Proposals that will serve people with disabilities or High Priority Homeless (HPH) households must be eligible for points under Permanent Supportive Housing for High Priority Homeless selection criterion ~~1.B~~ on the Self-Scoring Worksheet or the People with Disabilities selection criterion ~~1.C~~ under the Self-Scoring Worksheet.

Article 10 – Project Scoring

10.0 **Minimum Points Requirement (Competitive Round Tax Credits)**: To be eligible for tax credits from the state's volume cap under Minnesota Housing's QAP, a developer must demonstrate that the project is eligible for no less than **70** points in the Self-Scoring Worksheet. This excludes projects funded through the Rural Development/Small Projects Set-Aside, which must be eligible for no less than 30 points.

Minnesota Housing reserves the right to reject applications not meeting its project selection requirements, as contained in the Housing Tax Credit Program Procedural Manual, or to revise proposal features and associated scoring to ensure the project meets the requirements.

10.1 **Selection Priorities**: Selection Priorities consist of the following:

a. Large Family Housing
b. People with Disabilities
c. Economic Integration
d. Access to Higher Performing Schools
e. Rural/Tribal
f. Workforce Housing
g. Other Contributions
h. Financial Readiness to Proceed/Leveraged Funds
i. Intermediary Costs
j. Unacceptable Practices
k. Eventual Tenant Ownership
l. Planned Community Development
m. Preservation
n. Permanent Supportive Housing for High Priority Homeless
o. Location Efficiency
p. Universal Design
q. Smoke free Buildings
r. ~~Long Term Affordability~~ Cost Containment
s. MBE/WBE

10.2 **Preference Priorities**: Preference Priorities consist of the following:

a. Serves Lowest Income Tenants/Rents Reduction
b. Rental Assistance
c. QCT/Community Revitalization and Tribal Equivalent Areas
d. ~~Cost Containment~~ Long Term Affordability

10.3 **Tie Breakers**: If two or more proposals have equal number of points, the following will be used to determine selection:

a. First tie breaker: Priority will be given to the project with the greater number of points in Preference Priority criteria; if a tie still remains;

b. Second tie breaker: Priority will be given to a project located in a city, township or Tribal Reservation that has not received tax credits in the last two years; if a tie still remains;

c. Third tie breaker: Priority will be given to the project with the highest "Percentage of Funds Secured, Awarded or Committed" as measured by the selection ~~priority category~~ criterion of Financial Readiness to Proceed/Leveraged Funds; if a tie still remains;

d. Fourth tie breaker: Priority will be given to the project with the lowest percentage of intermediary costs, as measured by the Intermediary costs selection criterion; if a tie still remains;

e. Fifth tie breaker: Priority will be by lot.

Article 11 – Minnesota Housing Compliance Monitoring

11.0 ~~Compliance monitoring by Minnesota Housing is required as a result of the Federal Budget Reconciliation Bill.~~ All tax credit projects will be monitored by Minnesota Housing in accordance with Section 42(m)(1)(B)(iii) and Treasury Regulations 1.42-5. See Minnesota Housing's Tax Credit Compliance Manual for additional information on compliance and monitoring.

11.1 **Record keeping and record retention provisions:**

a. Record keeping provision. The owner of a low-income housing project must keep records for each qualified low-income building (in the project) showing each year:

1. The total number of residential rental units in the building (including the number of bedrooms and the size in square feet).
2. The number of occupants in each low-income unit and the number of minors. Housing information concerning ethnicity, elderly or family household and student resident status, and type and amount of rental assistance.
3. The percentage of residential rental units in the building that are low-income units, models, offices and management units.
4. The rent charged on each residential rental unit in the building (including utility allowance). Documentation including rent rolls, leases and utility allowances per IRS Notice 94-60 issued June 1994.
5. The low-income unit vacancies in the building and the rentals of the next available units.
6. The annual income certification of each low-income tenant on a Minnesota Housing Tenant Income Certification.
7. The annual student certification of each low-income tenant on a Minnesota Housing Annual Student Certification form, HTC 35.
8. Documentation to support each low-income tenant's income certification. Anticipated income of all adult persons expecting to occupy the unit must be verified and included on a Tenant Income Certification **prior** to occupancy and for mixed-income projects, annually recertified to determine whether the Available Unit Rule must be implemented.
9. The character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d) (e.g., tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the project).
10. The eligible basis and qualified basis of the building at the end of the first year of the credit period.
11. Any additional records necessary to verify compliance with additional restrictions included in the Carryover Agreement or Declaration.

b. Record retention provision. The owner of a low-income housing project must retain the records described in 11.1(a) for each building in the project for at least six years after the due date (with extensions) for filing the federal income tax return for that year. The records

for the first year of the credit period, however, must be retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building.

c. Inspection record retention provision. Under the inspection record retention provision, the owner of a low-income housing project must be required to retain the original local health, safety or building code violation reports or notices that were issued by the state or local government unit (as described in IRC 1.42-5 (c)(1)(vi)) for Minnesota Housing's inspection. Retention of the original violation reports or notices is not required once Minnesota Housing reviews the violation reports or notices and completes its inspection, unless the violation remains uncorrected.

11.2 **Certification and Review Provisions:**

a. Certification. The owner of a low-income housing project must certify to Minnesota Housing that the project meets the minimum requirements of:

1. 20/50 test under Section 42(g)(1)(A) of the Code; or
   40/60 test under Section 42(g)(1)(B) of the Code.
2. There has been no change in the applicable fraction (as defined in Section 42 (c)(1)(B) of the Code) for any building in the project.
3. At initial occupancy the owner has received a Tenant Income Certification with supporting documentation and an Annual Student Certification from each low-income household. At annual recertification owner has received an Annual Student Certification and, where applicable, a Tenant Income Certification with supporting documentation from each low-income household.
4. Each low-income unit in the project has been rent-restricted under Section 42(g)(2) of the Code.
5. No tenants in low-income units were evicted or had their tenancies terminated other than for good cause and no tenants had an increase in the gross rent with respect to a low-income unit not otherwise permitted under Section 42.
6. All low-income units in the project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42 (l)(3)(B)(iii) of the Code).
7. No finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601 -3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency 42 U.S.C. 3616a(a)(1), or an adverse judgment from a federal court.
8. Each building in the project is and has been suitable for occupancy, taking into account local health, safety and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project.
9. There have been no changes in the eligible basis (as defined in Section 42(d) of the Code) of any building in the project since the last certification of submission.

10. All tenant facilities included in the eligible basis under Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups and appliances were provided on a comparable basis without charge to all tenants in the buildings.
11. If a low-income unit in the project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income.
12. If the income of tenants of a low-income unit in any building increased above the limit allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in the building was or will be rented to residents having a qualifying income.
13. An extended low-income housing commitment as described in Section 42(h)(6) was in effect, including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher, and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to buildings with tax credits from years 1987-1989).
14. The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving qualified nonprofit organizations under Section 42(h)(5) of the Code and its nonprofit entity materially participated in the operation of development within the meaning of Section 469(h) of the Code.
15. There has been no change in the ownership or management of the project.

b. Review. Under the review provision, a monitoring procedure must require:

1. An owner of a low-income housing project to submit to Minnesota Housing a completed, Minnesota Housing signed copy of IRS Form 8609 for the first year of the credit period with Part II completed.
2. Minnesota Housing will inspect low-income housing projects once every three years and review the tenant income certifications for at least 20 percent of the units and the documentation the owner has received to support those certifications. Less frequent inspections may occur after the 15-year compliance period has expired. All projects must have their first compliance inspection no later than the year following the first credit period.
3. The low-income housing projects to be inspected must be chosen in a manner that will not give owners of low-income housing projects advance notice that their records for a particular year will or will not be inspected. Minnesota Housing may give an owner reasonable notice that an inspection will occur so that the owner may assemble records (e.g., 30 day notice of inspection).

11.3 **Inspection Provision**: Minnesota Housing has the right to perform an inspection of any low-income housing project at least through the end of the term of the Declaration of Land Use Restrictive Covenants. An inspection includes a physical inspection of any building(s) in the

project, as well as a review of the records described in Article 11.1. The auditing provision of this paragraph is required in addition to any inspection of low-income certification and documentation under Paragraph 11.2(b).

11.4 **Notification of Non-Compliance Provisions:**

a. In General. Minnesota Housing will give the notice described in IRS Regulation Section 1.42-5(e)(2) to the owner of a low-income housing project and the notice described in Section 1.42-5(e)(3) to the IRS.

b. Notice to Owner. Minnesota Housing will provide prompt written notice to the owner of a low-income housing project if Minnesota Housing does not receive the certification described in 11.2(a) or 11.3 or discovers in an audit, inspection, or review, or in some other manner, that the project is not in compliance with the provisions of Section 42.

c. Notice to IRS. When required, Minnesota Housing will file Form 8823, Housing Credit Agencies Report of Non-Compliance, with the IRS no later than 45 days after the end of the correction period (as described in 11.5, including extensions permitted). Minnesota Housing must check the appropriate box on Form 8823 indicating the nature of the noncompliance or failure to certify and indicating whether the owner has corrected the noncompliance or failure to certify. If Minnesota Housing reports on Form 8823 that a building has gone entirely out of compliance and will not be in compliance at any time in the future, Minnesota Housing need not file Form 8823 in subsequent years to report that building's noncompliance.

d. Project owners must provide to Minnesota Housing any evidence of noncompliance correction and correspondence to or received from the IRS with respect to any reported noncompliance.

11.5 **Correction Period**: The correction period will be that period specified in the notice to the owner during which an owner will have the opportunity to supply any missing certifications and bring the project into compliance with the provisions of Section 42. The correction period will be set by Minnesota Housing and will not exceed 90 days from the date of the notice to the owner described in Paragraph 11.4(b). Minnesota Housing may extend the correction period for up to six months, but only if Minnesota Housing determines there is good cause for granting the extension.

11.6 **Liability**: Compliance with the requirements of Section 42 is the responsibility of the owner of the building for which the credit is allowable. Minnesota Housing's obligation to monitor for compliance with the requirements of Section 42 does not make Minnesota Housing liable for an owner's noncompliance.

Article 12 – Suballocator Procedures

12.0 A city or county is eligible to receive a reserved portion of the state ceiling under this subdivision if it submitted a written request to Minnesota Housing within 45 days after June 2, 1987, to act as a designated Housing Credit Agency as provided in Section 42. A city or county may designate its housing and redevelopment authority as a suballocating agent to allocate low-income housing credits on behalf of the city or county. The city of Minneapolis or the city of Saint Paul may designate the Minneapolis/Saint Paul Housing Finance Board to allocate low-income housing credits on behalf of each city. Minnesota Housing will administer the tax credits for areas outside the jurisdiction of the suballocators.

12.1 Minnesota Housing, in consultation with the suballocators, will determine application competition deadlines as required by statute. Minnesota Housing will make an effort to align the application deadline for the suballocating agencies in Round 1 with Minnesota Housing's deadline. No Allocating Agency may award tax credits prior to the application closing date for Round 1.

12.2 Before the application deadline for Round 2, the suballocators must return all uncommitted and unallocated tax credits to Minnesota Housing, along with copies of the tax credit application and allocation or commitment agreements for all selected projects.

12.3 If a suballocator determines at any time before Round 2 that a project is no longer eligible for all or a portion of the tax credits committed or allocated to the project, the tax credits must be transferred to Minnesota Housing to be reallocated. If the tax credits for which the project is no longer eligible are from the current year's annual ceiling and the suballocator maintains a waiting list, the suballocator may continue to commit or allocate the credits until no later than the date of application for the Round 2. At that time, any uncommitted credits must be transferred to Minnesota Housing.

12.4 So that all of a project's tax credits are allocated by a single Allocating Agency, Minnesota Housing may apportion additional tax credits to a suballocator for a project that has already received a commitment or allocation of tax credits from the suballocating agency, if all of the suballocator's tax credits have been committed or allocated. These supplemental tax credits must be used only for the selected project and must be allocated to the project by a carryover allocation or IRS Form 8609 before November 15 of the year in which the selection was made. If at any time after the apportionment of the tax credits a suballocator determines the project cannot use or is no longer eligible for all or a portion of the tax credits apportioned to the project, the credits must be returned to Minnesota Housing within 10 business days for reallocation.

12.5 Suballocators are responsible for the issuance of the IRS Form 8609 for all projects for which they have allocated tax credits. In instances where both a suballocator and Minnesota Housing have allocated credits to a project, the Allocating Agency that first allocated tax credits to the project will prepare the IRS Form 8609.

12.6 As the primary and lead housing credit agency for the state of Minnesota, Minnesota Housing is responsible for collecting and filing the required form with the IRS each year on the last day of

February. Minnesota Housing will prepare a comprehensive IRS Form 8610, incorporating all carryover and 8609 allocations made in the state of Minnesota for filing with the IRS. The local suballocators have agreed to submit the following information to Minnesota Housing no later than January 31 for all tax credit activity that has occurred in the preceding year:

a. A copy of all Reservation/Binding Agreements, an original of the Carryover Agreement, and copies of all IRS Form 8609s, completed and issued to all (including tax exempt) projects selected since February 28 of the preceding calendar year

b. A completed tax credit application form (Multifamily Workbook) for each development receiving an allocation through a reservation, carryover, or issuance of 8609 for tax credits issued from volume cap and in connection with ~~through~~ tax exempt volume limited bonds

c. A completed IRS Form 8610 Schedule A for each development receiving a carryover allocation

d. A Suballocator Compliance Activity Report containing the results of inspection activity conducted during each monitoring year with copies of any forms 8823 filed with the IRS

e. Any other information requested by Minnesota Housing necessary to meet federal and state reporting purposes

12.7 Suballocators are responsible for the monitoring of tax credit projects for the term of the Declaration of Land Use Restrictive Covenants, in accordance with 42(m)(1)(B)(iii) (see Article 11) to ensure compliance with applicable federal, state and local requirements. Compliance records must be available upon request to Minnesota Housing from the suballocator or its monitoring agent. Projects that receive tax credits from Minnesota Housing that are apportioned to a suballocating agency must incorporate Minnesota Housing restrictions that are a condition of the tax credit award (e.g., nonprofit set-aside, homeless households)

12.8 Before January 31, suballocators will submit to Minnesota Housing compliance staff a comprehensive updated report listing all HTC projects awarded tax credits by the suballocator. Include the following items in the report:

a. Project name

b. Address

c. Building identification numbers

d. Ownership entity and tax identification number

e. Total number of residential units

f. Number of tax credit units

g. Year of allocation

h. Amount of tax credits awarded

i. Other information as needed

In addition, suballocators will submit a list of the projects that have been in noncompliance, the year of noncompliance, inspection date and type of noncompliance, along with copies of the IRS Form 8823 and the report of noncompliance findings sent to the owner. Suballocators will also

submit a copy of their monitoring requirements, procedural manual and forms, and, if applicable, a copy of the monitoring contract with an outside vendor.

12.9 A suballocator may elect to enter into a Joint Powers Agreement with Minnesota Housing. Under a Joint Powers Agreement, Minnesota Housing will perform certain functions related to the credit allocation and compliance monitoring. As a condition of the Joint Powers Agreement, the participating suballocator will transfer its entire annual tax credit distribution to Minnesota Housing.

12.10 Suballocators are responsible for entering into an agreement with HUD to perform Subsidy Layering Reviews.

Article 13 – Amendments to the Qualified Allocation Plan

13.0 The QAP is subject to modification or amendment at any time to ensure that the provisions conform to the requirements of the Code and applicable Minnesota law. Minnesota Housing may also make population and date changes and other non-substantive updates to the QAP.

Written explanation will be made available to the general public for any allocation of tax credits that is not made in accordance with Minnesota Housing's established priorities and selection criteria.

The QAP may be amended for substantive issues at any time following public notice and public hearing. Public hearings are held at the main offices of Minnesota Housing in Saint Paul, Minnesota. Any substantive amendments will require approval of the Minnesota Housing board and the governor.

This QAP has been prepared to comply with the regulations set forth in Section 42 of the Code. The QAP may be subject to amendment in order to conform to the Code and applicable state statute.

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~~2019~~ 2020 Housing Tax Credit Program Procedural Manual

Revised ~~07/2017~~ 02/2018

EQUAL HOUSING OPPORTUNITY

The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation in the provision of services.

An equal opportunity employer.

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

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Chapter 1 – Introduction

The Federal Tax Reform Act of 1986 created the Housing Tax Credit (HTC) Program (see Section 42 of the Internal Revenue Code) for qualified residential rental properties. The HTC offers a reduction in tax liability to owners and investors in eligible low-income rental housing projects involving new construction, rehabilitation or acquisition with rehabilitation.

The Minnesota Housing Finance Agency (Minnesota Housing) has been designated by the Minnesota Legislature as the primary allocating agency of HTC in Minnesota. Qualified local cities and counties have also been designated by the Legislature as suballocators of the HTC.

Section 42 of the Internal Revenue Code (Section 42) requires that housing credit allocating agencies develop an allocation plan for the distribution of the tax credits within the jurisdiction of the allocating agency (IRS Regulations 1.42-17 Qualified Allocation Plan). This document – the Housing Tax Credit Program Procedural Manual – and all forms and attachments, along with the Self-Scoring Worksheet(s), are a part of Minnesota Housing's Qualified Allocation Plan (QAP). The QAP is subject to modification or amendment to ensure the provisions conform to the changing requirements of Section 42 and applicable state statutes.

Minnesota Housing is also required to monitor HTC projects during the compliance period as well as notify the Internal Revenue Service (IRS) of any noncompliance with the requirements of Section 42 of which it becomes aware. All applicants should review the IRS Regulations 1.42-5 Monitoring Compliance. In addition, Minnesota Housing will monitor the projects during the remaining term of the Declaration of Land Use Restrictive Covenants (Declaration) following the conclusion of the compliance period.

Minnesota Housing is under no obligation to undertake an investigation of the accuracy of the information submitted in an application. Minnesota Housing's review of a proposed housing project does not constitute a warranty of the accuracy of the information, nor of the quality, suitability, feasibility or marketability of the housing to be constructed or rehabilitated. If any information submitted to Minnesota Housing by the applicant is later found to have been incorrect or there has been a subsequent change in any material respect, it is the responsibility of the applicant to inform Minnesota Housing and to request a reexamination of the application.

This manual is provided solely for use in applying for tax credits from Minnesota Housing and may not be relied upon in structuring or investing in specific transactions, compliance with the Internal Revenue Code, Treasury Regulations or any other laws or regulations governing tax credits. Interested parties should consult with a knowledgeable tax professional prior to entering into any commitment concerning the use and claim of tax credits.

Chapter 2 – Policies and Procedures

A. Application Cycle

Minnesota Housing has two annual HTC funding cycles, Round 1 and Round 2, to allocate the state's tax credit volume cap. Applications for tax credits in association with tax exempt volume limited bonds are accepted year round on a pipeline basis.

Round 1 uses a forward selection process, with selections taking place in the fall of the year proceeding the allocation year of the credits. During Round 1, for-profit applicants must apply directly to the suballocator for a credit allocation if the project falls within a suballocator's jurisdiction. Nonprofit applicants may apply to the Minnesota Housing nonprofit set-aside or the suballocator individually or concurrently. Any unused tax credits are returned to Minnesota Housing prior to Round 2.

Round 2 makes available for allocation any tax credits remaining or returned since Round 1. Additionally, Round 2 establishes a waiting list for credits that may be returned. In Round 2, all projects located in suballocator jurisdictions may apply directly to Minnesota Housing.

B. Multiple Buildings

Projects may include multiple buildings having similarly constructed housing units, provided the buildings are located on the same tract of land, have the same owner for federal income tax purposes and are financed pursuant to a common plan of financing. Scattered site buildings on different tracts of land will also qualify if the project meets all of the other requirements described above and the project is 100 percent rent restricted.

C. Nonprofit Set-Aside

Federal law requires that 10 percent of the total annual credit allocated from the states' tax credit volume cap be reserved each year exclusively for projects involving ownership by nonprofit organizations which have a 501(c)(3) or (c)(4) status or appropriate equivalent designation approval from the IRS. On an annual basis, Minnesota Housing and suballocators may reserve an additional 5 percent for a total annual nonprofit set-aside of 15 percent.

The nonprofit must be local, organized and incorporated in the state of Minnesota and have significant experience in Minnesota as a sponsor, owner or manager of low-income housing. The nonprofit must have the fostering of low-income housing as one of its exempt purposes and must materially participate in the ownership, development and operation of the low-income project through the term of the Declaration.

The intent of Section 42 is to ensure that a for-profit entity or individual does not set up a sham nonprofit organization in order to tap the nonprofit set-aside. This could include establishing a nonprofit organization for the specific project, without any history, experience, local community involvement or financial strength.

The nonprofit organization must demonstrate that the nonprofit is acting independently and free from influence of control by the for-profit project team members. Minnesota Housing reserves the right to contact the officers and directors of the nonprofit organization to determine their independence.

Minnesota Housing requires that all nonprofits applying for the nonprofit set-aside disclose all identity of interest between the nonprofit and any member of the for-profit project team. An identity of interest would include any officer, director, partner, stockholder, relative, seller or owner of land or building involved, processing agent, real estate salesperson or broker, employee, or anyone acting to represent any for-profit member of the project team who controls or influences the decisions of the nonprofit.

If there is an identity of interest, affiliation or conflict, as determined by Minnesota Housing, Minnesota Housing may disqualify the nonprofit from receiving credits from the nonprofit set-aside. In making this determination, Minnesota Housing will consider the following:

1. The nonprofit's history, funding sources and composition of its board
2. Past experience and anticipated future activities of the nonprofit, including involvement in the local community
3. Sources and manner of funding of the nonprofit
4. The nonprofit's degree of financial strength for completion and operation of the project during the term of the Declaration
5. The relationship of the principals involved in the formation of the nonprofit organization with for-profit individuals concerning the tax credit application. A nonprofit cannot be affiliated with or controlled by a for-profit entity by:
   a. Having more than a 25 percent share of common board members; or
   b. Having more than 25 percent of its funding, directly or indirectly, from the parent entity; or
   c. Having any other type of association that is not considered an arms-length affiliation
6. The extent to which the nonprofit materially participates within the meaning of Section 469(h) of the Internal Revenue Code in the development and operation of the project throughout the term of the Declaration. Minnesota Housing will also look at the nonprofit's involvement in the project-related construction, management, ownership interest, sharing of fees and funding provisions.
7. If the nonprofit set-aside is exhausted during a round, the nonprofit applicant with proposed projects in Minnesota Housing's jurisdiction may be eligible for tax credits from the appropriate for-profit set-aside and selected based upon its point ranking. (See also Article 3 and 4 of the QAP.) However, any proposal with a qualified nonprofit applicant must comply with the nonprofit requirements of IRC Section 42(h)(5)(C) and (D), including material participation for the term of the declaration. This requirement will be recorded as a covenant on the land that will apply to all subsequent owners.

D. Rural Development/Small Project Set-Aside

Minnesota Housing designates a portion of the state's tax credit volume cap to Rural Development (RD) financed projects.

Eligible projects must have either:

1. A Rural Development (RD) financing commitment or,
2. A site located in an RD service area and consisting of 12 or fewer units.

First priority will go to projects with applications for financing or a commitment from RD. A developer may have a maximum award of two projects within this set-aside each allocation year. Applicants to the set-aside first compete in the general pool, and if not competitive, then move to the $3500,000 RD/Small Project set-aside for consideration. The tax credits will not be allocated to an RD project until a financing commitment has been executed.

E. Developer and Development Limits

During the allocation year, the per-developer or general partner tax credit limit is the greater of: the amount representing 10 percent of the state's per capita volume limit in tax credits, or the amount needed to support two developments in the case that two developments selected are being developed by the same developer or general partner. Such projects are subject to a development limit of no more than $1,250,000 in cumulative tax credits awarded to any one development.
~~During the allocation year, no more than 10 percent of the state's per capita volume limit in tax credits may be awarded to any one developer or general partner. No more than$1,200,000~~ $1,250,000 ~~in cumulative tax credits may be awarded to any one development.~~

At the sole discretion of Minnesota Housing, these limits may be waived. ~~for projects that involve Planned Community Development, historic preservation, preservation of existing federally assisted buildings, and housing with rents affordable to households at or below 30 percent of median income or in response to significant proposed expansions in area employment or natural disaster recovery efforts.~~ Minnesota Housing' goal is to optimize the use of all available sources of funding for multifamily developments, including private investor equity, amortizing loans and deferred loans, to produce the maximum number of affordable rental units that meet the strategic priorities adopted by Minnesota Housing and represent developments that are sustainable, cost effective and geographically diverse . Consistent with this goal, the following criteria will be used to determine if, and when, Minnesota Housing will provide a waiver.

1. Developer Limit
    a. Developer/Sponsor capacity - The ability and capacity of the development team to proceed expeditiously to complete multiple developments.
    b. Financial Feasibility - The applicant must demonstrate that the tax credits are necessary for the financial feasibility of the proposed development and that a significant funding gap will remain if the waiver is not granted.
    c. Minnesota Housing may also waive these limits during Round 2 if there are excess tax credits at year-end.
2. Development Limit
    a. Financial Feasibility - The applicant must demonstrate that the tax credits are necessary for the financial feasibility of the proposed development and that a significant funding gap will remain if the waiver is not granted.
    b. Minnesota Housing may also waive these limits during Round 2 if there are excess tax credits at year-end.

Applicants should not assume that this waiver will be automatically provided or rely on this statement when determining the scope of the proposed project.

F. Transfer of Ownership

For the long term viability of quality housing, Minnesota Housing's position is that the development and management teams making the decisions in developing the tax credit housing need to also own and operate the project for the long term. Any transfer of title of a selected project or transfer of more than a 50 percent interest in a general partner or member, or change in a nonprofit partner will be considered a material change in the project and will be subject to Minnesota Housing's approval.

Owners wishing to change or transfer ownership must submit a completed Request for Action Form (RFA), Transfer Agreement ~~if prior to issuance of 8609~~ (HTC 20), a transfer of ownership fee ~~if the transfer occurs prior to a date five years after the project's new construction/rehabilitation placed in service date~~ (see Chapter 8) or RFA processing fee (see Servicing Fee on Minnesota Housing's website), and any other documentation that Minnesota Housing deems necessary.

G. Unacceptable Practices

~~Unapproved~~ Transfer of Ownership

1. Unapproved Transfer - Any unapproved change or transfer of ownership from the time of selection or preliminary determination letter throughout the term of the Declaration ~~five years after the project's new construction/rehabilitation placed in service date~~ will have an effect on all individuals/entities from the development and management team on each side of the transfer that submit applications in future HTC rounds. These entities may be penalized as follows.

   For four funding rounds (generally two calendar years) from the date Minnesota Housing discovers an unapproved change or transfer of ownership:

   a. First transfer (negative 10 points on each application submittal)

   b. Two or more transfers (negative 25 points on each application submittal)

2. Failure to notify - Existing tax credit projects that did not have a transfer approval requirement are required to notify the agency of a transfer of ownership throughout the term of the Declaration. Failure to notify the agency will have an effect on all individuals/entities from the development and management team on each side of the transfer that submit applications in future HTC rounds. These entities may be penalized as follows.

   For four funding rounds (generally two calendar ~~allocation~~ years) from the date Minnesota Housing discovers an unapproved change or transfer of ownership:

   a. First transfer (negative 10 points on each application submittal)

   b. Two or more transfers (negative 25 points on each application submittal)

In addition, if Minnesota Housing becomes aware of a transfer of ownership by an individual or entity without proper notification and approval by Minnesota Housing, Minnesota Housing reserves the right to determine that all parties involved in the transfer will not be eligible for participation in Minnesota's HTC program for a period of 10 years.

Failure to Meet Requirements of Points Awarded under Cost Containment Preference Priority
If a project receives points under this preference priority, failure to keep project costs under the applicable cost threshold through 8609 final cost certification will be considered an unacceptable practice and result in negative four points being awarded in all of the applicant's tax credit submissions in the next funding round in which submissions are made. The penalty will be assessed to an application submitted to the same funding round (competitive or 4% Only) for which the points were initially awarded. Tax credit developments that exceed the cost containment threshold and were awarded points in a competitive funding round (Round 1 or Round 2) will receive the penalty on the next tax credit application submitted to either of these competitive funding rounds. Tax credit developments that exceed the cost containment threshold and were awarded points via the 4% Only allocation process will receive the penalty on the next 4% Only (42M) tax credit application if the points were necessary to meet the minimum point requirement.

The applicable cost threshold will be determined by the Revised Cost Containment Methodology located under the 2020 Procedural Manual and Documents.~~Application Reference Materials.~~

Displacement of Section 8 Tenants
Minnesota Housing will not accept applications that have displaced (or will displace) Section 8 tenants in a housing project because rents will be increased above the Section 8 Payment Standard Rent limit. Rehabilitation projects that have existing Section 8 tenants may not increase those rents (in Section 8 units only) above HUD's Payment Standard Rents after completion of rehabilitation.

1. Minnesota Housing has agreed to partner with the local HUD area office to determine if tenants of rehabilitation projects:
    a. Were displaced prior to application
    b. Are displaced after rehabilitation has been completed
2. If Minnesota Housing and the local HUD area office agree that intentional displacement of Section 8 tenants has occurred, with exception given to lease violations by the tenant, Minnesota Housing will:
    a. Reduce or rescind the reservation/allocation of the tax credits to the project prior to issuance of 8609
    b. Assess a -25 point penalty to all parties involved in ownership/management of the project for four funding rounds following notification of the assessment of the negative points by Minnesota Housing. This also applies to ~~tax-exempt~~ tax credit projects financed by tax exempt volume limited bonds, owners and managers

Changes to Project
The allocation of tax credits is based upon information provided in the application and the preliminary plans submitted with the application. Until the property is placed in service, any material changes to the project or building design (i.e., changes in unit mix or unit size that affect applicable Design Standards or design features required for preference points) as submitted in the application require written notification to and approval from Minnesota Housing. Any changes require approval by Minnesota Housing and could result in a proportional loss of tax credits up to the full amount of the allocation as well as the assessment of penalty points to the owner/developer of up to -25 points.

Late 8609 Application Submissions Resulting in the Loss of Tax Credit Authority to the State
When Minnesota Housing becomes aware that a late submission of a complete and acceptable 8609 application package by a development's owner/agent results in the loss of any volume of housing tax credit authority to the state of Minnesota, Minnesota Housing reserves the right to determine that all parties involved will not be eligible for future participation in Minnesota's HTC Program for a period of up to 10 years.

Filing of Non-Agency Approved 8609 with the IRS
When Minnesota Housing becomes aware that a development's owner/agent has filed an 8609 with the IRS in advance of the owner/agent's receipt of the Minnesota Housing signed version of the approved 8609, or if the owner/agent electronically files an 8609 with the IRS that does not accurately reflect the information contained on the Minnesota Housing signed version of the approved 8609, Minnesota Housing will file an 8823 Notice of Non-Compliance with the IRS and reserves the right to determine that all parties involved will not be eligible for future participation in Minnesota's HTC Program for up to a period of 10 years. This applies to credits issued by Minnesota Housing, suballocators and in conjunction with tax-exempt volume limited bonds.

Repeated Non-Compliance with Minnesota Housing's Fair Housing Policies, Procedures, and/or Requirements
Repeated failure to comply with Minnesota Housing's Fair Housing policies, procedures, or requirements will be penalized. Minnesota Housing will impose up to a -25 point penalty on future housing credit developments to all parties involved in ownership and/or management on the development(s) that repeatedly are found in non-compliance. The penalty points will be in effect for four funding rounds following notification of the assessment of the negative points by Minnesota Housing. This also applies to ~~tax-exempt~~ tax credit projects financed by tax exempt volume limited bonds, owners, and managers.

Non-Compliance with Minnesota Housing's Compliance Policies, Procedures, and/or Requirements
Failure to comply with Minnesota Housing's compliance policies, procedures, or requirements after repeated notices will be considered an unacceptable practice and result in negative points or ineligibility.

1. On the date of submission of an application for an allocation of tax credits, if the applicant or any party with an identity of interest with ~~related party of~~ the applicant who will have an ownership interest in the proposed development has been issued a notice of failure to comply involving any of the following violations but has not submitted an acceptable plan and timeline to correct by the response due date, the application will receive -25 points under Unacceptable Practices.

    a. Failed minimum set-aside

    b. Any Exigent Health and Safety violation under Uniform Physical Conditions Standards

    c. Owner is charging rent on any ~~LI~~HTC unit that exceeds the allowable rent limit

    d. ~~LI~~HTC unit rented to an ineligible household (i.e., household not properly certified, over income at initial occupancy, or ineligible full time ~~FT~~ student)

    e. Project not available to the general public or fair housing violation

f. Owner failed to respond to agency request for inspection

2. On the date of submission of an application for an allocation of tax credits, if the applicant or development, 1) has been reported to IRS by Minnesota Housing or a suballocator as no longer in compliance, nor participating in section 42 program on line 11p of IRS form 8823 and has not taken steps to bring the property back into compliance to the satisfaction of Minnesota Housing or the suballocator, or 2) is on Minnesota Housing's or a suballocator's list of Properties Not in Good Standing in the Extended Use Period and has not taken steps to bring the property back into compliance to the satisfaction of Minnesota Housing or the suballocator, the applicant is ineligible to receive an allocation of credits.

H. Minimum Underwriting Standards

A development selected for a reservation or preliminary determination of tax credits is selected based upon underwriting standards, including but not limited to, acquisition costs, maintenance and operating expenses and permanent financing as approved by Minnesota Housing (see Chapter 5), the Minnesota Housing Multifamily Underwriting Standards and the Multifamily Request for Proposal Guide. These factors will be monitored throughout the tax credit process until Minnesota Housing's issuance of the approved IRS Form 8609. **Minnesota Housing will not allow any significant adjustments to these standards.** Not complying with these standards could lead to the revocation of the tax credit allocation.

I. Identity of Interest

The applicant must disclose any and all relationships (generally based on financial interests or family ties) with others involved in the project. A written disclosure to Minnesota Housing detailing the nature of all identity of interest relationships is required for all parties. An entity will be deemed, at the discretion of Minnesota Housing, to have an identity of interest with an applicant if there is a financial or familial relationship between the entities, including parent and subsidiary entities.

J. Disclosure and Eligibility of Development Team

The applicant must disclose on the Multifamily Workbook the names and addresses, including corporate officials where applicable, of all parties that have a significant role in the project (significant parties). These significant parties include, but are not limited to general partners, accountants, architects, engineers, financial consultants, any other consultants, management agents and the general contractor (each team member must complete a Qualification Form.) Minnesota Housing must be satisfied that those who will own and operate the project are familiar with and prepared to comply with the requirements of the program.

The following significant parties are not eligible to participate in the HTC Program:

1. Significant parties who have been convicted of, enter an agreement for immunity from prosecution from, or plead guilty, including a plea of *nolo contendere*, to a crime of dishonesty, moral turpitude, fraud, bribery, payment of illegal gratuities, perjury, false statement, racketeering, blackmail, extortion, falsification or destruction of records
2. Significant parties who are currently debarred from any Minnesota program, other states' program(s), or any federal program(s)

3. At the sole discretion of Minnesota Housing, significant parties who have serious and persistent compliance monitoring violations may not be eligible
4. At the sole discretion of Minnesota Housing, significant parties having an identity of interest with persons or entities falling into any of the above categories may not be eligible.

K. Determination of Credit Amount

Federal law mandates that, although a proposed project may be eligible for up to 70 percent or up to 30 percent present value credit amount, Minnesota Housing may not allocate more credit than is necessary for the financial feasibility of the project and its viability as a qualified affordable housing project throughout the compliance period.

After a project meets the development selection criteria, including marketability, Minnesota Housing will evaluate each proposed project, taking into consideration:

1. Development costs, including acquisition costs, developer fees, and builder profits, contractor overhead and general conditions
2. All sources and uses of funds
3. Projected income and expenses
4. Proceeds expected to be generated from the sale of tax credits, including historic tax credits
5. The difference between total project costs and total available financing resources, which is referred to as the GAP. A calculation is made to determine the amount of tax credits needed by the project to fund the GAP over a 10-year period, based on the estimated market value of the tax credits.

Based on this evaluation, Minnesota Housing will estimate the amount of credit to be allocated for each application. This determination is made solely at Minnesota Housing's discretion and is not a representation as to the feasibility of the project. Rather, it will serve as the basis for making an allocation of credits. The amount of the tax credit can change during the process due to variations in cost, mortgage amount, tax credit percentage, syndication proceeds, etc.

This analysis to determine the maximum amount of tax credits must be performed by both Minnesota Housing and the owner/developer at the time of application, at the time a carryover allocation is approved, and at the time the project is placed in service, providing all project costs are finalized and certified.

If there are changes in resources and/or uses of funds or other material changes, Minnesota Housing will adjust the tax credit amount to reflect the changes, and the tax credit may be reduced. Tax credit amounts will not automatically be increased above the initial reservation request or allocation amount. Requests for additional tax credits for the project must follow the procedures in Chapter 2.L of the manual and will depend upon the availability of credits.

L. Requests for Additional Credit Amounts

Projects that have had a justifiable increase in eligible basis or previously received a partial allocation may be eligible to apply for supplemental tax credit amounts.

For 9% tax credit projects to receive a supplemental tax credit amount, the owner must submit an application when applications are due for Round 1, Round 2 or at the time the carryover application is submitted. Developers who have a Minnesota Housing reservation from the current year will be required to submit a revised Multifamily Workbook, documentation supporting the increased amount of credits requested, an updated and revised Self-Scoring Worksheet -9%, any new or revised documentation obtained since the previous application and a supplemental application fee. A complete application package with all attachments and a full application fee will be required for an application for additional tax credits for developments initially awarded tax credits from a suballocator or that have a tax credit allocation from a prior year. Minnesota Housing permits only one supplemental or additional tax credit allocation award for each development. Awards of additional credits requested as part of a carryover application are not counted against this limit.

For 4% tax credit projects to receive an additional credit amount, the owner must submit an application at the time of the 8609 application.

All applications that are submitted for an additional tax credit amount will be subject to the same evaluation process described above, the availability of credits, as well as limitations on the time period for allocation of additional credits under Section 42.

M. Resubmission Process for Non-Select Projects

In a current allocation year, if a project fails to receive 9% credits in Round 1, it may be considered for a reservation of tax credits in Round 2 by following these guidelines. Resubmittal must occur by Minnesota Housing's HTC application deadline. Minnesota Housing will not consider applications resubmitted after the deadline. A resubmitted application must include the following:

1. Cover letter requesting resubmission with a copy of Minnesota Housing's non-selection letter attached
2. Re-signed and re-dated Multifamily Workbook (all changes from the initial application must be clearly identified)
3. Any new or revised documentation obtained since the previous application
4. An updated and revised Self-Scoring Worksheet- 9%, including all documentation that clearly supports the points claimed
5. Any documentation Minnesota Housing deems necessary (upon request only)
6. The Supplemental Application Fee

Minnesota Housing reserves the right to require a full, new application for any project. This right will be exercised if staff feels the proposed project differs substantially from the initial application.

N. Qualified Census Tracts, Difficult Development Areas and State Designated Basis Boosts

Federal law permits, but does not require, Minnesota Housing to reserve a greater amount of credits than the legislated maximum credit percentage for projects in areas that meet one of the following criteria:

1. **Qualified census tracts (QCT)** designated by HUD in which 50 percent of the population has an income of less than 60 percent of the area median or has a poverty rate of at least 25 percent; where such areas do not comprise more than 20 percent of the overall population (for a current list of the HUD-designated QCTs, go to Minnesota Housing's website under HTC Reference Materials or go directly to the Qualified Census Tract Table Generator or Qualified Census Tract Map).
2. **Difficult development areas (DDA)** designated by HUD as having high construction, land, and utility costs relative to area median income. For DDA information, reference the same website for QCT above.
3. **State Designated Basis Boost.** For projects requesting tax credits from the states' tax credit volume cap. Buildings Designated by State Housing Credit Agency [pursuant to 42(d)(5)(B)(v)]*

   It is the goal of Minnesota Housing to optimize the use of all available sources of funding for multifamily developments, including private investor equity, amortizing loans and deferred loans, to produce the maximum number of affordable rental units in the most sustainable, quality, cost effective and geographically diverse developments possible that meet Minnesota Housing's strategic priorities. Consistent with this goal, the following criteria will be used to determine if, when, and in what amount, Minnesota Housing will provide a basis boost for housing tax credit developments on a building by building basis to obtain financial feasibility.

   a. Development must meet ~~state identified housing priorities as evidenced by a competitive tax credit score and at least one of the following~~ at least one of the following Strategic Priority Policy Thresholds:

      i. ~~The development receives an award of points in the Self-Scoring Worksheet in one or more selection priority areas for the following~~Supportive Housing

      ii. Preservation

         ~~1. Historic preservation – Points must be awarded through the Federal/Local/Philanthropic Contributions priority for inclusion of historic tax credits.~~

         ~~2. Preservation – Points must be awarded through the Preservation priority subcategory of Existing Federal Assistance or the subcategory of Critical Affordable Units at Risk of Loss for existing tax credit units.~~

         ~~3. Permanent Supportive Housing for Households Experiencing Homelessness.~~

         ~~4. Economically integrated housing providing at least 25 percent but not greater than 80 percent of the total units in the project as qualified tax credit low-income units (not including full-time manager or other common space units). (See Chapter 3.O.)~~

      ~~ii. The development, as determined by Minnesota Housing, will be affordable to households at or below 30 percent of area median income. As part of its application, the applicant must provide detailed and credible supporting evidence of financial feasibility.~~

~~iii. The development, as determined by Minnesota Housing, responds to significant proposed expansions in area employment. As part of its application, the applicant must provide detailed and credible supporting evidence of such significant proposed expansions in area employment.~~

~~iv. The development, as determined by Minnesota Housing, is part of Planned Community Development.~~

~~v. The development, as determined by Minnesota Housing, responds to natural disaster recovery efforts when a qualifying natural disaster is declared/certified (by presidential, governor and/or Minnesota Housing board designation) and as provided for in the QAP. As part of its application, the applicant must provide detailed and credible supporting evidence of such response to natural disaster recovery efforts.~~

b. The application must demonstrate that without the basis boost, a significant funding gap will remain for the proposed development.

c. The application must demonstrate that any tax credits allocated in connection with the basis boost must be no more than needed to achieve financial feasibility.

*Requests by applicants or developers to Minnesota Housing to apply the 30 percent state designated basis boost must be formally made in writing. The request should clearly outline the reasons supporting the request and clearly demonstrate how the proposal meets the criteria established by Minnesota Housing for receiving boost considerations.

O. Reservations

Once staff has ranked applications and determined allowable credit amounts for each application, staff will make recommendations to Minnesota Housing's board for final approval of the reservation of 9% tax credits. After the 10-day adjustment period (referenced below), the selected applicant will have 20 days to acknowledge selection by returning the appropriate reservation fee (see Chapter 8).

A development selected for a reservation of tax credits is selected based upon many specific factors relating to the application, including site location. Reservations are site specific. Changing a development's site could lead to the revocation of the tax credit reservation/allocation.

Minnesota Housing's HTC program permits its owners to elect the applicable percentage either at reservation or placed in service. If the election is not made at the time the reservation letter is issued, the percentage will be fixed for the month in which the building is placed in service. The owner must be sure to consider the best options for this election and make sure the election is made at the correct time. Once made, the election is irrevocable. Upon receipt of the required documents, Minnesota Housing will complete its reservation review and send reservation agreements to be executed by the owner. Each reservation must be conditioned upon receipt of written certification, evidence of timely progress toward completion of the project acceptable to Minnesota Housing, and evidence of compliance with federal tax requirements.

Choosing the gross rent floor date as the date of allocation or the date of placed in service can be done at any time from reservation forward, but the election must be made and the completed election form received by Minnesota Housing no later than the date the project is placed in service. If you choose to make the election as of the date of the reservation, submit a fully executed Gross Rent Floor Election

Form (HTC 26) including each building of the development in which there are tax credit units. If the required owner-executed forms with all elections made by the owner are not submitted to Minnesota Housing by a date no later than the placed in service date, the gross rent floor date will be effective on the allocation date of the tax credits.

Minnesota Housing maintains the right not to reserve tax credits for any project if it determines, in its sole discretion, that a reservation for such project does not further the purpose and goals as set forth in Chapter 1 of this manual.

P. Administrative Errors/Appeals Process

Applications requesting tax credits from the state's tax credit volume cap can request an appeal. If the applicant believes that Minnesota Housing has misinterpreted, was not aware of a submission item, or miscalculated the applicant's selection points or credit amount at time of application/reservation, the applicant must submit in writing evidence supporting their position within five business days of Minnesota Housing's notification of application status. The applicant's appeal must be written in letter form containing an original signature and stating that the communication is an appeal under Chapter 2.P of the Housing Tax Credit Program Procedural Manual. The appeal letter may be submitted through email to mhfa.htc.appeals@state.mn.us or to:

Minnesota Housing
Housing Tax Credit Administrator
400 Wabasha Street North, Suite 400
St. Paul, MN 55102

An applicant is not permitted to contest the scores of other applicants. Notification will be in the form of a selection or non-selection letter. The first business day after the date on this letter will be the first day of the notification period.

If the evidence provided by the applicant is accepted and the selection points of the project are affected, Minnesota Housing will re-rank all projects in the order of descending selection points. After an additional five-business day period, Minnesota Housing's rankings will stand and reservations for selected projects will be distributed.

Q. Waiting List

In Round 2, eligible applications will be maintained on a waiting list until the end of the year in the event Minnesota Housing receives National Pool credits or returned credits. A project on the waiting list that is awarded its credit request through the subsequent Round 1 will no longer be eligible to receive credits through the waiting list and will be removed from the list. The waiting list will follow Minnesota Housing's selection point ranking. Generally, projects will be chosen in order; however, depending on time and funds available, Minnesota Housing reserves the right to make modifications to the waiting list.

Projects placed on the waiting list must be fully evaluated for underwriting, market and financial viability prior to receiving consideration for a tax credit allocation. A project must satisfy these reviews to be eligible for selection from the waiting list. If an application is not selected for a reservation of tax credits by the end of the calendar year, there will be no further consideration. An applicant currently on the waiting list must submit a completely new application packet in the next funding round, which is a new tax credit year, to receive consideration for a tax credit allocation.

R. Carryover Allocations

Federal law (IRS Regulations 1.42-06 Carryover Allocation) provides that Minnesota Housing may give a carryover allocation to certain qualified building(s), which are to be placed in service no later than December 31 of the second year after the allocation year for which the reservation was issued. To receive a carryover allocation, the owner must submit a complete carryover application package to Minnesota Housing no later than November 1 of the allocation year for which the reservation was issued.

Federal law requires that more than 10 percent of the expected basis in the project (including land) must be expended by the later of the date, which is one year after the date that the allocation is made or the close of the calendar year in which the allocation is made. A written certified public accountant's (CPA) certification must be submitted verifying the owner has incurred required expenditures. As decided by the owner, submission of the CPA certification may be made at the time of carryover application or at a later date as provided for by Section 42 and by the Minnesota Housing Tax Credit Program Procedural Manual. However, the carryover allocation agreement must be executed prior to December 31 of the allocation year for which the reservation was issued.

For a carryover agreement to be valid it must include, among other things:

1. The amount of the reasonably expected basis at the end of the second year after the initial reservation
2. The carryover basis expended by the later of:
    a. The date which is one year after the date that the allocation is made, or
    b. The close of the calendar year in which the allocation is made

If the final CPA certified carryover basis and expenditure information is not available at the time the carryover application is due, an estimate of the expenditure of greater than 10 percent of the expected basis must be performed by the owner and submitted to Minnesota Housing no later than November 1 of the allocation year for which the reservation was issued. The final CPA certifications must be submitted to Minnesota Housing prior to the deadlines established by Section 42 and by no later than Minnesota Housing's submission deadlines identified in Chapter 6.B of this manual. Failure to comply with the submission dates will result in significant penalties as outlined in Chapter 8.E. Additional carryover requirements are given in Chapter 6.B.

Minnesota Housing's HTC program carryover procedures are intended to conform to the federal laws and are based upon the limited guidance received from the IRS. At any time, additional IRS guidance may be issued that will require further adjustments to the QAP and additional reviews of developments relating to carryover.

S. Final Allocations

Except for carryover allocations, no allocation of tax credits will be made until a building or project is placed in service and the proper documentation and fees have been received. The final amount of credits is determined when the project is placed in service.

Final allocations (Form 8609) may be requested when all eligible buildings are placed in service and the proper documentation and fees have been received. Minnesota Housing may establish, at its sole discretion, required deadlines prior to year-end for final allocation requests in order to permit timely processing of documents.

If an owner of a tax credit development does not intend to obtain a carryover allocation, but instead intends to take a project from credit reservation directly to placed-in-service status, an allocation via issuance of 8609 must be obtained prior to year-end of the allocation year for which the reservation was issued. For an 8609 to be issued by Minnesota Housing prior to year-end, the tax credit application for issuance of such 8609s must be submitted to Minnesota Housing on or before November 1 of that year.

A project that has neither received a Carryover Allocation nor has been placed in service and issued appropriate 8609s before December 31 of the year of allocation will lose its entire allocation of credits.

The tax credit amount that will be allocated is based on Minnesota Housing's final determination of the qualified basis for the building or project and a review of the project costs as outlined in the Minnesota Housing Tax Credit Program Procedural Manual. The allocation may be reduced to comply with federal law based on the final review of the project.

Prior to final allocation, the project owner is required to execute and record a Declaration of Land Use Restrictive Covenants.

Non-compliance with the terms of a reservation/preliminary determination of credits or a carryover allocation will result in a loss of credits.

T. Monitoring for Compliance

Federal law requires that Minnesota Housing provide a procedure to be used in monitoring for compliance with Section 42 and for notifying the IRS of noncompliance. Minnesota Housing is required to apply the monitoring procedure to all tax credit projects developed within Minnesota Housing's jurisdiction, including tax credits issued in connection with tax-exempt volume limited bonds since the inception of the HTC program. Minnesota Housing will perform such duties in accordance with its Housing Tax Credit Compliance Manual.

1. All tax credit recipients must submit an annual certification to Minnesota Housing in a manner, form and time established by Minnesota Housing. The certification will include, but is not limited to, the submission of completed IRS forms, compliance report, including demographic data on households and monitoring fees. Owners are required to certify whether or not the property is in compliance with Section 42 regulations and also whether or not the property complies with the restrictions and/or set-asides under which the allocation was awarded.
2. A periodic review of tenant certifications including the tenant applications and verification of income and income from assets, as well as an inspection of the physical condition using HUD's Uniform Physical Conditions Standards, will be conducted in accordance with the Housing Tax Credit Compliance Manual. If a property received its credit allocation based on serving specific targeted population(s), the tenant files must also contain supporting documentation showing that the unit is serving such population(s).

3. Minnesota Housing will conduct its first monitoring inspection no later than the end of the second year of the credit period. Such inspection will include, but is not limited to, a review of tenant files and physical inspection of 20 percent of the low-income units.
4. Minnesota Housing will conduct a compliance inspection of each development at least once every three years during the 15-year compliance period. Less frequent inspections may be conducted after the 15-year compliance period has expired. Such inspection will include, but is not limited to, a review of tenant files and physical inspection of 20 percent of the low-income units.
5. Minnesota Housing must have access to all official project records, including IRS reporting forms, upon reasonable notification. All official project records or complete copies of such records must be made available to Minnesota Housing upon request.
6. To accomplish its compliance monitoring responsibilities, Minnesota Housing will charge a fee of $25 for each unit in the project annually. The fee for properties covered by the Memorandum of Understanding by and between Minnesota Housing and USDA Rural Development is $15 per unit per year. Minnesota Housing reserves the right to adjust the annual fee to offset administrative costs.
7. Minnesota Housing will promptly notify the IRS of any project noncompliance within its responsibility as contained in Section 42. Minnesota Housing has no jurisdiction to interpret or administer Section 42, except in those instances where specific delegation has been authorized.
8. Properties that received a credit allocation in 1990 and later are subject to a minimum 15-year Extended Use Period. Minnesota Housing has defined compliance requirements and monitoring procedures during the Extended Use Period in the Housing Tax Credit Compliance Manual.

U. Qualified Contract

All properties will be subject to a Declaration of Land Use Restrictive Covenants (Declaration) with a term of 30 years or longer. Section 42(h)(6)(E)(i)(II) of the Internal Revenue Code created a provision that housing credit agencies respond to the request for presentation of a qualified contract for tax credit developments with expiring compliance periods. The request for presentation of a qualified contract is a request that the housing credit agency find a buyer (who will continue to operate the property as a qualified low-income property) to purchase the property for a qualified contract price pursuant to IRS regulations. If the housing credit agency is unable to find a buyer within one year, the extended use period is terminated, subject to a three-year period following its termination where existing low income tenants cannot be evicted or tenancy terminated for other than good cause and rents cannot exceed the allowable tax credit rent limits.

Owners of properties that receive 9% credits are required by Minnesota Housing to waive the right to request a qualified contract for a minimum of 30 years ~~the full term of the Declaration and commit to at least thirty years of operation as low-income rental housing.~~ Some owners of 9% properties have agreed to extend the term of the declaration and waive their right to Qualified Contract up to 40 years.

Owners of properties that receive 4% credits are required to ~~agree to maintain~~ waive their right to request a qualified contract ~~the duration of low-income use~~ for a minimum of 20 years, which means the request for presentation of a qualified contract may not occur until after year 19. Some owners of properties that receive 4% credits have agreed to waive their right to Qualified Contract for a longer period and in some cases extend the term of the declaration. ~~Maintain the duration of low-income use for a minimum of 25 years, which means the request for presentation of qualified contract may not~~

~~occur until after year 24. Owners of properties that receive 4% credits and committed to maintain the duration of low-income use for 30 years or longer also agreed to waive the right to request a qualified contract for the full term of the Declaration.~~ Owners should review the respective QAP, development tax credit application, carryover agreement, and the Declaration to determine whether the development is eligible to request a Qualified Contract prior to contacting Minnesota Housing.

A Request for Qualified Contract may be submitted only once for each development. If an owner rejects an offer presented under the Qualified Contract or withdraws its request at any time after the notification letter and application materials have been received by Minnesota Housing, no other opportunity to request a Qualified Contract will be available for the development in question.

Owners who are contemplating requesting the presentation of a Qualified Contract should directly contact a member of Minnesota Housing's tax credit team or reference the Qualified Contract Guide.

V. Tenant Selection Plan

Minnesota Housing requires that a Tenant Selection Plan (Plan) be readily available to anyone interested in such Plan for review and/or retention. Minnesota Housing will not develop or provide such a Plan to owners or management companies. See Minnesota Housing's Tenant Selection Plan Guidance.

W. Other Conditions

No member, officer, agent or employee of Minnesota Housing will be personally liable concerning any matters arising out of, or in relation to, the allocation and monitoring of tax credits.

X. Revisions to the Manual and Allocation Plan

To the extent necessary to facilitate the award of tax credits that would not otherwise be awarded, this Procedural Manual and associated QAP may be modified by Minnesota Housing from time to time. Minnesota Housing may make minor administrative modifications deemed necessary to facilitate the administration of the HTC program or to address unforeseen circumstances. Further, the Minnesota Housing board is authorized to waive any conditions that are not mandated by Section 42 on a case-by-case basis for good cause shown.

A written explanation will be made available to the general public for any allocation of a housing credit dollar amount that is not made in accordance with Minnesota Housing's established priorities and selection criteria.

The QAP may be amended for substantive issues at any time following public notice and public hearing. Public hearings are held at Minnesota Housing's main offices in St. Paul, Minnesota. Any substantive amendments will require approval of the Minnesota Housing board and the governor.

To the extent that anything contained in the Housing Tax Credit Program Procedural Manual and the QAP does not meet the minimum requirements of federal law or regulations, such law or regulation will take precedence.

Chapter 3 – Federal Program Requirements

A. Eligible Activities

Eligible activities for tax credits include new construction, rehabilitation or acquisition with rehabilitation.

B. Applicable Percentage

There are two levels of applicable percentage, depending upon whether the building is new or existing, whether there are rehabilitation expenditures and whether the buildings are federally subsidized.

1. **New Buildings and Qualifying Rehabilitation Expenditures (if neither is federally subsidized):** With respect to new buildings or qualifying rehabilitation expenditures which are not subsidized, the applicable percentage is an amount resulting in aggregate credits having a present value of 70 percent of qualified basis. Traditionally, this has resulted in a credit percentage of approximately 9 percent.
2. **New Buildings and Qualifying Rehabilitation Expenditures that are Federally Subsidized and Existing Buildings:** With respect to new buildings and qualifying rehabilitation expenditures which are federally subsidized and the acquisition of existing buildings that are rehabilitated, the applicable percentage is an amount which results in aggregate credits having a present value of 30 percent of qualified basis. Traditionally, this has resulted in a credit percentage of approximately 4 percent.

The 9 percent and 4 percent credit percentage represents the maximum potential rate.

Section 42(b)(2)(A) and (B) of the Internal Revenue Code established a temporary minimum credit rate for non-federally subsidized buildings. In the case of any new building which is placed in service by the taxpayer after July 30, 2008 and before December 31, 2013, and which is not federally subsidized for the taxable year, the applicable percentage shall not be less than 9 percent. On December 18, 2015, the Protecting Americans from Tax Hikes (PATH) Act of 2015 was signed into law. The Act permanently extended the fixed 9 percent ~~LI~~HTC credit rate.

The Act amended Subparagraph (A) of section 42(b)(2) which established a temporary minimum credit rate for non-federally subsidized new buildings. The Act as amended provides, in the case of any new building — (A) which is placed in service by the taxpayer after the date of the enactment of this paragraph [42(b)(2)(A)], and (B) which is not federally subsidized for the taxable year, the applicable percentage shall not be less than 9 percent.

Applicants are strongly advised to consult closely with their tax credit professionals (legal and tax) for guidance with respect to structuring a project to use either the 9 percent or the 4 percent tax credit.

C. Qualifying Rehabilitation

Rehabilitation expenditure requirements are established both by state and federal law.

Under Section 42(e), rehabilitation expenses qualify for the credit if the expenditures for each building:

1. Are able to be allocated to one or more low-income units or substantially benefit low-income units; and

2. Are equal to the greater of:
   a. An average qualified basis amount per low-income unit for a building which meets the inflation adjusted amount published by the IRS annually in accordance with Section 42(e)(3)(D); or
   b. An amount that is not less than 20 percent of the adjusted basis of the building, as determined pursuant to Section 42(e)(3).

In addition to the Section 42(e) requirements, Minnesota Statutes Section 462A.221, Subdivision 5, requires rehabilitation expenditures for the project of an average of $5,000 per unit.

It is necessary to acquire an existing building in order to incur qualifying rehabilitation expenditures with respect to that building. In such a case, the costs of acquiring the existing building may be eligible for the 30 percent present value credit and the rehabilitation expenditures may be eligible for the 70 percent present value credit.

D. Existing Buildings

In order for an existing building to qualify for the 30 percent acquisition credit in connection with rehabilitation, there must have been a period of at least 10 years between the date the building was acquired and the date it was last placed in service.

Please note that the 10-year rule also applies to existing tax credit projects applying for a new allocation of acquisition credits at the end of the original 15-year compliance period.

E. Exception to the 10-Year Rule

Exceptions to the 10-year rule are provided in Section 42(d)(6) for federal or state assisted buildings, certain low-income buildings subject to mortgage prepayment and buildings acquired from insured financial institutions in default. Certain other situations are exempt from the 10-year rule, such as:

1. A person who inherits a property
2. A government unit or qualified nonprofit group if income from the property is exempt from federal income taxation
3. A person who gains a property through foreclosure (or instrument in lieu of foreclosure) of any purchase money security interest, provided the person resells the building within 12 months after placing the building in service following foreclosure
4. Single family residences that had no use during the prior 10-year period except, as an owner-occupied principal residence will not be treated as being placed in service for purposes of the 10-year holding period. Note that although the 10-year rule does not apply, the property must still be rehabilitated to claim the acquisition costs of such a property.

F. Federal Subsidies

The determination of whether a building is federally subsidized is addressed in Section 42(i)(2). In general, a building is treated as federally subsidized if there is financing the interest on which is ~~tax~~ exempt from tax under Section 103 of the Internal Revenue Code, the proceeds of which were used (directly or indirectly) in the building or its operation.

Federal grants are not to be taken into account in determining eligible basis. The eligible basis of a building must not include any costs financed with the proceeds of a federally funded grant.

Owners of a property receiving a federal subsidy have the option of treating the subsidy amount as if it were a federal grant and deducting the amount of the subsidy from the qualified basis or costs against which the amount of the credit is calculated.

G. Review of Federally Assisted Projects

Minnesota Housing will review projects using Rural Development Section 515 Rural Housing Loan funds in accordance with Minnesota Housing's currently approved underwriting practices and procedures. So as to achieve a coordinated underwriting to the extent reasonably possible, it is the responsibility of the applicant to provide Minnesota Housing with available underwriting requirements and other requirements for the project that have been established by Rural Development. Prior to issuance of the IRS Form 8609, the applicant must submit to Minnesota Housing a copy of RD Form 3560-51, Multiple Family Housing Obligation – Fund Analysis for reference in the determination of the final allocation of tax credits to a project.

H. Federal Subsidy Layering Review

Section 911 of the Housing and Community Development Act of 1992 requires that specific procedures be followed for subsidy laying review when tax credits and HUD assistance are combined in a single project. Sponsors of projects that combine HUD assistance and tax credits should be aware that a subsidy layering review must be completed for their projects, and should contact Minnesota Housing to receive additional information prior to submitting their application.

Suballocators are responsible for ensuring that subsidy layering reviews are completed for developments within their jurisdiction where they are the housing credit allocating agency.

Subsidy layering review is required for the following programs, but not limited to:

1. Metropolitan Housing Opportunity Program (MHOP)
2. U.S. Housing and Urban Development (HUD) Risk Share Insurance
3. Section 8 Project-Based Rental Assistance
4. Home Investment Partnership (HOME)
5. National Housing Trust Fund (NHTF)

At a minimum, the following documents must be submitted:

1. Partnership (Syndication) Agreement, spelling out the equity contributions and dates of disbursement; and
2. Copy of the Multifamily Workbook

I. Project Eligibility

Applicants must set aside a minimum number of units that meet both rent and income restrictions to qualify for tax credits for each year of the credit period. A project must, for a specific period of time, meet one of the following minimum tests:

1. **20/50 Test**: To meet the 20/50 test, a minimum of 20 percent of the residential units must be both rent restricted and occupied by individuals whose income is at or below the 50 percent Multifamily Tax Subsidy Project limits (MTSP income limits), as established for different geographical areas and published by the U.S. Department of Housing and Urban Development (HUD), adjusted for family size.
2. **40/60 Test**: To meet the 40/60 test, a minimum 40 percent of the residential units must be both rent restricted and occupied by individuals whose income is at or below the 60 percent MTSP income limits, adjusted for family size.

Once made, the choice between the 20 percent at 50 percent and the 40 percent at 60 percent set-asides is irrevocable.

NOTE: The actual number of restricted units within the project must be consistent with the initial applicable fraction selected at the time of application. Also, IRS defines each building as a separate project unless owner elects to treat certain buildings as a multiple-building project on IRS form 8609. See the instructions for making a multiple-building election on form 8609.

J. Affordable Rents

The rent restrictions for the units are governed by Section 42 and regulations, rulings and other announcements by the IRS. The following summary is not intended to be comprehensive. A violation of the tenant income or rental restrictions in Section 42 may result in project ineligibility or a reduction in basis and/or credit amount.

For a unit to count as a low-income unit, the gross rent may not exceed 30 percent of the imputed tenant income limitation. The imputed income limitation applicable to a unit equals the permissible income limitations that would apply if the number of individuals occupying the unit were:

1. One individual in the case of a studio apartment; and
2. 1.5 individuals per bedrooms in the case of a unit with one or more separate bedrooms.

Therefore, the rent restrictions applicable to a low-income unit are determined by which test is elected and how many bedrooms are contained in the unit. Current income limits, as derived from HUD, for Minnesota counties are described in the Rent and Income tables found in the Multifamily Common Application Reference Materials section.

For tax credit compliance purposes, gross rent means all payments by the tenant, including non-optional charges and payments for utilities other than telephone and cable. If the tenant pays utilities directly, the maximum rent that can be paid to the landlord is reduced by a utility allowance determined in accordance with rules under Section 8 of the U.S. Housing Act of 1937 (Section 8). IRS Regulations (Section 1.42-10 Utility Allowance, as amended) provides guidance relating to Utility Allowances and lays out options for establishing them.

The following is a summary of the sources of utility allowances:

1. USDA Rural Housing Service (RHS) financed projects, or units with tenants receiving RHS assistance, must use the RHS utility allowance.
2. HUD regulated buildings must use the HUD utility allowance (project based HUD financing).
3. Any individual apartments occupied by residents who receive HUD assistance (Section 8 Existing, etc.), must use the HUD utility allowance from the Public Housing Authority (PHA) administering the assistance.
4. For Section 42 buildings without RHS or HUD assistance, the following options may be used:
    a. A PHA utility allowance from the local housing authority administering section 8 vouchers for the area in which the property is located.
    b. A utility company estimate.
    c. An "Agency Estimate" based on actual utility usage data and rates for the building.
    d. A HUD Utility Schedule Model.
    e. An Energy Consumption Model using an energy and water and sewage consumption and analysis model.

The Housing Tax Credit Compliance Manual provides additional information and instructions for utility allowances.

Federal, state and local rental assistance payments (such as Section 8 payments) made on behalf of the tenant are not included in gross rent.

Additional rent restrictions may apply if the award of tax credits was made based on such additional restrictions.

K. Tenant Eligibility

To be a low-income unit for purposes of determining the qualified basis, the tenant must have income at or below 50 percent of the applicable MTSP income limits if the 20/50 test is elected or 60 percent of MTSP income limits if the 40/60 test is elected. The unit must be rent restricted as set forth above, and the unit must be suitable for occupancy.

The combined household income of all tenants occupying a tax credit eligible unit must be less than or equal to the elected income requirements as shown on Rent and Income Limits.

Section 42 does not allow households comprised of full-time students to qualify as low-income units unless certain exceptions are met. There are five exceptions to the limitation on households where all members are full-time students. Full-time student households that are income eligible and satisfy one or more of the following conditions are considered eligible:

1. Students are married and entitled to file a joint tax return. A married couple that is entitled to file a joint tax return, but has not filed one, still satisfies the exception.
2. The household consists of a single-parent with child(ren) and the parent is not a dependent of someone else, and the child(ren) is/are not dependent(s) of someone other than a parent;

3. At least one member of the household receives assistance under Title IV of the Social Security Act (formerly Aid to Families with Dependent Children (AFDC), now known as Temporary Assistance for Needy Families (TANF), or in Minnesota, the Minnesota Family Investment Program (MFIP)); ~~or~~
4. At least one member of the household participates in a program receiving assistance under the Job Training Partnership Act (JTPA) or other similar federal, state, or local laws; or
5. At least one member of the household was previously in foster care.

See Chapter 17 of the Guide for Completing Form 8823, Low-Income Housing Credit Agency's Report of Noncompliance or Building Disposition, for additional guidance.

L. Eligible Basis

In general, the eligible basis of a building is equal to the building's adjusted basis for acquisition, rehabilitation or construction costs for the entire building, subject to certain conditions and modifications set forth in Section 42(d). As a general rule, the adjusted basis rules of Code Section 1016 apply, with the exception that no adjustments are made for depreciation. Some of the special provisions for determining eligible basis under Section 42(d) are:

1. The eligible basis may be increased for new buildings and rehabilitation to existing buildings that are located in designated qualified census tracts (QCT), difficult development areas (DDA) or in developments utilizing the state designated basis boost.
2. The cost of the non-low-income residential units in a building is included in eligible basis only if the quality of those units does not exceed the average quality of the low-income units. If the cost of a non-low-income unit exceeds the cost of a low-income unit (using the average cost per square foot and assuming the same size) by more than 15 percent, the entire cost of the non-low-income unit must be excluded from the building's eligible basis. If the excess cost is not more than 15 percent, the owner may make an election to exclude only the excess cost of the non-low-income unit(s) from eligible basis.
3. The cost of depreciable property used in common areas or provided as comparable amenities to all residential units (e.g., carpeting and appliances) is included in determining eligible basis. The cost of tenant facilities (e.g., parking, garages, and swimming pools) may be included in eligible basis if there is no separate charge for use of the facilities and they are available to all tenants in the project.
4. The cost of a community service facility is included in basis only if the building is located in a QCT. The eligible basis of that facility must not exceed 25 percent of the first $15 million of eligible basis plus 10 percent of additional basis in the project. All community service facilities that are part of the same qualified low-income housing project will be treated as one facility. A community service facility is defined as a facility that is part of the qualified low-income housing project designed to serve primarily individuals including tenants and non-tenants whose income is 60 percent or less of area median income. Only limited guidance has been issued by the IRS regarding these changes. No assurances can be given that additional IRS guidance will not require further adjustments to the QAP and additional reviews of selected developments.
5. Eligible basis is reduced by federal grants, residential rental units that are above the average quality standard of the low-income units, historic rehabilitation credits, and nonresidential

rental property. Buildings located in areas designated as a QCT, DDA or developments utilizing the state designated basis boost may be eligible for an increase in allowable basis.

M. Qualified Basis

Qualified basis is the portion of the eligible basis applicable to low-income housing units in a building. Qualified basis is the product of a project's eligible basis multiplied by the applicable fraction.

N. Applicable Fraction

The applicable fraction is the lesser of:

1. The unit fraction, which is the number of low-income units in a building divided by the total number of residential rental units; or
2. The floor space fraction is the total floor space of the low-income units in the building divided by the total floor space of the residential rental units in the building.

A full time resident manager's unit is not considered a residential unit and must not be included in the numerator or denominator for calculating the applicable fraction.

Throughout the planning, construction and placed in service periods, the applicable fraction has different nuances. At initial application and at carryover, the **estimated project applicable fraction** will be used. It is an approximate goal that the developer is striving to attain. It is calculated by project in order to obtain a rough estimate of the percentage of eligible units and square footage needed and an estimate of the total amount of tax credits necessary for a particular project.

At the time that the placed in service application for 8609 is made, the **targeted applicable fraction for each building** is calculated. The targeted applicable fraction is determined on a building-by-building basis. Each building in a multiple building development could have a different applicable fraction. Because the estimated project applicable fraction is approximate, the targeted applicable fraction calculated by building will frequently differ unless the project has a 100 percent applicable fraction. The targeted applicable fraction is also listed as part of the extended use criteria in the Declaration of Land Use Restrictive Covenants, which is recorded and remains with the property.

O. Economically Integrated Projects

Project Economic Integration

Projects under common ownership and management that have tax credit units and market rate units are considered to be economically integrated. These projects receive priority points for selection~~and may be eligible for the State Designated Basis Boost~~. (See Areas of Opportunity selection category #3, Self-Scoring Worksheet(s)~~, and Chapter 2.N of the Manual~~) In an economically integrated project, each building must have an applicable fraction of less than 100 percent. Unless otherwise approved by Minnesota Housing, all buildings must have comparable applicable fractions with necessary variations due to building size. Tax credit selection points will generally be based upon the characteristics of only the tax credit units.

NOTE: The actual number of restricted units within the project must be consistent from selection, through carryover and to approval of an 8609 and maintained throughout the term of the Declaration.

Community Economic Integration
Projects located in certain higher income communities (outside of rural/tribal designated areas) that are close to jobs are also considered to promote economic integration and may be eligible for points in the Self-Scoring Worksheet(s).

P. Annual Credit Amount

The tax credit is available each year for 10 years. The amount of tax credit awarded is based on the Qualified Basis multiplied by the applicable percentage. However, Section 42(m)(2) requires Minnesota Housing to limit the amount of credit to the amount necessary to ensure project feasibility under rules established by the IRS; therefore, the actual amount of tax credits awarded could be less than the maximum allowable if the analysis reveals the project would still be feasible with fewer tax credits.

The IRS publishes the applicable percentages on a monthly basis. These figures are used to calculate the maximum allowable annual credit amount for which the project will be eligible. (Also see Chapter 3.B.)

Q. Declaration of Land Use Restrictive Covenants

As a condition of receiving tax credits, a project will be subject to a Declaration of Land Use Restrictive Covenants (Declaration) between the owner and Minnesota Housing through which the owner commits the building(s) to low-income use for an extended use period of at least 15 years after the conclusion of the 15-year compliance period (a total of 30 years). The owner can elect to extend the term of the declaration and Section 42 income and rental restrictions up to 40 years.

The Declaration terminates upon:

1. Foreclosure of the building (or deed in lieu of foreclosure) unless the Secretary determines that such acquisition is part of an arrangement with the taxpayer a purpose of which is to terminate such period; or
2. During the extended use period and, unless waived or conditioned in the Declaration, upon failure of Minnesota Housing to find a purchaser by the end of one year after a request by the owner to Minnesota Housing to find a purchaser for the low-income portion of the building, at a statutory minimum purchase price, unless the owner has waived its right to exercise their option.

Throughout the term of the Declaration and for a three-year period after the termination of the Declaration, the owner must not evict or terminate the tenancy of an existing tenant of any low-income unit other than for good cause and must not increase the gross rent above the maximum allowed under the Code with respect to such low-income unit.

The Declaration must be recorded in accordance with 42(h)(6) as a restrictive covenant and submitted to Minnesota Housing prior to Minnesota Housing issuing the allocation (IRS Form 8609). The Declaration will set forth the commitments made by the owner to Minnesota Housing in obtaining points, including any additional requirements placed upon the building at the time of reservation. Non-compliance with these additional conditions may result in serious penalties being applied to the owner entities that could result in a ban on future allocations of tax credits being made to the owner entities.

R. Ineligible Properties

Any residential rental unit that is part of a hospital, nursing home, sanitarium, life care facility, manufactured housing park or intermediate care facility for the mentally and physically handicapped is not for use by the general public and is not eligible for credit under section 42. Projects with buildings having four or fewer residential units must comply with 42(i)(3)(c).

S. Passive Loss Restrictions

There is a limit on the amount of credit any individual may effectively use due to passive loss restrictions and alternative minimum tax provisions. Consult your tax attorney or accountant for clarification of this regulation.

T. State Volume Limits

Each state is limited to the amount of tax credits it may allocate annually. An estimate of Minnesota's annual per capita volume limit is published each April.

Projects financed by tax exempt volume limited bonds ~~tax-exempt bonds~~ ~~financing~~ which are subject to a separate volume limitation, are not counted against the state tax credit volume limit. (See Article 8 of the QAP and Chapter 7 of the Manual for further details.)

U. Recapture

Minnesota Housing reserves the right to recapture tax credits from projects that do not provide evidence satisfactory to Minnesota Housing of progress toward completion of the project in accordance with the project schedule (submitted at initial application and updated at carryover), or noncompliance with the terms of the allocation.

Part of the credit will also be recaptured if the qualified basis at the close of any year is less than the amount of such basis at the close of the preceding taxable year, or if the minimum number of qualified low-income units is not maintained for the complete extended use period.

V. Market Study

Internal Revenue Code Section 42(m)(1)(A)(iii) requires that a comprehensive market study of the housing needs of low-income individuals in the area to be served by a developer's housing credit project must be conducted by a disinterested party, at the developer's expense, who is approved by the housing credit agency (refer to the Market Study Guidelines on Minnesota Housing's website).

W. Tenant Ownership

Minnesota Housing will review projects incorporating tenant ownership provisions in accordance with Sec. 42 (h)(6), IRS Revenue Ruling 95-49 and Minnesota Housing's requirements. Minnesota Housing requires that developments proposing an Eventual Tenant Ownership (ETO) component must have 100 percent of the development's tax credit units specified for this ownership component. (See also Chapter 6.A.)

X. Contract Compliance, Equal Opportunity and Fair Housing Policy

It is the policy of Minnesota Housing to practice affirmative action to provide equal opportunity in all of our projects, programs, and other endeavors. Minnesota Housing's goal is to achieve a client and recipient mix that is representative of the people who live in our state and our communities so that all employment and contractual benefits that develops as a result of our programs will be shared by all Minnesotans. This policy applies to all Minnesota Housing employees and Minnesota Housing's external partners.

Purpose

The purpose of this policy is to make Minnesota Housing's commitment to act affirmatively to achieve equal opportunity in all facets of its operation, clear to both internal staff and outside parties with whom we do business.

Goals

Our goal is to ensure minority and female contractors and subcontractors equal access to business opportunities on Minnesota Housing financed projects and to encourage the presence of minorities and women at all levels, including on the staffs of the program participants having contractual agreements with Minnesota Housing. Minnesota Housing's goal is to ensure that the workforces on the projects and programs we finance reflect demographically the area in which they are located. These goals will apply for the length of the contract or the life of the mortgage. Minnesota Housing, at its discretion, may set numerical or percentage goals dependent on the location and size of a given project. Current goals will be determined by staff based on the location of the project.

Requirements

Minnesota Housing is required to comply with all applicable local, state, and federal laws. These requirements are passed on to everyone that Minnesota Housing does business with, either by contractual agreement or as a Minnesota Housing policy.

Sanctions

Minnesota Housing has the contractual authority to demand full payment of any loan or grant, stop proceeding with any project at any stage, and cease to do business with any entity or individual that fails to follow its affirmative action policies or fails to meet its/his/her contractual equal opportunity obligations.

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, sexual orientation, or gender identity.

Minnesota Housing's fair housing policy incorporates the affirmative fair housing marketing practices addressed in Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, which states that it is unlawful to discriminate in the sale, rental, and financing of housing based on race, color, religion, sex, handicap, familial status or national origin; as well as the fair housing protections provided by the Minnesota Human Rights Act, which adds creed, marital status, status with regard to public housing, and sexual orientation.

In part, regarding rental housing issues, Title VIII and the Human Rights Act makes it unlawful to: (i) discriminate in the selection/acceptance of applicants in the rental of housing units; (ii) discriminate in terms, conditions or privileges of the rental of a dwelling unit; (iii) engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit; (iv) make or publish (or have anyone else make or publish) advertisements that indicate preferences or limitations based on race, etc.; (v) tell a person that because of race, etc., a dwelling unit is not available when it is; and (vi) 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.

Minnesota Housing has a commitment to affirmatively further fair housing for members of the disabled communities by promoting the accessibility requirements set out in the Fair Housing Amendment Act of 1988, which establish design and construction mandates and provide for the residents' right to make reasonable accommodations under certain conditions. (Applicable to covered multifamily dwellings, which are buildings consisting of 4 or more units if such buildings have one or more elevators. It is also applicable to ground floor dwelling units in other buildings consisting of 4 or more dwelling units.)
All Minnesota Housing programs require owners to market affirmatively, using specific steps geared to the particular program. These steps include:

1. Outreach to all groups protected by the Civil Rights Act of 1968, as amended in 1988, and those protected by the Minnesota Human Rights Act
2. Affirmative marketing strategy that reaches protected groups
3. Self-analysis to make sure all steps are non-discriminatory
4. Upon request by Minnesota Housing, the submission of reports and documents that confirm the owner's fair housing efforts

Affirmative Fair Housing Marketing Regulations, held as centrally important by Minnesota Housing, require that each applicant carry out an affirmative marketing program to attract prospective buyers or tenants in the housing market area who are least likely to apply, regardless of race, creed, color, religion, sex, national origin, marital status, status with regard to public assistance, disability, sexual orientation, gender identity, or familial status. At the time of 8609, all applicants must submit an Affirmative Fair Housing Marketing Plan (AFHMP) documenting an acceptable plan to carry out an affirmative marketing program. Throughout the Extended Use Period, owners must regularly update their AFHMP and maintain a copy with their property records.

Y. Occupancy Restrictions

Under the HTC general public use regulations, residential rental units must be for use by the general public, which incorporates HUD housing policy governing non-discrimination. Residential units provided only for a member of a social organization or provided by an employer for its employees are not considered for use by the general public are examples of restrictions not allowed under the HTC program. Minnesota Housing has an obligation to affirmatively further fair housing, and occupancy restrictions must comply with the Fair Housing Act and the Minnesota Human Rights Act. Projects must also comply with any occupancy limitations imposed by any additional source of funds provided by Minnesota Housing. Age-related occupancy restrictions or preferences will be approved only if set out in the QAP or if the property qualifies as housing for older persons under the Fair Housing Act and the Minnesota Human Rights Act.

Chapter 4 – Development Standards

All applications to Minnesota Housing for tax credits will be evaluated according to the following standards (small projects, local ~~Planned~~ Community Development Initiative projects, and projects developed in difficult-to-develop areas may be considered eligible for variances from these standards, if justified).

A. Project Cost Reasonableness

Minnesota Housing will evaluate the costs of each proposed project in comparison to current comparable projects to determine whether the proposed costs are reasonable, taking into consideration unique characteristics of the project and its comparability to similar projects. Additional documentation will be required if the proposed costs are not comparable or reasonable.

Minnesota Housing will use its predictive cost model to test cost reasonableness for all projects. The model uses cost data from tax credit properties, industry cost data from RSMeans and regression analysis to predict total project costs. Based on a project's characteristics (building type, building characteristics, project size, project location, population served, financing, etc.), the model predicts the total development costs.

Minnesota Housing will evaluate the cost reasonableness of proposed acquisition costs through an as-is appraisal. The as-is appraisal will be ordered by Minnesota Housing and all costs will be the responsibility of the applicant. (See Chapter 6A and Chapter 8). Appraisals will be considered expired by Minnesota Housing one year after the effective date of the report. (Refer to the Multifamily Underwriting Standards for additional details.)

The Agency reserves the right to reject applications that appear, at Minnesota Housing's sole discretion, to have excessive costs, or to size its award based on the lesser of the option/purchase agreement purchase price or the appraised value of the property.

B. Eligible Basis Tax Credit Fees

Minnesota Housing will limit the amount of developer fees and general contracting fees (Contractor's Profit, General Requirements, Contractor's Overhead) based on the requirements contained in the Multifamily Underwriting Standards for the purposes of calculating eligible basis to determine the amount of tax credit.

Syndication related consultant fees are not to be included in the eligible basis of the project.

C. Reserves/Contingencies

Minnesota Housing will require documentation of the amount and disposition of reserves/contingencies. If they revert back to the developer, general partner, or any ownership interest, Minnesota Housing will consider the reserves/contingencies as deferred developer fees and the above limits will apply. For letters of credit, bonds, etc., use the actual cost, not face value, when completing the development cost section of the Multifamily Workbook.

D. Comparative Analysis

Notwithstanding these Development Standards and the Selection Criteria within this manual and the QAP, each and every proposed project is analyzed on a comparative basis in a variety of categories to ensure the highest value for the tax credits allocated.

E. Property Standard

Minnesota Housing encourages sustainable, healthy housing that optimizes the use of cost effective durable building materials and systems and that minimizes the consumption of natural resources during construction, and in the long-term, maintenance and operation.

All completed developments **must** comply with the Minnesota Overlay to the Enterprise Green Communities Criteria and Minnesota Housing's Rental Housing Design/Construction Standards.

Additional design requirements will also be imposed if a developer claims and is awarded Large Family or Universal Design Points on the Self-Scoring Worksheet(s). To satisfy the Large Family Points on the Self-Scoring Worksheet(s), all of the units included in the application/development must meet the following minimum dimensions:

1. Living room: 11 feet 6 inches
2. Bedrooms: 9 feet 6 inches, and 100 sq. ft. in area

The owner and architect must certify compliance with all required Minnesota Housing Rental Housing Design/Construction Standards, and where points have been awarded, that all the applicable standards and development features have been incorporated into the final working plans.

Chapter 5 – Project Selection

A. First Round - Application Requirements

All applicants statewide applying for a portion of the states' tax credit volume cap must meet one of the minimum threshold types as defined in Article 5 of the QAP. Greater Minnesota projects should also refer to the sample Threshold Letter in the Housing Tax Credits Application Reference Materials section on Minnesota Housing's website for a suggested format relating to evidencing thresholds. In meeting the requirements of thresholds, fractions of units are not counted as a whole unit. Where unit percentage calculations result in a fraction of a unit being required, the fraction of a unit must be rounded up to the next whole unit.

In the final competition, projects that previously received an allocation of tax credits will receive priority in accordance with the provisions of Article 5 of the QAP.

B. Strategic Priority Policy Threshold

To be eligible for tax credits, from the state's volume cap under Minnesota Housing's QAP and non-competitive tax credits, a developer must demonstrate that the project meets at least one of the Strategic Priority Policy Thresholds defined in Article 9 of the QAP.

C. Scoring

Minnesota Housing will first rank proposals in accordance with the Selection Priorities and Preference Points contained in the Self-Scoring Worksheet and, if necessary, Chapter 5.D Tie-Breakers, below. The highest-ranking proposals based on the selection priorities and preference points will then be reviewed in accordance with the following Project Selection requirements described in E through K of this chapter. Minnesota Housing reserves the right to reject applications not meeting these project selection requirements or to revise proposal features, and decrease associated scoring, to ensure the project meets the requirements. Lower ranking proposals will only be processed further if tax credit volume cap remains available after the higher-ranking proposals are processed.

D. Tie Breakers

If two or more proposals have an equal number of points, the following will be used to determine selection:

1. First tie breaker: Priority will be given to the project with the greater number of points in Preference Priority criteria; if a tie still remains;
2. Second tie breaker: Priority will be given to a project located in a city, township or Tribal Reservation that has not received tax credits in the last two years; if a tie still remains;
3. Third tie breaker: Priority will be given to the project with the highest Percentage of Funds Secured, Awarded or Committed, as measured by the ~~Selection Priority category of~~ Financial Readiness to Proceed/Leveraged Funds selection criterion; if a tie still remains;
4. Fourth tie breaker: Priority will be given to the project with the lowest percentage of intermediary costs as measured by the Intermediary Costs selection criterion; if a tie still remains;
5. Fifth tie breaker will be by lot.

See Article 10.1 and 10.2 of the QAP for additional information on which scoring criteria qualify as selection and preference priorities.

E. Market Review

Minnesota Housing will conduct a market review to determine the housing needs of low-income individuals in the area to be served by the project. Minnesota Housing will evaluate the Market Study and in-house occupancy data to determine the marketability of the proposed project. For market consideration, applicants are responsible for providing evidence to document market feasibility at the time of application. Minnesota Housing may contact the applicant if there is a question as to the marketability of the proposed projects. The applicant may be given an opportunity to adjust the unit mix and/or number of units and resubmit prior to Minnesota Housing scoring of selection priority points.

Proposed projects that do not appear marketable and do not modify their proposal will not receive further consideration in the current funding round.

F. Design Review

The proposed owner and architect must certify compliance with all the required development features outlined in Chapter 5 of the Minnesota Housing Rental Housing Design/Construction Standards before the project will be scored and ranked. (Refer to Chapter 4.E. Property Standard of this manual.)

G. Development Team Review

Minnesota Housing will also consider the following factors when evaluating an application for a tax credit allocation:

1. The ability and capacity of the development team to proceed expeditiously to complete the proposed development
2. The prior record of the development team in meeting Minnesota Housing and IRS reporting requirements
3. The experience of the development team in developing and managing similar residential housing

Proposed projects from applicants that do not appear to have the experience, capacity or ability will not receive further consideration in the current funding cycle.

H. Site Review

Minnesota Housing staff will conduct a site inspection for each project passing all the project selection requirements described in parts A through G of this chapter for consistency with the principles of sound, affordable housing developments. Site inspections will be conducted to analyze physical characteristics; the surrounding property and community; the location of schools, shopping, public transportation, employment centers, community and housing service facilities; availability of utilities, water and sewage treatment facilities; and the suitability of the site for the proposed housing.

For purposes of Minnesota Housing's investment in affordable housing, the principles are as follows:

1. **Linkage**: Housing development should be part of a comprehensive community development effort that links housing, jobs, transportation, recreation, retail services, schools, and social and other services.
2. **Jobs**: Housing is part of the infrastructure necessary to sustain economic vitality. New housing should be located near jobs and in areas of job growth and should address housing needs of the local work force. Preference will be given to proposals that provide housing in communities with job growth.
3. **Land Use**: Housing must be developed to maximize the adaptive reuse of existing residential rental buildings and the use of existing infrastructure, where financially feasible. In cases of new developments, housing that maximizes the efficient use of land and infrastructure and minimizes the loss of agricultural and green space.
4. **Transportation**: Housing must be developed near regional and interregional transportation corridors and transit ways.

Minnesota Housing will consider, but is not limited to, the following environmental criteria when evaluating a proposed site.

1. Noise
2. Flood plains and wetlands
3. Site safety
4. Toxic and hazardous waste
5. Underground storage tanks
6. Asbestos and lead based paint

Minnesota Housing may, at its sole discretion, reject applications or recapture tax credits from projects that appear unsuitable for the housing proposed.

I. Underwriting Standards

Proposals must meet all Multifamily Underwriting Standards to receive an allocation of tax credits.

All operating assumptions, including for rent, vacancy, operating expenses, reserves, inflation assumptions and debt coverage ratios, must be consistent with the requirements of the Underwriting Standards. The structure of the development budget, including acquisition price; architect, general contracting, and developer fees; sales tax and energy rebates; as well as construction contingency, must also meet the Underwriting Standards.

Refer to the Minnesota Housing Multifamily Underwriting Standards and Multifamily Consolidated RFP/HTC ~~Guide~~ Request for Proposal Application Instructions for additional information and requirements.

J. Financial Feasibility

Proposals that meet the Project Selection Requirements in paragraphs B through I and K will be evaluated for financial feasibility as required by Section 1.42-17(a)(3) and Chapter 2K of this Procedural

Manual. Projects determined not to be financially feasible will not be processed further in the current funding cycle.

An application's structuring may be revised by Minnesota Housing during this review to ensure financial feasibility or to meet required components of the Underwriting Standards, as applicable, and a reduction to the application's scoring may occur as a result of these revisions.

K. Development Cost Review

Minnesota Housing will review project costs based on comparability and reasonableness. Minnesota Housing may, at its sole discretion, reject applications that appear to have excessive project costs. (Also refer to Chapter 4.A Project Cost Reasonableness)

Chapter 6 – Submission Requirements

It is the applicant's responsibility to be aware of the submission requirements needed to proceed to the next step in obtaining an allocation. If the applicant is unable to meet the submission requirements (financing, zoning, site control, syndication, construction start, etc.) in a timely manner, or if approvals have expired, the application will no longer be processed and the application fee will be forfeited. **Any submissions not meeting the requirements below will be returned to the applicant and fees paid will not be refunded.**

A. Application Requirements

Required Housing Tax Credit application materials are incorporated into the ~~Minnesota Multifamily Rental Housing Common Application~~ Application Checklist in the Multifamily Customer Portal (Portal), including the Intent to Apply, which is due in advance of the application. The Multifamily Consolidated RFP/HTC Request for Proposal Application Instructions ~~Multifamily Request for Proposal Guide~~ and HTC Scoring Guide and Deferred Priority Checklist Guide provide comprehensive resources for these application materials and submittal instructions. The Multifamily and Housing Tax Credit application materials can be found in the Portal and on the ~~Multifamily Common~~ Application and Tax Credits web page.

If a Minnesota Housing Multifamily first mortgage and/or deferred loan are sought in conjunction with the tax credit application, many HTC forms and submissions are identical to the forms and submissions required for other Minnesota Housing funding sources under the Consolidated Request for Proposals (RFP) or open pipeline. ~~The submissions for a tax credit application package must follow the stacking order outlined in the Multifamily Rental Housing Common Application Checklist.~~

Minnesota Housing will base its selection decision upon the application and attachments received on the application due date. No applications, attachments or documentation will be accepted after the application due date unless requested by Minnesota Housing.

Upon receipt of an application, as required by federal law, Minnesota Housing will notify the Chief Executive Officer of the local jurisdiction where the proposed project is planned. This notification will include characteristics of the proposed tax credit project and provide an opportunity for the local unit of government to comment on the project.

Information submitted in an application for tax credits is information that is accessible to the public pursuant to Minnesota Statutes, Chapter 13.

Self-Scoring Worksheet(s) Documentation

In addition to the application materials outlined in the ~~Multifamily Rental Housing Common~~ Application Checklist in the Portal, applicants must include documentation supporting all points claimed, including but not limited to the following. No application, documentation will be accepted after the application due date unless requested by Minnesota Housing.

The Self-Scoring Worksheet(s) and the Scoring Guide provide comprehensive resources for the documentation materials and submittal instructions.

Threshold Evidence
For Round 1, provide evidence of meeting one of the threshold types defined in Article 5 of the Minnesota Housing QAP. Copies of the QAP and sample letter format are located in the Housing Tax Credit Allocation or Housing Tax Credits Reference Materials sections. In meeting the requirements of thresholds, fractions of units are not counted as a whole unit. Where unit percentage calculations result in a fraction of a unit being required, the fraction of a unit must be rounded up to next whole unit.

Location Efficiency Map
When required as supporting documentation for points claimed on the Self-Scoring Worksheet(s) in the Location Efficiency section of the Areas of Opportunity selection category, at the time of application, the applicant must submit a map identifying the location of the project with exact distances to the eligible public transit station/stop and routes and include a copy of the route, span and frequency of service schedules. For more detailed information refer to requirements contained in the Self-Scoring Worksheet(s).

Also, when required as supporting documentation for points claimed on the Self-Scoring Worksheet(s) in the Location Efficiency criterion, provide documentation of the project's Walk Score.

For developments in Greater Minnesota, if required as supporting documentation for points under the Location Efficiency section of the Areas of Opportunity scoring criterion in the Self-Scoring Worksheet(s), provide documentation of access and availability of route deviation service or demand response/dial-a-ride service, and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments.

~~Planned Community Development~~ Community Development Initiative
To be considered ~~Planned Community Development~~ Community Development Initiative, an applicant must provide a Community Development Initiative narrative and backup documentation. Complete the required Community Development Initiative Narrative form identified in the Multifamily Rental Housing Common Application Checklist, submit any supporting documentation, including planning documents that support the initiative. For more detailed information refer to requirements contained in the Self-Scoring Worksheet(s).
~~The narrative must address the items below and include page numbers to directly where the information is located in the documentation. The applicant must document the following about a community plan or initiative:~~

1. ~~The local community is **actively working on implementation steps** identified in the plan, or the plan includes a timeline of implementation activities that runs past the date when the Minnesota Housing Board of Directors would make its initial commitment decision regarding the funding request. Plans that have been superseded by more current plans do not qualify.~~

   ~~This includes a list of various stakeholders. The milestones or steps completed, planned or underway, including key dates and stakeholders.~~

2. ~~Geographic boundaries of a targeted geographic area are identified by the plan or initiative. Qualifying plans in small communities may encompass the entire geography of the community or region, although the plan's targeted geographic area should be a subset of the community or region.~~

3. ~~The plan or initiative responds to a crisis or opportunity pursuing various community, economic, educational or transit oriented development objectives for the target geography, aimed at~~

~~creating a more vibrant, livable, sustainable and equitable community or, reversing historic underinvestment or decline in the area.~~

~~4. The plan or initiative includes the rehabilitation or production of affordable housing as a key strategy to meet identified objectives.~~

~~5. The plan or initiative identifies specific activities and investments by which the local community is pursuing and implementing the objectives. This includes key investment, in-kind or other financial commitments that have been made, or pending, including dates.~~

~~A qualifying plan can be created and approved by a wide variety of public and private local community development partners such as cities, counties, private foundations and public housing authorities. Plans local entities are required to produce, such as comprehensive plans in the Seven County Metropolitan Area, are not by themselves considered evidence of Planned Community Development. In addition to submission of evidence of Planned Community Development, evidence must be provided that a specific project contributes to the goals of the plan.~~

Preservation
Dual application and preliminary determination of eligibility required:

1. **Dual Application:** For developments containing 40 or more units, applicants claiming points under this section must submit dual applications, as defined in the Multifamily Consolidated RFP/HTC ~~Guide~~ Request for Proposal Application Instructions.
2. **Preliminary Determination of Eligibility:** ~~All applicants~~ Applicants applying for 9% tax credits and claiming points under this section will be required to submit a pre-application. If the project is determined to be eligible for Preservation points, the applicant will receive a Preliminary Determination of Preservation Eligibility letter from the Agency to be submitted with the application that details the Preservation Threshold and points claimed. Applicants **must** submit all required pre-application documentation 30 days prior to the application deadline for HTC Round 1 or Round 2 in order for staff to make a preliminary determination of eligibility. Failure to submit all required pre-application materials will result in rejection of the pre-application.

   Applicants applying for 4% tax credits must provide all required supporting documentation, as detailed in the Multifamily Customer Portal and HTC Scoring and Deferred Priority Checklist Guide.

Applicants must choose one of three thresholds: Risk of Loss Due to Market Conversion, Risk of Loss Due to Critical Physical Needs or Risk of Loss Due to Ownership Capacity/Program Commitment. ~~See required submittals for each below.~~

~~**1. Risk of Loss Due to Market Conversion**~~

~~a. Completed Multifamily Workbook~~

~~b. Evidence that 15 or more years have passed since the award of the existing federal assistance and the tax credit placed in service date (if applicable) for projects claiming points under Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming points under Critical Affordable Units. Include documentation of existing rent and income restrictions.~~

~~c. Evidence of property's ability to convert to market within five years by submitting:~~

~~i. Current financing documents including but not limited to Section 8 Housing Assistance Payment Contracts, Rural Development Mortgages/Rental Assistance Contract, Declarations, Regulatory Agreements, Use Agreements, Land Use Restriction Agreements (LURAs) that describe the expiration of the relevant contract terms or use restrictions AND/OR~~

~~ii. Current financing documents and contracts that show the owner's ability to pre-pay or opt-out, including required approvals and penalties. For tax credit projects eligible to exercise the option to file for a Qualified Contract, submit the relevant Qualified Allocation Plan, original tax credit application, Carryover Agreement, and Declaration of Land Use Restrictive Covenants; AND~~

~~iii. If a property has existing Minnesota Housing financing, provide the date of expiration of the Minimum Rent Subsidy Period (MRSP).~~

~~d. Provide a Market Study. Market study should document a low physical vacancy rate (4% or lower) for market rate comparable units and that the subject property could convert to market rate given its current amenities and condition.~~

~~e. Market for conversion evidenced by one or more of the following:~~

~~i. An appraisal commissioned by Minnesota Housing within a year of the application date where the as-is unrestricted value is equal to or greater than the as-is restricted value; OR~~

~~ii. For properties with Section 8 contracts, a Rent Comparability Study acceptable to Minnesota Housing staff and reviewers which was completed within a year of the application date that shows current rents are below comparable market rents; OR~~

~~iii. A market study commissioned by Minnesota Housing completed within a year of the application date that shows current rents are below comparable market rents and that the property has comparable location, amenities and condition to convert to market rate; AND~~

~~iv. Documentation of current rents.~~

~~**NOTE**: Minnesota Housing, at its sole discretion, must agree that a market exists for a conversion to market rate housing.~~

~~**2. Risk of Loss Due to Critical Physical Needs**~~

~~a. Completed Multifamily Workbook~~

~~b. Evidence that 15 or more years have passed since the award of the existing federal assistance and the tax credit placed in service date (if applicable) for projects claiming points under Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming points under Critical Affordable Units. Include documentation of existing rent and income restrictions.~~

~~c. Physical Needs Assessment Template~~

~~d. 20-Year Capital Expenditure Template~~

~~e. Complete the Three Year Critical Needs Model~~

~~f. Documentation of current project reserves and audited financial statements with current updates.~~

~~g. Describe and provide evidence that the repair and replacement of major components will support at least 15 years of operations.~~

~~h. Copies of recent site inspection reports~~

~~**NOTE**: Minnesota Housing will conduct an inspection of the development and must agree with applicant on work scope, severity levels and cost estimates.~~

~~**3. Risk of Loss Due to Ownership Capacity/Owner Commitment**~~

~~a. Completed Multifamily Workbook~~

~~b. Evidence that 15 or more years have passed since the award of the existing federal assistance and the tax credit placed in service date (if applicable) for projects claiming points under Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming points under Critical Affordable Units. . Include documentation of existing rent and income restrictions.~~

~~c. Document one of four conditions:~~

~~i. Existing conditions created by the current owner such as bankruptcy, insolvency, default, foreclosure action, unpaid taxes and assessments, on-going lack of compliance with lenders or terms of federal assistance, or self-determination by non-profit board (as documented by a board resolution) to evidence that current ownership will put property at significant risk of not remaining decent, safe and affordable. Ownership must be transferred to an unrelated party; OR~~

~~ii. The property has been or will be acquired from an unrelated party within three years of the application date after being offered for sale on the open market after an opt-out notice for the HAP contract had been submitted to Minnesota Housing; OR~~

~~iii. The property has been or will be acquired from an unrelated party within 3 years of the application date as a result of a PARIF Right of First Refusal being exercised; OR~~

~~iv. The acquisition of a property with USDA Rural Development rental assistance has occurred or will occur when the current or previous owner intends or intended to allow the existing USDA Rural Development mortgage to mature, and has turned down offers from USDA Rural Development to reamortize the mortgage. Application must be within five years of maturity date and within three years of acquisition.~~

~~**NOTE**: Minnesota Housing, at its sole discretion, must agree that a change in ownership is necessary for units to remain decent, safe or affordable.~~

Applicants meeting one of the three thresholds may claim points under Existing Federal Assistance or Critical Affordable Units at Risk of Loss. For more detailed information refer to requirements contained in the Self-Scoring Worksheet(s).

1. ~~**Existing Federal Assistance:** All applicants claiming points under Existing Federal Assistance must provide documentation of the federal assistance.~~
   - ~~Definition: Any housing receiving project-based rental assistance or operating subsidies under a U.S. Department of Housing and Urban Development (HUD), U.S. Department of Agriculture Rural Development (RD), NAHASDA or other program that is not scheduled to sunset or expire. Properties that have converted their type of federal rental assistance through the Rental Assistance Demonstration program, Component 2 (RAD 2) are eligible.~~
   - ~~**Critical Affordable Units at Risk of Loss:** Applicants claiming points under Critical Affordable Units at Risk of Loss must provide documentation to support eligibility, such as a current recorded deed restriction that imposes rent or income restrictions at or below the greater of 80 percent of statewide median income or area median income. Includes existing public housing units, including converting through Rental Assistance Demonstration Program, Component 1 (RAD 1), tax credit units, Rural Development funded units without rental assistance and Existing Federal Assistance not described in paragraph 1. above (e.g., 202, 236) or other programs limiting income and rent restrictions as stated above.~~

Eventual Tenant Ownership Plan

If applicable, provide a detailed proposal for Eventual Tenant Ownership (ETO). Only detached single-family units are eligible for homeowner conversion. The project owner must submit a preliminary conversion plan with their application that is consistent with the requirements of Minnesota Housing's ETO Guide. The plan must address the transfer of 100 percent of the tax credit unit ownership after the 15-year compliance period from the initial ownership entity of the project (or Minnesota Housing approved Transfer of Ownership entity) to tenant ownership.

The unit purchase price at the time of sale must be affordable to incomes meeting tax credit eligibility requirements. To be eligible, the buyer must have an HTC qualifying income at the time of initial occupancy (tax credit rental tenant). The final conversion plan, to be submitted by the 15th year of initial compliance, must incorporate an ownership exit strategy, a third party Property Capital Needs Assessment report and a budget for capital improvements and services, including home ownership education and training. A final conversion plan complying with all of the requirements of the ETO Guide must be submitted to, and approved by, Minnesota Housing prior to commencing the conversion.

The Declaration of Land Use Restrictive Covenants will contain provisions ensuring compliance with these ETO commitments by the owner, including a right of first refusal allowing tenants to purchase their units.(Refer also to Chapter 3.W of this Manual for additional information.)

Until the time the HTC units are purchased by qualified tenants or in the event that not all HTC units are acquired by qualified tenants, the owner will extend the duration of low-income use for the full extended use period (at least 30 years).

Evidence for People with Disabilities

To receive points under People with Disabilities, the proposal must meet all of the requirements contained in the Self-Scoring Worksheet(s).~~following conditions:~~

~~The applicant must complete and submit the supportive housing application materials, including the People with Disabilities narratives, forms and submittals identified in the Multifamily Request for Proposal Guide and the Multifamily Rental Housing Common Application Checklist.~~

~~The applicant must complete the required People with Disabilities Narrative and provide a signed Service Agreement.~~

~~People with Disabilities Narrative: Complete the required narrative that demonstrates the applicant meets the following threshold criteria including: the target population of people with disabilities; the income limit restrictions for the units to households with incomes at or below 30% Multifamily Tax Subsidy Project (MTSP) income limits; rent levels; outreach efforts; referral processes; verification of applicant disability; types of services provided to tenants; how the service entity communicates with property management; and plans for crisis intervention, eviction prevention and lease mitigation.~~

~~Signed service agreement: Applicants can either complete the signature page (must be completed by both parties) attached to the People with Disabilities Narrative, or submit a separate signed service agreement.~~

~~The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available.~~

~~The application must meet the following threshold criteria:~~

~~Target population: The target population(s) of people with disabilities must be clearly defined in the narrative (e.g., mental illness, developmental disability, physical disability).~~

~~Units are restricted to households with incomes at or below 30% MTSP income limits.~~

~~Rent levels must be underwritten to the Supportive Housing Units underwriting standards outlined in the Multifamily Underwriting Standards if no rent assistance is available.~~

~~Service Agreement: The property owner must have an agreement with the county or tribal human services office OR a designated service provider specifying:~~

~~How they will provide outreach to the target population~~

~~How eligible applicants will be referred to the property management agent~~

~~That verification of applicant disability will be provided to the owner~~

~~The types of services appropriate to the population that will be made available with the goal of housing stability~~

~~How services will be provided to tenants~~

~~How the service entity will communicate and coordinate with property management~~

~~Plans for crisis intervention, eviction prevention and lease mitigation~~

~~Units for individuals with disabilities must be provided in an integrated setting.~~

People with Disabilities Performance Requirement Relief ~~Revisions~~ Provisions:
Specific performance requirement relief provisions are available for projects receiving points under the ~~People with Disabilities selection~~ category of the People with Disabilities Selection Criterion of the Self-Scoring Worksheet(s) for PDSC Units.

If, for a particular unit meeting the criteria and receiving points under the People with Disabilities Selection Criterion (PDSC Unit(s)), the necessary rental assistance or operating support (collectively PDSC Unit subsidy) is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) such withdrawal or termination materially adversely impacts the financial feasibility of the project; (iii) alternative funding is unavailable; and (iv) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected PDSC Unit(s). Such petition shall contain all material facts and supporting documentation substantiating owner's request including, but not limited to, items (i), (ii) and (iii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall no longer be required to treat such PDSC Unit(s) as PDSC Unit(s) but must convert the rents of those units to the 50 percent tax credit rent limit; **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply**. If such conversion occurs, in order to retain the tax credit allocation, the above described 50 percent tax credit rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the tax credit compliance and extended use periods.

If, for a particular PDSC Unit(s), the necessary tenant support services funding is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) alternative funding or an alternative service provider is unavailable; and (iii) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to modify its requirements for the provision of such tenant services for the affected PDSC Units(s). Such petition shall contain all material facts and supporting documentation substantiating owner's request including, but not limited to, items (i) and (ii) of this paragraph. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall modify its provision of such tenant support services for the affected PDSC Unit(s) in a manner consistent with Minnesota Housing's modified requirements for the provision of tenant services for the PDSC Unit(s), **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply.**

If Minnesota Housing shall, at any time thereafter, in its sole discretion, determine that a PDSC Unit Subsidy may be available for the remainder of the tax credit compliance and extended use periods, that would not adversely affect the full availability of the tax credit allocation and would permit the PDSC Unit(s) to again serve People with Disabilities households, then at Minnesota Housing's request the owner shall promptly apply for such PDSC Unit subsidy for the PDSC Unit(s), upon terms reasonably acceptable to such owner, and if such PDSC Units subsidy is obtained, shall again set aside such PDSC Unit(s), when and to the extent then available, people with disabilities needs qualifying individuals.

In addition, if Minnesota Housing shall, at any time thereafter, in its sole discretion, determines that PDSC Unit tenant support services funding may be available for the remainder of the tax credit compliance and extended use periods, that would not adversely affect the full availability of the tax credit allocation and would permit the affected PDSC Unit(s) to again provide tenant support services to households targeting People with Disabilities, then at Minnesota Housing's request, the owner shall promptly apply for such PDSC Unit tenant support services funding for the affected PDSC Unit(s), upon terms reasonably acceptable to such owner, and if such PDSC Unit tenant support services funding is

obtained, shall resume providing PDSC Unit tenant support services, when and to the extent then available, to people with disabilities needs qualifying individuals.

Evidence of targeting units for Permanent Supportive Housing for High Priority Homeless
In accordance with Minnesota's Plan to Prevent and End Homelessness, Minnesota Housing, in cooperation with the Departments of Human Services and Corrections and a broadly inclusive working group, has developed a business plan to achieve this goal. Tax credits represent one of several resources selected to attain this goal. To receive points under Permanent Supportive Housing for High Priority Homeless, the proposal must meet all of the requirements contained in the Self-Scoring Worksheet(s).

~~To receive points under this category, the proposal must meet all of the following conditions:~~

1. ~~Proposals must set aside a minimum of 5 percent of the total units, but no fewer than four units are set aside and rented to High Priority Homeless who are households prioritized for permanent supportive housing by the Coordinated Entry System (HPH units).~~

   ~~The Coordinated entry system is defined by the Statewide Coordinated entry standard and protocol as adopted by the local Continuum of Care, or such successor system as determined by Minnesota Housing.~~

2. ~~The applicant must complete and submit the supportive housing application materials, including the narratives, forms and submittals identified in the Multifamily Request for Proposal Guide and the Multifamily Rental Housing Common Application Checklist, and;~~

3. ~~The application must meet the Supportive Housing Threshold criteria:~~

   a. ~~Supportive Services: On-site service coordination and tenant engagement must be made available to all supportive housing residents. The level and type of services offered should be appropriate for the needs of the target population, with a minimum of tenant service coordination for an average of two hours per household per week.~~

   b. ~~Service Provider: Experienced service provider with demonstrated outcomes:~~

      i. ~~At a minimum, the service provider has experience providing services to a similar population to maintain housing over a period of time and has sufficient capacity to deliver the services proposed.~~

   c. ~~Service Funding Commitments: At a minimum, a portion of service funding is secured with a viable plan for securing the remaining resources, as approved by Minnesota Housing. Must provide evidence in application narrative and commitment letters or other documentation.~~

      i. ~~Developments with 5% to 9.99%HPH units must have secured at least 75% of service funding~~

      ii. ~~Developments with 10% to 49.99% HPH units must have secured at least 20% of service funding~~

      iii. ~~Developments with 50% to 100% HPHunits must have secured at least 5% of service funding~~

   d. ~~Coordinated Entry and Serving Highest Need Households: The property owner must agree to accept high priority households for the HPH- supportive housing units through Coordinated Entry.~~

~~4. The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available.~~

HPH Performance Requirement Relief ~~Revisions~~ Provisions:

Specific performance requirement relief provisions are available for projects receiving points under the Permanent Supportive Housing for High Priority Homeless Selection Criterion of the Self-Scoring Worksheet(s) for HPH Units.

If, for a particular ~~Homeless~~ HPH unit(s) the necessary rental assistance or operating support (collectively "~~Homeless~~HPH unit subsidy") is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) such withdrawal or termination materially adversely impacts the financial feasibility of the project; (iii) alternative funding is unavailable; and (iv) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected ~~Homeless~~HPH unit(s). Such petition shall contain all material facts and supporting documentation substantiating owner's request including, but not limited to, items (i), (ii) and (iii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall no longer be required to treat such ~~Homeless~~HPH unit(s) as ~~Homeless~~HPH unit(s) but must convert the rents of those units to the 50 percent tax credit rent limit; provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply. If such conversion occurs, in order to retain the tax credit allocation, the above described 50 percent tax credit rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the tax credit compliance and extended use periods.

If Minnesota Housing shall, at any time thereafter, in its sole discretion, determine that a ~~Homeless~~HPH unit subsidy may be available for the remainder of the tax credit compliance and extended use periods, that would not adversely affect the full availability of the tax credit allocation and would permit the ~~Homeless~~HPH unit(s) to again serve households experiencing homelessness, then at Minnesota Housing's request the owner shall promptly apply for such ~~Homeless~~HPH unit subsidy for the Homeless unit(s), upon terms reasonably acceptable to such owner, and if such ~~Homeless~~HPH unit subsidy is obtained, shall again set aside such ~~Homeless~~HPH unit(s), when and to the extent then available, to households experiencing homelessness.

If, for a particular ~~Homeless~~HPH unit(s), the necessary tenant support services funding is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) alternative funding or an alternative service provider is unavailable; and (iii) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to modify its requirements for the provision of such tenant services for the affected Homeless unit(s). Such petition shall contain all material facts and supporting documentation substantiating owner's request including, but not limited to, items (i) and (ii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall modify such tenant support services for the affected ~~Homeless~~HPH unit(s).

Rental Assistance

Continued Renewals Performance Requirement Relief Provisions

Specific performance requirement relief provisions are available for projects receiving points under the Rental Assistance selection criterion for Continued Renewals of the Self-Scoring Worksheet(s) for CRRA Units.

If, for a particular unit meeting the criteria and receiving points under the Rental Assistance selection criterion for Continued Renewals Rental Assisted units (CRRA Unit(s)), the necessary rental assistance or operating support (collectively CRRA Unit subsidy) is (i) not renewed, withdrawn, or terminated due to reasons not attributable to the actions or inactions of the owner; ii) alternative funding is unavailable; and (iii) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected CRRA Unit(s). Such petition shall contain all material facts and supporting documentation substantiating owner's request including, but not limited to, items (i), (ii) and (iii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall no longer be required to treat such CRRA Unit(s) as CRRA Unit(s) but must convert the rents of those units to the 50 percent tax credit rent limit; **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply**. If such conversion occurs, in order to retain the tax credit allocation, the above described 50 percent tax credit rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the 10 year period.

If Minnesota Housing shall, at any time thereafter, in its sole discretion, determines that a CRRA Unit subsidy may be available for the remainder of the 10 year period, that would not adversely affect the full availability of the tax credit allocation, and would permit the CRRA Unit(s) to again serve 30 percent income households, then at Minnesota Housing's request, the owner shall promptly apply for such CRRA Unit subsidy for the CRRA Unit(s), upon terms reasonably acceptable to such owner, and if such CRRA Units subsidy is obtained, shall again set aside such CRRA Unit(s), when and to the extent then available, to income qualifying individuals.

Further restricted Rental Assisted Units Performance Requirement Relief Revisions
Specific performance requirement relief provisions are available for projects receiving points under the Rental Assistance selection criterion for Further restricted Rental Assistance of the Self-Scoring Worksheet(s) for FRRA Units.

If, for a particular unit meeting the criteria and receiving points under the Rental Assistance selection criterion for Further Restricted Rental Assisted units (FRRA Unit(s)), the necessary rental assistance or operating support (collectively FRRA Unit subsidy) is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) such withdrawal or termination materially adversely impacts the financial feasibility of the project; (iii) alternative funding is unavailable; and (iv) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected FRRA Unit(s). Such petition shall contain all material facts and supporting documentation substantiating owner's request including, but not limited to, items (i), (ii) and (iii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall no longer be required to treat such FRRA Unit(s) as FRRA Unit(s) but must convert the rents of those units to the 50 percent tax credit rent limit; **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply**. If such conversion occurs, in order to retain the tax credit allocation, the above described 50 percent tax credit rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the tax credit compliance and extended use periods.

If Minnesota Housing shall, at any time thereafter, in its sole discretion, determines that an FRRA Unit subsidy may be available for the remainder of the tax credit compliance and extended use periods, that would not adversely affect the full availability of the tax credit allocation, and would permit the FRRA Unit(s) to again serve 30 percent income households, then at Minnesota Housing's request, the owner shall promptly apply for such FRRA Unit subsidy for the FRRA Unit(s), upon terms reasonably acceptable to such owner, and if such FRRA Units subsidy is obtained, shall again set aside such FRRA Unit(s), when and to the extent then available, to income qualifying individuals.

Universal Design
Provide Tax Credit Design Standards/Review Process Certification certifying that design features, which allow points for the benefit of a development's selection, will be delivered in the final project.

Smoke Free Building(s)
If applicable, provide the written policy prohibiting smoking in all the units and all common areas within the building(s) of the project for the term of the declaration. The project must include a non-smoking clause in the lease for every household.

The written policy must be submitted with the application and should include procedures regarding transitioning to smoke-free for existing residents and establishment of smoking areas outside of units and common areas if applicable. Consequences for violating the smoke-free policy are determined by owner but must be included in the written policy.

B. Carryover Requirements

Several changes to Section 42 of the Internal Revenue Code were included in legislation passed by Congress in July 2008 as part of the Housing and Economic Recovery Act of 2008. These amendments made certain changes to the Carryover Allocation requirements. Only limited guidance has been issued by the IRS regarding these changes. No assurances can be given that additional IRS guidance will not require further adjustments to the QAP and additional reviews of selected developments relating to carryover**.**

In addition to meeting requirements of federal law, the applicant of a selected project must provide no later than 5:00 p.m. on November 1 or the next calendar business day of the year in which the reservation was issued, a complete carryover package in final form containing all the required documents in a form satisfactory to Minnesota Housing. Late fees will be enforced (see Chapter 8). All required carryover application materials should be submitted through the Multifamily Customer Portal.

NOTE: Requests by applicants/developers to Minnesota Housing to apply the 30 percent state designated basis boost at time of carryover application must be formally made in writing. The request should clearly outline the reasons supporting the request and clearly demonstrate how the proposal meets the criteria established by Minnesota Housing for receiving boost considerations.

Multifamily Workbook
As part of your Carryover application package, an updated Workbook for Tax Credits must be submitted in electronic form. Please refer to Minnesota Housing's Multifamily Customer Portal for additional important Carryover information and related forms. A printed and fully signed/executed version of the application form, with all changes from initial credit reservation application highlighted and initialed, must be submitted with your application package. The updated application form must be signed by at

least one general partner involved in the project and if applicable, the nonprofit partner. For material changes, refer to Manual Chapter 2.G. An electronic version of the Excel version of the submitted application and a PDF of the signed and updated application form must be submitted to Minnesota Housing at the same time the application package is submitted.

Application forms containing incomplete revisions, including those not highlighted, initialed and dated, are not acceptable and will be returned to the applicant.

Project Schedule
Provide an Updated Project Schedule.

Owner Certification/Application for Carryover Allocation (HTC 4)
Provide a signed and notarized Owner Certification/Application for Carryover Allocation Form. ~~for every building.~~

Building Information (HTC 5)
Provide a completed Building Information Form.

Attorney's Opinion Letter
Provide an attorney's opinion letter in an approved Minnesota Housing Form verifying:

1. The legal description of the project property (to be attached to the opinion and labeled Exhibit A) and that it is correct and identical to the property identified in the application and the reservation letter.
2. The name of the entity that will be/is the owner for tax purposes, and/or has demonstrated continued site control of the land and depreciable real property identified as the project in the application and the reservation letter.
3. The name, legal designation and Tax Identification Number (TIN) of the ownership entity that will receive the tax credits and the legal designation of the party that signed the application.
4. The name, legal designation and Tax Identification Number (TIN) of all the general partner(s), and the names of the managing partner(s), contact person(s) and the required authorized signatories. If the partners are an organized entity, such as a limited liability corporation, a limited liability partnership, or an organized partnership, provide the above information for each such entity.
5. Identification and copies of any waivers required by Section 42 obtained from the IRS.

Certified Public Accountants Certification (HTC 6)
Provide a written Certified Public Accountant's Certification in an approved Minnesota Housing form verifying:

1. The amount of the reasonably expected basis, the carryover basis and the percent of the expenses incurred.
2. More than 10 percent of the reasonably expected basis on the project must be expended by the later of the date, which is one year after the date that the allocation is made or the close of the calendar year in which the allocation is made. If the final carryover basis and expenditures information is not available at the time the carryover application is due, the application must include a written estimate of this information prepared by the owner. Final CPA certifications of

this information must be submitted to Minnesota Housing prior to the deadlines established by Section 42 and by no later than Minnesota Housing's submission deadline of May 1, 2020. If May 1 is not a business day, then certification will be due the next calendar business day. Minnesota Housing will consider an extension to this deadline via written request by the owner/applicant. The request for extension must also include information explaining why the extension is required. Minnesota Housing will issue a written response to all extension requests. An extension until October 1, 2020 will be the maximum allowable. If October 1 is not a business day then the certification will be due the next calendar business day.

3. A statement of non-affiliation with the developer and/or owner.

Sources of Funds
Identify the sources of construction, interim and permanent financing. Provide a firm letter of commitment in the form of a binding agreement as set forth in Minnesota Statutes Section 513.33. The agreement must:

1. Be in writing
2. Specify the consideration for the transaction and pertinent terms
3. Be signed by both the lender and the borrower (for RD Projects, Form 1944-51)
4. Be current and state both the effective and expiration dates

Rental Assistance
Provide a description of any governmental assistance and/or rental assistance. This includes copies of any contracts/agreements executed or any applications made for rental assistance for the project. (Refer to the Rental Assistance section of the Self-Scoring Worksheet(s).)

Gross Rent Floor Election (HTC 26)
If choosing to make the election at this time, supply a fully executed Statement of Election of Gross Rent Floor including each building of the development in which there are housing tax credit units. If the required fully executed form(s) with all elections made by the owner are not submitted to Minnesota Housing by a date no later than the date the project is placed in service, the gross rent floor will be determined to have been elected as the gross rent effective on the allocation date (the earlier of carryover or 8609) of the tax credits.

Fair Housing and Equal Employment Opportunity Forms
It is the policy of Minnesota Housing to take affirmative action to provide equal opportunity in all of its endeavors. Complete, execute and return the following forms:

1. Affirmative Fair Housing Marketing Plan describing the marketing strategies that an owner will use including, but not limited to, special efforts the owner will make to attract persons who are least likely to apply in addition to a broad cross section of the local population without regard to protected classes under federal fair housing law: race, color, religion, sex, national origin, disability or familial status; or under Minnesota law: marital status, status with regard to public assistance, creed and sexual orientation.
2. Equal Employment Opportunity Policy Statement.

Tenant Selection Plan

Provide a written tenant selection plan describing the tenant selection policy that an owner will use. The tenant selection plan must be submitted and reviewed by Minnesota Housing prior to the issuance of the 8609. See Minnesota Housing's Tenant Selection Plan Guidance.

Smoke Free Building(s)*
If applicable, provide the written policy prohibiting smoking in all the units and all common areas within the building(s) of the project for the term of the declaration. The project must include a non-smoking clause in the lease for every household.

The written policy must be submitted with the application and should include procedures regarding transitioning to smoke-free for existing residents and establishment of smoking areas outside of units and common areas if applicable. Consequences for violating the smoke-free policy are determined by owner but must be included in the written policy.

Identity of Interest
Provide a written disclosure as to any and all Identity of Interest parties (see Chapter 2 I and J).

Allocation Fee
Submit the nonrefundable Allocation Fee based on the annual tax credit reservation amount (see Chapter 8 D and E). Additional fees for additional credits secured at carryover will be collected following the award. Complete an Application Fee Remittance Form, and attach with the payment to the top of application package.

Project Design Certification Form
Provide a completed form signed and dated by the developer and the architect.

Unit and Development Characteristics Profile Form:
Provide a completed form indicating the unit counts and the related funding sources.

C. Placed in Service Requirements

Generally, the placed in service date for tax credit purposes, for a newly constructed building or for rehabilitation expenditures in an existing building, is the date when the first unit in the building is certified as available for occupancy. The placed in service date must occur for all buildings within a project within two years after the allocation year of tax credits.

An approved Minnesota Housing 8609 form must contain the signature of the authorized Minnesota Housing representative. Minnesota Housing will issue an approved IRS Form 8609 within 30 days after all the following items have been received by Minnesota Housing in a satisfactory form and substance. Issuance of the Minnesota Housing approved IRS Form 8609 is to be done only by Minnesota Housing or, as applicable, an authorized suballocator. An approved Form 8609 must not be created by any other entity. The owner/agent must not file a Form 8609 with the IRS in advance of the owner/agent's receipt of the Minnesota Housing signed version of the approved Form 8609. In addition, the owner/agent must not electronically file a Form 8609 with the IRS that does not accurately reflect the information contained on the Minnesota Housing signed version of the approved Form 8609. (Also refer to Chapter 2.G Unacceptable Practices.) A condition to this effect will be added to the Carryover Agreement.

If Minnesota Housing is the credit allocating agency, all required 8609 application materials should be submitted through the Multifamily Customer Portal.

If your credit allocating agency is a suballocator, please contact the suballocator for additional filing instructions.

To optimize timely processing of requests for issuance of Form 8609, it is recommended the owner make every effort to submit the complete Application for 8609 to Minnesota Housing no later than 30 days following completion of the project.

If a complete 8609 application package is not received within 15 days of the last day of the first year of the credit period the application will be considered late.

Transmittal Letter
Provide a transmittal letter indicating the project name, address and Minnesota Housing assigned HTC number. The letter should request the issuance of IRS Form 8609 and list the following required documents. In the letter, please list the revised information and explain the basis for the changes. The letter must be dated and signed by the owner or legally authorized individual.

Placed in Service Evidence
Provide evidence that all buildings have been Placed-in-Service. Submit a copy of the Certificate of Occupancy provided by the local governmental authority having jurisdiction for each building. If not available from the local government, a Certificate of Substantial Completion prepared by the architect will be accepted. For acquisition and rehabilitation, the developer must provide supporting documentation for the elected date.

Utility Allowance Schedule
Provide a current utility allowance in a manner consistent with the options provided in IRC 1.42-10 (i.e., as appropriate, a utility allowance from RD, HUD, PHA/HRA, local utility company, an Agency Estimate, a HUD utility Schedule Model, an Energy Consumption Model). Include a breakdown of the utilities that a tenant pays directly (heat, electricity, etc.), the utility allowance for each type of utility (gas, electric, etc.), for the various unit types (one bedroom, two bedroom, etc.) and housing types (apartments, townhomes, etc.). Also include a list of each unit type, total tenant paid utilities, contract rent and gross rent. (See Chapter 3 J)

Final Cost Certification (HTC 9)
Provide a final cost certification that evidences the CPA's audit report and cost certification based upon an audit of the owner's schedule of total project costs.

All costs of projects with five or more units owned by all entities must be cost certified by a CPA when construction has been completed and before Minnesota Housing can complete its final evaluation.

Projects with four or fewer units must submit a sworn construction statement and/or certification by owner, as appropriate.

Multifamily Workbook
As part of your 8609 application package, an updated Workbook for Tax Credits must be submitted in both printed and electronic form. A printed and fully signed/executed version of the Multifamily

Workbook, with all changes from the most recent of your initial credit reservation application or, as applicable, your carryover application highlighted and initialed, must be submitted with your application package. In particular, check to ensure that changes in number of units, rents, utility allowance, source of funds (loans, grants, etc.), hard and soft cost changes and qualified basis are updated on the revised application pages. The updated application form must be signed by at least one general partner involved in the project and if applicable, the nonprofit partner. For material changes, refer to Manual Chapter 2.G. An electronic Excel version of this updated application form must be submitted to Minnesota Housing at the same time the printed application package is submitted.

Application forms containing incomplete revisions including, those not highlighted, initialed and dated, are not acceptable and will be returned to the applicant.

Attorney's Opinion Letter
Provide an attorney's opinion letter in an approved Minnesota Housing form verifying:

1. The legal description of the project property (to be attached to the opinion and labeled Exhibit A) and that it is correct and identical to the property identified in the application, the reservation letter and the carryover agreement (if one was issued for the project).
2. The name of the entity that is the owner for tax purposes of the property to be part of the project and which is described in Exhibit A of the opinion.
3. The name, legal designation and Tax Identification Number (TIN) of the ownership entity that will receive the tax credits, the legal designation of the party that signed the application and the business remains in good standing and duly authorized in Minnesota.
4. The name, legal designation and Tax Identification Number (TIN) of all the general partner(s), and the names of the managing partner(s), contact person(s) and the required authorized signatories. If the partners are an organized entity, such as a limited liability corporation, a limited liability partnership or an organized partnership, provide the above information for each such entity.
5. Identification and copies of any waivers required by Section 42 obtained from the IRS.

Reserves, Contingencies and any Cash Savings
Provide a signed and dated statement documenting the amount and disposition of reserves, contingencies and any cash savings. If any of the above reverts back to developer/owner, general partner or any ownership interest, Minnesota Housing will consider them deferred developer fees, and for purposes of tax credit allocation, restrict the developer fees as specified in this Procedural Manual.

Minnesota Housing Declaration of Land Use Restrictive Covenant
Provide a copy of the completed but unrecorded Minnesota Housing Declaration of Land Use Restrictive Covenants for Low-Income Housing Tax Credits (Declaration) for review well in advance of its required filing deadline. The Declaration must be completed and recorded before the end of the first credit period to preserve the tax credits allocated to the project. Check with your tax advisor as to timing of filing and claiming of credits. HUD may require that certain riders be attached to your tax credit Declaration if your development has primary financing via a HUD direct insured loan. Check with your financing and legal advisors to determine if this may be required of your development.

Final Tax Credit Proceeds or Receipts

Documentation of the final amount of tax credit proceeds or receipts generated. Provide an executed copy of the final Syndication, Private Placement, or Individual Investment Agreements disclosing terms and conditions.

Multifamily Intended Methods Worksheet
Provide the Minnesota Housing Multifamily Intended Methods Worksheet for compliance with the MN Overlay and Enterprise Green Communities.

8609 Certification by Owner (HTC 3)
Provide a completed, executed and notarized original 8609 Certification by Owner/Application, verifying:

1. The placed in service date as defined in IRS Notice 88-116 for each building and/or type of tax credit. Month and year should correspond with occupancy certificate. If the month and year do not correspond, submit a written statement indicating the reason.
2. Compliance with all applicable design requirements.
3. Compliance with all requirements of selection, and additional or special conditions of reservation, commitment, or carryover.

Final Loan or Grant Documents
Provide copies of final executed permanent loan and/or grant documents for all sources of funds (loan/grant agreements, mortgage and note) that support the amount, terms and conditions stated on the Multifamily Workbook. Minnesota Housing must evaluate all final sources of funds to ensure the amount of tax credits allocated to a project do not exceed the amount necessary for financial feasibility. Therefore, Minnesota Housing will not issue an IRS Form 8609 prior to the execution of final permanent loan documents, or its equivalent, for all funding sources.

15-Year After-Tax Cash Flow Pro Forma
Provide a 15-year after-tax cash flow pro forma. Where applicable, the cash flow pro forma must reflect required payment of deferred developer fees.

Governmental Assistance and/or Rental Assistance
If not previously provided as part of a carryover application, provide a description of any governmental assistance and/or rental assistance. This includes copies of any contracts/agreements executed or any applications made for rental assistance for the project. This also includes copies of Cooperatively Developed Housing Plans/Agreements between owner and the local housing authority or other similar entity if rental assistance points were awarded to the development. (Refer to the Rental Assistance section of the Self Scoring Worksheet(s).)

Transfer Ownership
If the ownership entity has changed, provide a copy of the assignment, a revised Transfer Agreement (HTC 20) and Notice of Intent to Transfer Ownership (HTC 27), an updated Qualification Form for all the new team members, and Release of Information Authorization Form (HTC 17) (see Chapter 2.F and G) and the Transfer of Ownership Fee (see Chapter 8).

Partnership Agreement
Provide a copy of the executed final Partnership Agreement.

Photographs
Provide clear photographs of completed building(s).

Building Map Form (HTC 28)
Provide a completed Building Map Form for each building. The applicable fraction on the building map must be the same applicable fraction for each respective BIN on Exhibit B of the Declaration.

Identity of Interest
A written disclosure as to any and all Identity of Interest parties (see Chapter 2.I and J).

Affirmative Action and Equal Opportunity Forms
It is the policy of the Minnesota Housing Finance Agency to take affirmative action to provide equal opportunity in all of its endeavors. Complete, execute and return the following forms:

1. Affirmative Fair Housing Marketing Plan describing the marketing strategies that an owner will use including, but not limited to, special efforts the owner will make to attract persons who are least likely to apply in addition to a broad cross section of the local population without regard to protected classes under federal fair housing law: race, color, religion, sex, national origin, disability or familial status; or under Minnesota law: marital status, status with regard to public assistance, creed and sexual orientation.
2. Equal Employment Opportunity Policy Statement.

Tenant Selection Plan
Provide a written tenant selection plan describing the tenant selection policy that an owner will use. The tenant selection plan must be submitted and reviewed by Minnesota Housing prior to the issuance of the 8609. See Minnesota Housing's Tenant Selection Plan Guidance.

Smoke Free Building(s)*
If applicable, provide the written policy prohibiting smoking in all the units and all common areas within the building(s) of the project for the term of the declaration. The project must include a non-smoking clause in the lease for every household.

The written policy must be submitted with the application and must include procedures regarding transitioning to smoke-free for existing residents and establishment of smoking areas outside of units and common areas if applicable. Consequences for violating the smoke-free policy are determined by owner but must be included in the written policy.

Allocation Fee
Submit the non-refundable, allocation fee based on the annual tax credit allocation amount (if not already paid at carryover). (See Chapter 8 Complete an Application Fee Remittance Form, and attach with the payment to the top of the application package.)

Chapter 7 – ~~Tax Exempt~~ Projects Financed by Tax Exempt Volume Limited Bonds Seeking Tax Credits

A. General

Section 42 of the Internal Revenue Code establishes a separate set of procedures to obtain housing tax credits through the issuance of tax exempt volume limited bonds.[1] Although the tax credits are not counted in the tax credit volume cap for the State of Minnesota, developers of projects should be aware of the information contained in Article 8 of the State of Minnesota Housing Tax Credit Qualified Allocation Plan.

Section 42 (m)(1)(D) provides that in order for a project to receive an allocation of tax credits through the issuance of tax exempt volume limited bonds, the project must satisfy the requirements of the QAP applicable to the area in which the project is located. The Minnesota Housing QAP applies to all projects for which Minnesota Housing is the issuer of the bonds and all other projects for which the issuer is not located within the area covered by a suballocator QAP. The project must comply with the QAP that is in effect for the calendar year in which the tax exempt volume limited bonds are issued sufficient, together with any tax exempt volume limited bonds issued in a prior calendar year, to finance at least 50 percent of the aggregate basis of the building and the land it is located on. ~~that require an allocation of the state's volume cap for private activity bonds were first issued. If those tax-exempt bonds are issued on a short-term basis, the year the tax-exempt bonds are issued on a long-term basis may occur any time after the year the tax-exempt bonds were first issued. The effective QAP will always be the QAP for the year in which the tax-exempt bonds were first issued.~~

~~If, however, the principal amount of the tax-exempt bonds first issued is not sufficient to finance at least 50 percent of the aggregate basis of the building and the land it is located on, the project would not be eligible to apply for tax credits in connection with the initial bond issue. In that event these requirements would apply when tax-exempt bonds are issued in a principal amount that, together with the first issue of tax-exempt bonds, is sufficient to finance at least 50 percent of that aggregate basis of building and land.~~

Developers should also be aware of the requirements of Minn. Stat. § 474A.047, including subdivision 1, which requires the extension of existing U.S. Department of Housing and Urban Development (HUD) Housing Assistance Payment (HAP) contracts to the full extent available.

B. Application for Issuance of Preliminary Determination Letter

Applicants may receive a predictive model and scoring determination prior to requesting preliminary determination via the pre-application process. Pre-application is strongly encouraged in order to receive a determination prior to seeking an allocation of a portion of the state ceiling for tax exempt volume limited bonds ~~authority~~.

Preliminary Predictive Model Determination: Predictive model analysis and board approval can be pursued earlier than the submission of the 42M application. Applicants must submit the predictive model determination document and will receive a determination letter upon approval. The

[1] Tax exempt volume limited bonds are "residential rental bonds" that are taken into account under the state ceiling on the aggregate face amount of tax-exempt private activity bonds pursuant to Section 146 of the Internal Revenue Code. Residential rental bonds are exempt facility bonds issued pursuant to Section 142(d) of the Internal Revenue Code to finance a qualified residential rental project.

determination letter will consist of agency approval, expiration date of approval, the project's current percentage of the predictive model, and project cap beyond which a Board waiver for per unit costs will be required. Developments with costs above the predictive model will be informed and, if requested by the developer, will be presented to the Minnesota Housing board to determine if a waiver will be granted.

Preliminary Scoring Determination: Applicants **must** submit all required pre-application documentation a minimum of 30 days prior to the 42(m)(1)(D) application submittal in order for staff to make a preliminary determination of eligibility. Failure to submit all required pre-application materials will result in rejection of the pre-application.

Pre-application Documents:

- Workbook
- Self-Scoring Worksheet – 4% – should be the year in which bond issuance is anticipated
- Scoring Documentation

Submit to the Multifamily Customer Portal.

If the project is determined to be eligible for the required minimum points, the applicant will receive a Preliminary Scoring Determination letter from the Agency that details the points awarded. This letter is to be submitted with the complete 42(m)(1)(D) application. The 42(m)(1)(D) application may only be submitted following an allocation of a portion of the state ceiling for tax exempt volume limited bonds.

Thirty days prior to ~~bond~~ issuance of tax exempt volume limited bonds, sufficient, together with any volume limited bonds issued in a prior calendar year, to finance at least 50 percent of the aggregate basis of the building and the land, the developer must submit to Minnesota Housing a full and complete application for issuance of a Preliminary Determination by Minnesota Housing pursuant to Section 42(m)(1)(D) [also see the QAP for additional detail]. The developer must submit to Minnesota Housing all documents required for an application for tax credits under Chapter 6.A of the Housing Tax Credit Program Procedural Manual, incorporated into the Application Checklist in the Multifamily Customer Portal and any additional information requested by Minnesota Housing. For projects in which Minnesota Housing is the allocating agency, the developer must submit an application fee (review fee). (See Chapter 8) In addition, if the issuer of the bonds is not Minnesota Housing, the initial submission must include evidence from the issuer that the project received an approval of an allocation of a portion of the state ceiling for tax exempt volume limited bonds ~~tax exempt bond volume cap~~ from the state of Minnesota and a preliminary determination issued by the issuer of the bonds addressing the tax credit dollar amount and project costs pursuant to Section 42(m)(2)(D) of the Internal Revenue Code [also see the QAP for additional detail].

Based upon the submission of documents, Minnesota Housing will prepare a letter with its preliminary determination pursuant to Section 42(m)(1)(D) as to whether the project satisfies the requirements for allocation of a housing credit dollar amount under the QAP. A Preliminary Determination fee must be submitted to Minnesota Housing prior to release of the letter (See Chapter 8). **This process may take six weeks or more from the time the full application package is submitted. All applicants should develop their timelines and schedules accordingly.**

C. Election of Applicable Percentage

Section 42 of the Internal Revenue Code requires that the owner elect the applicable percentage for the project. **The election is made at the time the tax-exempt volume limited bonds ~~obligations~~ are issued to fix the percentage for the month in which the building is placed in service or the month in which the tax exempt volume limited bonds ~~obligations~~ are issued.** If the election is not made at the time the tax exempt volume limited bonds ~~obligations~~ are issued, the percentage will be fixed for the month in which the building is placed in service. The owner must be sure to consider the best options for this election and make sure the election is made at the correct time. Once made, the election is irrevocable.

D. Requests for Building Identification Numbers (BIN)

At the time of application for issuance of a Preliminary Determination letter, the applicant must obtain a Building Identification Number (BIN) for each of the proposed buildings in the development. Minnesota Housing will assign all BINs. An address or other specific legal description is needed to identify with each BIN. The address and BIN will be needed as part of an application for Form 8609.

E. Election of Gross Rent Floor

The owner/taxpayer of a qualified tax credit project financed with tax exempt volume limited bonds is permitted under IRS Revenue Procedure 94-57 to fix the date of the gross rent floor to be the date on which Minnesota Housing initially issues its Preliminary Determination letter to the building or the Placed in Service date (Gross Rent Floor Election Form). The election of one of the two timing options must be completed and the election form(s) received by Minnesota Housing by a date no later than the date the project is placed in service. If no election is made and/or no form(s) received by Minnesota Housing by a date no later than the date the project is placed in service, then the gross rent floor date will automatically be fixed by Minnesota Housing to be the initial issuance date of the Preliminary Determination letter for the building.

F. Application for Issuance of Form 8609

Subsequent to the project being placed in service and prior to a Form 8609 being issued for the project by Minnesota Housing, the owner must submit an application for the issuance of Form 8609 to Minnesota Housing. The application must contain those items as identified in Section G below titled Tax Exempt Placed in Service, in addition to any other submissions deemed necessary by Minnesota Housing. For projects for which Minnesota Housing is the allocating agency, the developer must submit a Form 8609 fee based upon the requested annual tax credit amount. (See Chapter 8)

G. ~~Tax Exempt~~ Placed in Service

Placed in service dates for tax credit purposes must be established for all buildings using credits, including acquisition credits, which are treated as a separate building for tax credit purposes. Generally, the placed in service date for a newly constructed building or for rehabilitation expenditures in an existing building, is the date when the first unit in the building is certified as available for occupancy. The placed in service date for acquisition credits is generally the date of the acquisition of the building. It is highly recommended that owners/developers of projects financed with the proceeds of tax exempt volume limited bonds seek the appropriate legal and bond professional advice on these matters.

An approved Minnesota Housing Form 8609 must contain the signature of the authorized Minnesota Housing Finance Agency representative. Minnesota Housing will issue an approved IRS Form 8609 within

30 days after all of the following items have been received by Minnesota Housing in a satisfactory form and substance. Issuance of the Minnesota Housing approved IRS Form 8609 is to be done only by Minnesota Housing or, as applicable, an authorized suballocator. An approved Form 8609 must not be created by any other entity. The owner/agent must not file a Form 8609 with the IRS in advance of the owner/agent's receipt of the Minnesota Housing signed version of the approved 8609. In addition, the owner/agent must not electronically file a Form 8609 with the IRS that does not accurately reflect the information contained on Minnesota Housing's signed version of the approved Form 8609. (Also refer to Chapter 2.G Unacceptable Practices).

If Minnesota Housing is the credit allocating agency, all required 8609 application materials should be submitted through the Multifamily Customer Portal.

Transmittal Letter
A transmittal letter indicating the project name, address and Minnesota Housing assigned HTC number. The letter should request the issuance of IRS Form 8609 and list the following required documents. In the letter, please list the revised information and explain the basis for the changes. The letter must be dated and signed by the owner or authorized individual.

Placed in Service
Submit evidence that all buildings have been Placed-in-Service. Submit a copy of the Certificate of Occupancy provided by the local governmental authority having jurisdiction for each building. If not available from the local government, a Certificate of Substantial Completion prepared by the architect will be accepted. For acquisition and rehabilitation, the developer must provide supporting documentation for the elected date.

Evidence of Tax Exempt Volume Limited Bonds
If the issuer of the bonds is not Minnesota Housing, submit evidence from the issuer of the bonds that the project received an approval of an allocation of a portion of the state ceiling for the issuance of tax-exempt volume limited bonds ~~volume cap~~ from the state of Minnesota.

Utility Allowance Schedule
Provide a current utility allowance in a manner consistent with the options provided in IRC 1.42-10 (i.e. as appropriate, a utility allowance from RD, HUD, PHA/HRA, local utility company), an Agency Estimate, a HUD utility Schedule Model, an Energy Consumption Model). Include a breakdown of the utilities that a tenant pays directly (heat, electricity, etc.), the utility allowance for each type of utility (gas, electric, etc.), for the various unit types (one bedroom, two bedroom, etc.) and housing types (apartments, townhomes, etc.). Also, include a list of each unit type, total tenant paid utilities, contract rent and gross rent. (See Chapter 3 J)

Final Cost Certification (HTC 9)
Provide a Final Cost Certification when construction has been completed that evidences the CPA's audit report and cost certification based upon an audit of the owner's schedule of total project costs.

Multifamily Workbook
Provide an updated Multifamily Workbook signed by at least one general partner involved in this project and if appropriate, nonprofit partner. Highlight all changes from the Preliminary Determination Application, re-date and initial the revised pages. For material changes, refer to Chapter 2.G.

Incomplete revisions or those not highlighted, initialed and dated are not acceptable and will be returned to the developer. In particular, check to ensure that changes in number of units, rents, utility allowance, source of funds (loans, grants, etc.), hard and soft cost changes and qualified basis are updated on the revised application pages.

Determination of Credits
Provide evidence that the governmental unit that issued the tax exempt volume limited bonds (or on behalf of which the bonds were issued) made a determination that the amount of credits allocated to the project do not exceed the amount necessary to ensure project feasibility pursuant to Section 42(m)(2)(A) and (B), including a copy of the final written determination (and the analysis on which it was based) that the credits allocated to the building did not exceed the maximum tax credit based upon the lesser of the eligible basis or the amount necessary to achieve financial feasibility. The issuer analysis and determination must address all of the items set forth in Section 42(m)(2)(B). The determination must be made by the issuer based upon review of the submission items required in Chapter 6.C of the manual.

Attorney's Opinion Letter
Provide an attorney's opinion letter in a Minnesota Housing approved form verifying:

1. The legal description of the project property (to be attached to the opinion and labeled as Exhibit A) and that it is correct and identical to the property identified in the application, the preliminary determination letter issued by Minnesota Housing and the legal description of the property financed with the tax exempt volume limited bonds.
2. The name of the entity that is the owner for tax purposes of the property to be part of the project and which is described in Exhibit A of the opinion.
3. The name, legal designation and Tax Identification Number (TIN) of the ownership entity that will receive the tax credits, the legal designation of the party that signed the application and that the business is in good standing and duly authorized in Minnesota.
4. The name, legal designation, and Tax Identification Number (TIN) of all the general partner(s), and the names of the managing partner(s), contact person(s) and the required authorized signatories. If the partners are an organized entity, such as a limited liability corporation, a limited liability partnership, or an organized partnership, provide the above information for each such entity.
5. Identification and copies of any waivers required by Section 42 obtained from the IRS.
6. The buildings identified in the application qualify for an allocation of credits under Section 42(h)(4).

Reserves, Contingencies, and any Cash Savings
A signed and dated statement documenting the amount and disposition of reserves, contingencies and any cash savings. If any of the above reverts back to developer/owner, general partner or any ownership interest, Minnesota Housing will consider them deferred developer fees, and for purposes of tax credit allocation, restrict the developer fees as specified in the Underwriting Standards.

Minnesota Housing Declaration of Land Use Restrictive Covenants
Provide a copy of the unrecorded Declaration of Land Use Restrictive Covenants for Housing Tax Credits.

NOTE: A copy of a properly recorded Declaration, in final form and content as approved by Minnesota Housing following its review, must be provided to Minnesota Housing prior to the release of any 8609s to the owner. A Declaration must be completed and recorded before the end of the first credit period to preserve the tax credits allocated to the project. Check with your tax advisor as to timing of filing and claiming of credits.

Final Tax Credit Proceeds or Receipts
Documentation of the final amount of tax credit proceeds or receipts generated. Provide a copy of the executed final Syndication, Private Placement, or Individual Investment Agreements disclosing terms and conditions.

8609 Certification by Owner/Application Form
Submit a fully completed, executed and notarized original 8609 Certification by Owner/Application Form, (HTC 3) verifying:

1. The placed in service date as defined in IRS Notice 88-116 for each building and/or type of tax credit. Month and year should correspond with occupancy certificate. If the month and year do not correspond, submit a written statement indicating the reason.
2. **It is highly recommended that owners/developers of projects financed with the proceeds of tax exempt volume limited bonds seek the appropriate legal and bond professional advice on these matters.**
3. Compliance with all applicable design requirements.
4. Compliance with all requirements of the Preliminary Determination letter issued by Minnesota Housing on the project and the requirements of Article 8 of the State of Minnesota Housing Tax Credit QAP.

Final Executed Loan or Grant Documents
Provide copies of final executed loan and/or grant documents for all sources of funds (loan/grant agreements, mortgage and note) that support the amount, terms and conditions stated on the HTC Application.

Multifamily Intended Methods Worksheet
Provide the Minnesota Housing Multifamily Intended Methods Worksheet for compliance with the MN Overlay and Enterprise Green Communities.

15-Year After-Tax Cash Flow Pro Forma
Provide a 15-year after-tax cash flow pro forma. The proforma must reflect required payments of any deferred developer fees.

Transfer Ownership
If the ownership entity has changed, submit a copy of the assignment, a revised Transfer Agreement (HTC 20), an updated Qualification Form for all the new team members, a written disclosure as to any and all Identity of Interest parties and Release of Information Authorization Form (HTC 17) (See Chapter 2 F and G), and the Transfer of Ownership Fee (See Chapter 8).

Partnership Agreement
Provide a copy of the executed final Partnership Agreement.

Photographs
Provide clear photographs of completed building(s).

Building Map Form (HTC 28)
Provide a completed Building Map Form.

Affirmative Action and Equal Opportunity Forms
It is the policy of the Minnesota Housing Finance Agency to take affirmative action to provide equal opportunity in all of its endeavors. Complete, execute and return the following forms:

1. Affirmative Fair Housing Marketing Plan describing the marketing strategies that an owner will use including, but not limited to, special efforts the owner will make to attract persons who are least likely to apply in addition to a broad cross section of the local population without regard to protected classes under federal fair housing law: race, color, religion, sex, national origin, disability or familial status; or under Minnesota law: marital status, status with regard to public assistance, creed and sexual orientation.
2. Equal Employment Opportunity Policy Statement.

Tenant Selection Plan
Provide a written tenant selection plan describing the tenant selection policy that an owner will use. The tenant selection plan must be submitted and reviewed by Minnesota Housing prior to the issuance of the 8609. See Minnesota Housing's Tenant Selection Plan Guidance.

Smoke Free Building(s)
If applicable, provide the written policy prohibiting smoking in all the units and all common areas within the building(s) of the project for the term of the declaration. The project must include a non-smoking clause in the lease for every household.

The written policy must be submitted with the application and should include procedures regarding transitioning to smoke-free for existing residents and establishment of smoking areas outside of units and common areas if applicable. Consequences for violating the smoke-free policy are determined by owner but must be included in the written policy.

8609 Fee
Submit a non-refundable 8609 fee based upon the annual tax credit amount (see Chapter 8) along with a completed Fee Remittance Form.

Chapter 8 – Fees

A. Application Fee

An $800 application fee must be submitted with all applications. The fee is non-refundable. For multi-building projects, Minnesota Housing will require only one application and a single fee.

B. Supplemental Application Fee

The application fee for projects requesting supplemental tax credits is $350. This fee is non-refundable and will be charged to projects that resubmit their proposals in Round 2 of the allocation year and were underwritten by Minnesota Housing in Round 1.

1. A non-selected project will be required to submit a new application package as described in Chapter 2.M.
2. A selected project (must have been selected in the same year) requesting additional credits will be required to submit a new application package as described in Chapter 2.L.

C. Reservation Fee

After the project has been selected, a reservation fee of 3.5 percent of the annual credit amount to be reserved must be paid to Minnesota Housing. The developer will have approximately 30 days in which to pay the reservation fee and maintain their tax credit selection/reservation. An additional 3.5 percent reservation fee must also be paid for any additional credits awarded and allocated through carryover and must be paid following issuance of the Carryover Agreement. A reservation fee is non-refundable and will not be adjusted if the final tax credit amount is reduced or the tax credits are returned or unused.

D. Allocation Fee

At the time the taxpayer/owner submits an application for a carryover allocation or for issuance of IRS Form(s) 8609 (whichever occurs earlier), an allocation fee will be due that is equal to 3.5 percent of the annual tax credit allocation amount. This fee is non-refundable and will not be adjusted if the final tax credit amount is reduced or the tax credits are returned or unused.

NOTE: See section C. above for fee information relating to additional credits allocated at carryover.

E. Allocation Late Fee

Developers submitting a carryover package or, if an owner has elected not to request a carryover, an 8609 package prior to the end of the year of allocation for which the reservation was issued that:

1. Do not submit a carryover/8609 application by the established due date; or
2. Submit a substantially incomplete carryover/8609 application by the established due date; or
3. Do not submit the carryover CPA final certification by the established due date

Must pay a $1,000 late fee plus an additional penalty fee of $200 for each business day from the original due date through the date on which Minnesota Housing receives a substantially complete carryover/8609 application.

The fee will not be allowed as an eligible cost in carryover/8609 basis and must be paid at the time the carryover/8609 application is substantially complete.

F. ~~Tax Exempt Credit~~ Preliminary Determination Fee

A Preliminary Determination Fee must be submitted to Minnesota Housing prior to issuance of a Preliminary Determination letter. For projects for which Minnesota Housing is the allocating agency, the developer must submit a fee equal to 3.5 percent of the requested annual tax credit amount. This fee is non-refundable.

G. ~~Tax Exempt Credit~~ 8609 Fee

An 8609 Fee must be submitted at the time of application to Minnesota Housing for Form 8609. For projects for which Minnesota Housing is the allocating agency, the developer must submit an 8609 fee equal to 3.5 percent of the requested annual tax credit amount. This fee is non-refundable.

H. Monitoring Fee

Minnesota Housing will charge an annual monitoring fee of $25 per unit, based on the total number of units except for projects covered by the Memorandum of Understanding (MOU) between Minnesota Housing and the U.S. Department of Agriculture, Rural Housing Service. The compliance monitoring fee will be $15 per unit per year for projects covered by the MOU. This fee may be increased depending upon the requirements of the U.S. Treasury, IRS or increased costs of Minnesota Housing. The fee will be due in a manner and time as prescribed by Minnesota Housing. Failure to pay the fee will result in Minnesota Housing notifying the IRS that the project is out of compliance.

During the extended use period required by Internal Revenue Code Section 42(h)(6), Minnesota Housing will charge a monitoring fee of $15 per unit per year. No HTC monitoring will be required during this time for properties with Project-Based Section 8, Rural Development or HUD Contract Administration since these properties are already subject to monitoring and consequences under those programs. However, if a property is no longer subject to monitoring for HUD and/or Rural Development programs, then the owner must notify Minnesota Housing Tax Credit compliance staff immediately so that the property can be placed back on the monitoring schedule. At that time, the property will be subject to the $15 per unit per year monitoring fee.

I. Transfer of Ownership Fee

All changes in ownership must be approved by Minnesota Housing. If the transfer occurs prior to a date five years after the project's new construction/rehabilitation placed in service date, a ~~A~~ non-refundable transfer of ownership fee of $2,500 must be submitted to Minnesota Housing along with updated materials of the new owner/management team for each project in which 50 percent or more of the ownership entity is new since reservation or carryover allocation. Prior to 8609, changes in ownership must be approved by Minnesota Housing. All changes in ownership must be approved by Minnesota Housing. If the transfer occurs prior to a date five years after the project's new construction/rehabilitation placed in service date. (See Chapter 2.G. Unacceptable Practices for further details on Transfer of Ownership.)

J. Check Cashing Procedure

Applicant's payments for fees (in the form of checks) will be held pending verification of the accuracy of the amount tendered and submitted materials.

K. Right to Adjust Fees

Minnesota Housing reserves the right to adjust fees due to changing circumstances in order to cover its costs associated with producing and delivering Minnesota's Housing Tax Credit Program.

L. Appraisal Fee

The appraisal fee will be determined based on fees charged by the appraiser to complete Minnesota Housing's requirement for an as-is appraisal. These fees are subject to change at Minnesota Housing's sole discretion based upon changes in fee structures found in the appraisal marketplace and on the type of appraisal required by Minnesota Housing for a particular application type. For estimates of appraisal fees, please reference the current ~~Multifamily Request for Proposal Guide~~ Multifamily Consolidated RFP/HTC Request for Proposal Application Instructions.

The as-is appraisal will be ordered by Minnesota Housing, and all costs will be the responsibility of the applicant. This fee is non-refundable. Appraisals will be considered expired by Minnesota Housing one year after the effective date of the report. (Refer to the Multifamily Underwriting Standards for additional details.)

Chapter 9 – Tentative Allocation Schedule of Critical Dates

A. ~~2019~~ 2020 Allocation Dates

A list of important ~~2019~~ ~~2020~~ allocation dates can be found on the Tax credit webpage on Minnesota Housing's website.

B. Previous Years Allocation of Credits

Placed in Service Allocation: To optimize timely processing of requests for issuance of Form 8609, it is recommended the owner make every effort to submit the complete Application for 8609 to Minnesota Housing no later than 30 days following completion of the project.

At the latest, complete 8609 application packages are due no later than 15 days after the last day of the first year of the credit period. Section 42 states the owner must elect the first year of the credit period in the year the project is placed in service or the year following.

C. Compliance Dates

Owners Certifications, compliance report and monitoring fees are due February 15th (or next business day) of each year.

When filed with IRS: Completed first year 8609 with Part II completed.

Chapter 10 – Alphabetical Index of HTC Forms

A. Application Materials

All HTC Application Forms are identified in the Multifamily Consolidated RFP/HTC Request for Proposal Application Instructions ~~Multifamily Request for Proposal Guide~~ and are available on Minnesota Housing's Multifamily website and in the Multifamily Customer Portal.

B. Post Application Materials

All Post Application materials are available on Minnesota Housing's Multifamily website and in the Multifamily Customer Portal.

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~~2019~~2020 Housing Tax Credit Self-Scoring Worksheet

4% Housing Tax Credits

Updated ~~July~~ February ~~2017~~2018

~~Development~~ Project Name: _____

~~Development~~ Project Number (D Number): _____

~~Application~~ Property Number (M Number): _____

~~Development Location~~ Primary Address: _____

~~Development~~City: _____

Instructions

Strategic Priority Policy Threshold:

A. All projects, with applications for non-competitive tax credits in association with tax exempt volume limited bonds ~~Tax Exempt Bonds~~, must meet at least one of the Strategic Priority Policy Thresholds defined in Article 9 of the State of Minnesota Housing Tax Credit Qualified Allocation Plan (QAP) in order to apply for Housing Tax Credits (HTC).

Minimum Point Requirements:

A. Request for tax credits in association with tax exempt volume limited bonds ~~Tax Exempt Bonds~~ must demonstrate the project is eligible for no fewer than 40 points.

B. Minnesota Housing reserves the right to reject applications not meeting its Project Selection requirements as contained in the HTC Program Procedural Manual, to revise proposal features, and associated scoring, and to ensure the project meets the requirements.

Documentation of Points:

A. Indicate the ~~scoring~~ selection criteria expected for your project. Where multiple points per section are available, please check the appropriate box (☐) for points claimed. **In addition to the self-scoring worksheet the applicant must submit a separate detail sheet and documentation that clearly supports the points claimed. Minnesota Housing will determine the eligible points; points will not be awarded unless documentation is provided along with the application to justify the points claimed.**

Documentation of Units:

A. Indicate the number of units for each selection criteria expected for your project. When calculating a percentage for a criterion all units must be rounded up to the next full unit. The number of units indicated will be required and incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants (declaration) and deferred loan documents with the exception of tenant targeting in the Permanent Supportive Housing for High Priority Homeless.

Extended Duration:

A. Request for tax credits in association with tax exempt volume limited bonds ~~Tax Exempt Bonds~~ must maintain the duration of low-income use for a minimum of 30 ~~20~~ years, or longer if a longer duration is selected. The owner agrees that the Qualified Contract provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) ~~do~~ will not apply to the project for a minimum of 20 years. ~~, and the owner also agrees the Section 42 income and rental restrictions must apply for a period of a minimum of 20~~ years beginning with the first day of the compliance period in which the building is a part of a qualified low-income housing project.

Design Standards:

A. The project must meet the requirements in the Minnesota Housing Rental Housing Design/Construction Standards and be evidenced by a Design Standards Certification form executed by the owner and architect. Additional design requirements will be imposed if Large Family Housing points are claimed/awarded or points are claimed/awarded that require specific design elements (e.g. Universal Design).

A Declaration of Land Use Restrictive Covenants:

A. A Declaration of Land Use Restrictive Covenants covering the rent restrictions and occupancy requirements presented at selection must be recorded against the property.

Affirmative Fair Housing:

A. Affirmative Fair Housing Marketing Regulations, held as centrally important by Minnesota Housing, require that each applicant carry out an affirmative marketing program to attract prospective buyers or tenants of all majority and minority groups in the housing market area regardless of race, creed, color, religion, sex, national origin, marital status, status with regard to public assistance, disability, sexual orientation, or familial status. At the time of 8609, all applicants must submit an Affirmative Fair Housing Marketing Plan documenting an acceptable plan to carry out an affirmative marketing program.

Strategic Priority Thresholds

To be eligible for non-competitive tax credits a developer must demonstrate that the project meets at least one of the following priorities.
Select all that apply.

A. Access to Fixed Transit:

1. ☐ Projects within one-half mile of a planned or existing LRT, BRT or commuter rail station.

B. Greater Minnesota Workforce Housing:

1. ☐ Projects in Greater Minnesota documenting all three of the following:
   a. Need: Projects in communities with low vacancy (typically considered 4 percent and below, documented by a market study or other third party data) and:
      i. That have experienced net job growth of 100 or more jobs,
      ii. With 15 percent or more of the workforce commuting 30 or more miles to work, or
      iii. With planned job expansion documented by a local employer
   b. Employer Support in the form of a letter of support from an employer with 20 or more FTE's. The letter should discuss the difficulty of employees' to locate housing in the jurisdiction where the project is located and provide a description of employee wages and proposed rents in the project.
   ~~c.~~
   ~~d. Cooperatively Developed Plan: Projects that are consistent with a community-supported plan that addresses workforce housing needs.~~

C. Economic Integration:

1. ☐ Projects located in higher income communities (outside of rural/tribal designated areas) with access to low and moderate wage jobs, meeting either First or Second Tier Community Economic Integration as defined in the Areas of Opportunity category. This strategic priority must be selected to activate the Economic Integration criterion (Excel).

D. Tribal:

1. ☐ Projects sponsored by tribal governments, tribally designated housing entities or tribal corporate entities.

E. Community Development Initiative ~~Planned Community Development~~:

1. ☐ Projects that contribute to active implementation of ~~Planned~~ a Community Development ~~efforts~~Initiative, as defined in the Community Development Initiative ~~Planned Community Development~~ selection criterion to address locally identified needs and priorities in which local stakeholders are actively engaged. This strategic priority must be selected to activate the **Community Development Initiative** ~~Planned Community Development~~ selection criterion (Excel).

F. Preservation:

1. ☐ Projects that preserve existing federally assisted housing or other critical affordable housing projects must be eligible under the Preservation selection criterion. This strategic priority must be selected to activate the Preservation selection criterion (Excel).

G. Supportive Housing:

1. ☐ Projects that will serve people with disabilities or High Priority Homeless (HPH) households must be eligible under the Permanent Supportive Housing for High Priority Homeless selection criterion or the People with Disabilities selection criterion. This strategic priority must be selected to activate the High Priority Homeless or People with Disabilities selection criteria Excel).

2020~~2019~~ HOUSING TAX CREDIT SELECTION CRITERIA
~~1.~~ Greatest Need Tenant Targeting (5 to 47 points)

A. Large Family Housing (5 to 15 points):

1. **Large Family Housing** - The proposal is for a project that provides family housing that is not restricted to persons 55 years old or older. ~~The tenant selection plan must give preference~~ The owner agrees to market to families with minor children. Select all that apply:

a. ☐ At least 75% of the total assisted[1] units contain two or more bedrooms. **(10 points)**

Number of units with
2 Bedrooms_____
3 Bedrooms_____
4 Bedrooms_____

b. ☐ For Greater Minnesota proposals eligible under 1. a. above, at least one-third of the 75% contain three or more bedrooms. **(5 points)**

Number of units with
3 Bedrooms_____
4 Bedrooms_____

B. Permanent Supportive Housing for High Priority Homeless[2] (7 to 22 points):

1. A minimum of 5% ~~(rounded up to the next full unit)~~ of the total units, but no fewer than four units are set aside and rented to High Priority Homeless who are households prioritized for permanent supportive housing by the Coordinated Entry System[3] (HPH units) and targeted to the populations indicated below. Select one and complete the unit count below:

a. ☐ 50% to 100%, but no fewer than 20 units **(20 points)**
Number of units _____

b. ☐ 10% to 49.99%, but no fewer than 7 units **(10 points)**
Number of units _____

c. ☐ 5% to 9.99%, but no fewer than 4 units **(7 points)**
Number of units _____

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[1] Assisted is defined as tax credit units for HTC applications and affordable units for deferred funding.

[2] **Specific performance requirement relief provisions are available for projects eligible for the Permanent Supportive Housing High Priority Homeless category selection criterion for "~~Homeless~~ HPH Units".** Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents recorded with the property.

[3] Coordinated Entry System is defined by the Statewide Coordinated Entry standards and protocol as adopted by the local Continuum of Care, or such successor system as determined by Minnesota Housing.

Number of Units Representing:

Youth with Children: _____
Youth Singles: _____
Youth Total: _____
Single Adults: _____
Families with Children: _____
Total High Priority Homeless: _____

~~2.~~ ~~2.~~ Proposals that are eligible for ~~serve High Priority Homeless in~~ B. 1 above ~~are eligible for~~ can claim this selection criterion if units will be available for populations consistent with local needs identified by the local Continuum of Care. (Published Priorities are available on Minnesota Housing's website at: **[insert link]**)

a. ☐ 5% of units ~~(rounded up to the next full unit)~~ or more, but no fewer than four units, targeted to Continuum of Care Household Type Priority One **(2 points)**
Number of units _____
Priority Type: _____
(Families with children, youth singles, youth with children or single adults)

EXCEL HELP TEXT:
Select Supportive Housing under Strategic Priority Threshold to enable checkboxes for Permanent Supportive Housing for High Priority Homeless**.**

NOTE:
Permanent Supportive Housing for High Priority Homeless (B.) and People with Disabilities (C.) selection criteria cannot be claimed for the same units.

To be eligible for Permanent Supportive Housing for High Priority Homeless (HPH), the proposal must meet *all* of the following conditions:

1. The applicant must complete and submit the Supportive Housing application materials, including the narratives, forms and submittals identified in the ~~Multifamily Rental Housing Request for Proposal Guide and the Multifamily Rental Housing Common~~ Application Checklist in the Multifamily Customer Portal.
2. The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available
~~2.~~3 The applicant agrees that if units set aside for High Priority Homeless are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the greater of 30% of the household's monthly income or the most current Supportive Housing Standard for the unit size, as published annually by Minnesota Housing in the Multifamily Underwriting Standards in the Supportive Housing Standards – High Priority Homeless or People with Disabilities section. The owner must establish and implement policy and procedure to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.

~~3.~~4.Supportive Housing Threshold Criteria:

a. Supportive Services: On-site service coordination and tenant engagement must be made available to ~~all~~ supportive housing residents. The level and type of services offered should be appropriate for the needs of the target population, with a minimum of tenant service coordination averaging two hours per household per week as further defined in the supportive housing narrative.
b. Experienced service provider, or partnering with an experienced service provider, with demonstrated outcomes:
    i. At a minimum, the service provider has experience providing services to a similar population to maintain housing over a period of time, and has sufficient capacity to deliver the services proposed.
c. Service funding commitments: At a minimum, a portion of service funding is secured with a viable plan for securing the remaining resources, as approved by Minnesota Housing. Evidence must be provided in the application narrative and commitment letters or other documentation.
    i. Developments with 5% to 9.99% HPH units must have secured at least 75% of service funding
    ii. Developments with 10% to 49.99% HPH units must have secured at least 20% of service funding
    iii. Developments with 50% to 100% HPH units must have secured at least 5% of service funding
d. Coordinated Entry and serving highest need households: The property owner must agree to accept high priority households for the HPH supportive housing units through Coordinated Entry.

A proposal that claims ~~points from~~ this category and is selected to receive tax credits will be required to comply with the reporting requirements for Permanent Supportive Housing for High Priority Homeless, as defined by Minnesota Housing. The Tax Credit Declaration of Land Use Restrictive Covenants, including a specific Rider to the Declaration and Minnesota Housing Loan documents) will contain performance requirements related to these permanent supportive housing units for High Priority Homeless and will be recorded with the property.

C. People with Disabilities (7 to 10 points):

1. Select the number of units set aside for people with disabilities:

a. ☐ 15% to 25% of units **(10 points)**
Number of units _____

b. ☐ 10% to 14.99% of units **(9 points)**
Number of units _____

c. ☐ 5% to 9.99%, but no fewer than four units **(7 points)**
Number of units _____

Permanent housing proposals are not restricted to persons of a particular age group. A percentage of the units are set aside and rented to persons with any of the following disabilities[4]:

i. A serious and persistent mental illness as defined in Minn. Stat. § 245.462, subdivision 20, paragraph (c)
ii. A developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended
iii. Assessed as drug dependent as defined in Minn. Stat. § 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minn. Stat. § 254A.02, Subdivision 2
iv. A brain injury as defined in Minn. Stat. § 256B.093, Subdivision 4, paragraph (a)
v. Permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules Chapter 1341

EXCEL HELP TEXT: Select Supportive Housing under Strategic Priority Threshold to enable checkboxes for People with Disabilities.

NOTE: Permanent Supportive Housing for High Priority Homeless (B.) and People with Disabilities (C.) selection criteria may not be claimed for the same units.

To be eligible under People with Disabilities, the proposal must meet all of the following conditions:

1. The applicant must submit the People with Disabilities narratives and any other forms and submittals identified in the Multifamily Rental Housing Common Application Request for Proposal Guide and the Multifamily Rental Housing Common Application Checklist.
2. The applicant must ~~complete the required People with Disabilities Narrative and provide~~ submit a signed Service Agreement. Applicant can either complete the signature page (must be completed by both parties) attached to the People with Disabilities Narrative, or submit a separate signed service agreement.
   ~~a. People with Disabilities Narrative: Complete the required narrative that demonstrates the applicant meets the following threshold criteria including: the target population of people with disabilities; the income limit restrictions for the units to households with incomes at or below 30% Multifamily Tax Subsidy Project (MTSP)income limits; rent levels; outreach efforts; referral processes; verification of applicant disability; types of services provided to tenants; how the service entity communicates with property management; and plans for crisis intervention, eviction prevention and lease mitigation.~~
   b. ~~Signed service agreement: Applicants can either complete the signature page (must be completed by both parties) attached to the People with Disabilities Narrative, or submit a separate signed service agreement~~.

[4] **Specific performance requirement relief provisions are available for projects that meet the ~~People with Disabilities selection category of the~~ People with Disabilities Selection Criterion for "PDSC Units."** Reference Section 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents recorded with the property.

3. The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available.
4. The application must meet the following threshold criteria as evidenced in the People with Disabilities Narrative and Service Agreement:
    a. Target population: The target population(s) of people with disabilities must be clearly defined in the narrative (e.g., mental illness, developmental disability, physical disability).
    b. Units are restricted to households with incomes at or below 30% MTSP income limits.
    c. The applicant agrees that if units set aside for People with Disabilities are occupied by households -without project-based rental assistance , the gross rents, including an allowance for tenant-paid utilities, cannot exceed the greater of 30% of the household's monthly income or the most current Supportive Housing Standard for the unit size, as published annually by Minnesota Housing in the Multifamily Underwriting Standards in the Supportive Housing Standards – High Priority Homeless or People with Disabilities section. The owner must establish and implement policy and procedures to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.
    ~~c. Rent levels must be underwritten to the Supportive Housing Units underwriting standards outlined in the Multifamily Underwriting Standards if no rent assistance is available.~~
    d. Service Agreement: The property owner must have an agreement with the county or tribal human services office ~~OR a designated service provider~~ specifying:
        i. How they will provide outreach to the target population
        ii. How eligible applicants will be referred to the property management agent
        iii. That verification of applicant disability will be provided to the owner
        iv. The types of services appropriate to the population that will be made available with the goal of housing stability
        ~~iv.~~ v. Service funding sources
        ~~v.~~vi How services will be provided to tenants
        ~~vi.~~ vii. How the service entity will communicate and coordinate with property management
        ~~vii.~~viii. Plans for crisis intervention, eviction prevention and lease mitigation
    e. Units for individuals with disabilities must be provided in an integrated setting.

2. Serves Lowest Income for Long Durations (2 to 48 points)

A. Serves Lowest Income Tenants/Rent Reduction (8 to 13 points):

1. Eligibility is based on gross rent level, including utilities before rental assistance. Eligible units must have rents affordable to households whose incomes do not exceed 50% of MTSP income limits as published by HUD without rental assistance for a period of 10 years.

   ~~In addition to the elected income limit of 50% or 60% MTSP for the full term of the declaration (refer to the Minimum Set-Aside~~), ~~the~~ The applicant agrees to maintain the deeper rent structuring for which selection points are requested.

   This selection will restrict rents only (tenant incomes will not be restricted to the 50% or 30% income level by claiming ~~points in~~ this section).

a. ☐ 100% of the restricted unit rents affordable to households with incomes at the county 50% HUD MTSP income limit **(13 points)**

Number of units _____

b. ☐ At least 50% of the restricted unit rents affordable to households with incomes at the county 50% HUD MTSP income limit **(8 points)**

Number of units _____

NOTE: Serves Lowest Income and Rental Assistance selection criteria cannot be claimed for the same units.

Minnesota Housing will incorporate these restrictions into the Declaration of Land Use Restrictive Covenants and Minnesota Housing loan documents. The applicant must demonstrate, to the sole satisfaction of Minnesota Housing, that the property can achieve these reduced rents and remain financially feasible [IRC § 42(m)(2)]. ~~Points are~~ Contingent upon financial plans demonstrating feasibility, positive cash flow on a 15-year pro forma and gaining Minnesota Housing management approval (for management, operational expenses, and cash flow assumptions).

IMPORTANT

All 50% rent restricted units must meet rents affordable at the 50% MTSP income for a minimum of 10 years after the last placed in service date for any building in the property or loan closing. After the 10 year period has expired, rent may be increased to the 60% MTSP rent limit over a three year period, with increases not to exceed the amount listed in the table below, provided that a more restrictive threshold, selection priority or funding requirements do not apply.

YEAR	30% of 50% Rent Levels
1-10	30% of 50%
11	30% of 53%
12	30% of 57%
13	30% of 60%

B. Rental Assistance (2 to 26 points):

1. Priority is given to an owner who submits with the application a **fully executed binding commitment** (i.e., binding Resolution/binding Letter of Approval from the governing body) for project-based rental assistance awarded in accordance with 24 CFR Ch. IX, Section 983.51 or which is effectively project-based by written contract. For the purposes of this category, project-based rental assistance is defined as a project-specific funding stream that supports the operations of the property, reduces the tenant rent burden, and provides for the tenant paid portion of rent to be no greater than 30% of household income.
    - New or transferred federal rental assistance contracts that were executed within the past 15 years are eligible. This includes transfers of existing Section 8 contracts under the 8bb

notice to new construction projects or existing developments that currently have no Existing Federal Assistance.

- Site-based Supportive Housing[5] and awards of project-based McKinney Vento Continuum of Care funding, will be considered project-based rental assistance.
- Privately funded rental assistance must demonstrate a commitment of a minimum of four years. Documentation must also contain language regarding the possibility of future renewals.
- A current request for Minnesota Housing Rental Assistance is not eligible to claim this category. A past award of existing Rental Assistance will be counted toward meeting the required percentages.

For developments that agree to set aside units and have the required binding commitment for the associated percentage of units with project based rental assistance units as follows. Select one option from a.-f. and, if applicable, select g.

a. ☐ 100% of the total units for project-based rental assistance **(15 points)**
Number of units _____

b. ☐ Between 51.1% to 99.9% of the total units **(12 points)**
Number of units _____

c. ☐ 20.1% but under to 51% of the total units **(9 points)**
Number of units _____

d. ☐ 10.1% to 20% of the total units, with a minimum of four units **(6 points)**
Number of units _____

e. ☐ 5% to 10% of the total units, with a minimum of four units **(3 points)**
Number of units

f. ☐ Less than 5% of units, ~~but no fewer than 4 units~~with a minimum of four units **(2 points)**
Number of units _____

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g. ☐ For selection components a-f above, if, in addition, the development agrees to provide the project-based rental assistance for a **minimum 10 years** after the last placed in service date for any building in the property or loan closing. The owner must continue renewals of existing project-based housing subsidy payment contract(s). Applicant agrees that rents will remain at affordable at 50% MTSP income limits for a 10 year period if the rental assistance is not available for the full period[6]. **(4 points)**

[5] Formerly known as Group Residential Housing.

[6] **Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion for Continued Renewal Rental Assisted unit "CRRA Units".** Reference Chapter 6.A. of the HTC Program Procedural Manual for

2. Projects that are eligible under B 1. a - f above and have rental assistance (as described above), that agree to further restrict units to households whose incomes do not exceed 30% of MTSP income limit for a 10 year period after the last placed in service date for any building in the property or loan closing. **Rental Assistance Commitment documentation should indicate that deeper income restrictions on project based units is allowable**[7] Select one:

   a. ☐ ~~5% to 15.1%, but no fewer than four units **(3 points)**~~75.1% to 100% of the total units **(7 points)**
   Number of units _____

   b. ☐ ~~15.1% to 25.1% of units **(4 points)**~~50.1% to 75% of the total units **(6 points)**
   Number of units _____

   c. ☐ 25.1% to 50% of the total units **(5 points)**
   Number of units _____

   d. ☐ ~~50.1% to 75% of units **(6 points)**~~15.1% to 25.1% of the total units **(4 points)**
   Number of units _____

   e. ☐ ~~75.1% to 100% of units **(7 points**~~**)** 5% to 15% of the total units, but no fewer than four units **(3 points)**
   Number of units _____

NOTE: Rental Assistance and Serves Lowest-Income Tenants/Rent Reduction selection criteria cannot be claimed for the same units.

NOTE: Rental Assistance selection criterion cannot be claimed if the development qualifies for or is claiming Existing Federal Assistance under the Preservation criterion. Rental assistance under the Rental Assistance Demonstration Program (components I or II) or the Public Housing Program are also not eligible.

To claim the criterion, the applicant must comply with all program requirements for the assistance at application, including maintaining rents within the appropriate payment standard for the project area in which the project is located for the full compliance and extended use period of the housing tax credits.

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additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents and deferred loan documents recorded with the property.

[7] **Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion for Continued Renewal Rental Assisted Units ~~Further restricted Rental Assisted units "FRRA~~ CRRA Units."** Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents and deferred loan documents recorded with the property.

Rent for assisted units must be at or below Fair Market Rents (or appropriate payment standard for the project area). ~~Receiving these points~~ Eligibility and agreeing to a minimum number of assisted units does not release owners from their obligations under the Minnesota Human Rights Act and Section 42 prohibiting refusal to lease to the holder of a voucher of eligibility under Section 8 of the United States Housing Act of 1937 because of the status of the prospective tenant as such a holder.

C. Long Term Affordability (3 to 10 points):

Applications for 4% Tax Credits

1. The owner agrees to extend the term of the declaration and Section 42 income and rental restrictions beyond 30 years must apply for the period indicated below beginning with the first day of the compliance period in which the building is a part of a qualified low-income housing project. The owner can also agree that the Qualified Contract provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project. ~~and the owner also agrees the Section 42 income and rental restrictions must apply for the period indicated below, beginning with the first day of the compliance period in which the building is a part of a qualified low-income housing project.~~ Select one:

   a. ☐ Extend the term of the declaration and waive the right to Qualified Contract ~~long-term affordability of the project and maintain the duration of low-income use~~ for a minimum of 40 years**. (9 points)**

   b. ☐ Extend the term of the declaration and waive the right to Qualified Contract ~~long-term affordability of the project and maintain the duration of low-income use~~ for a minimum of 35 years. **(8 points)**

   c. ☐ Waive the right to Qualified Contract ~~Extend the long-term affordability of the project and maintain the duration of low-income use~~ for a minimum of 30 years. **(7 points)**

   d. ☐ ~~Extend the long-term affordability of the project and maintain the duration of low-income use~~ Waive the right to Qualified Contract for a minimum of 25 years. **(3 points)**

3. Areas of Opportunity (1 to 28 points)

A. Economic Integration (2 to 9 points):

1. Projects that meet the requirements under economic integration include (select one):

   a. ☐ Provides the project economic integration by providing at least 25% but not greater than 80% of the total units in the project as qualified assisted low-income units (does not include full-time manager or other common space units) **(2 points)**

   Number of units _____

b. Promotes economic integration for projects that are located in higher income communities that are outside of Rural/Tribal Designated Areas. First and second tier economic integration areas are outside of racially and ethnically concentrated areas of poverty.

i. ☐ **First Tier -** The proposed housing is located in a first tier census tract **(9 points)**

ii. ☐ **Second Tier -** The proposed housing is located in a second tier census tract **(7 points)**

EXCEL HELP TEXT:
Select Economic Integration under Strategic Priority Threshold to enable the checkboxes for First and Second Tier.

The following resources on Minnesota Housing's website may be used to determine if the proposed housing is located in areas that meet the requirements under Economic Integration:
Economic integration area maps and census tract listing: **[insert link]**
Rural/Tribal Designated areas maps and census tract listing: **[insert link]**

Economic integration and Rural/Tribal Designation Area map overlays in the community profiles interactive mapping tool: **[insert link]**

B. Access to Higher Performing Schools (4 points):

1. Projects serving families in locations that will provide access to higher performing schools must have at least 25% of total assisted units, with a minimum of 15 units, contain two or more bedrooms, and the owner agrees to market the units to families with minor children.

a. ☐ The proposed housing will serve families and is located in an area considered to have Access to Higher Performing Schools **(4 points)**

Enter number of units to be marketed to families with minor children:
2 Bedrooms: _____
3 Bedrooms: _____
4 Bedrooms: _____

Access to Higher Performing Schools area maps: **[insert link]**

Access to Higher Performing Schools Area map overlays in the community profiles interactive mapping tool: **[insert link]**

C. Workforce Housing Communities (3 to 6 points):

1. Projects located in or near a city or township needing workforce housing (communities having a large number of jobs or job growth, individual employer growth, or having a large share of their workforce commuting long distances). Select one:

a. ☐ The proposed housing is in a Top Job Center or Net Five Year Job Growth Community **(6 points)**

b. ☐ The proposed housing is in an Individual Employer Growth community where an individual employer has added at least 100 net jobs (for permanent employees of the company) during the previous five years, as evidenced by documentation signed by an authorized representative of the company, subject to validation by Minnesota Housing **(6 points)**

c. ☐ The proposed housing is in a Long Commute Community **(3 points)**

In the metropolitan area, project locations must be within five miles of a workforce housing city or township. In Greater Minnesota, project locations must be within ten miles of a workforce housing city or township.

Top Job Centers, Net Five Year Job Growth communities, and Long Commute communities lists and maps: **[insert link]**

Proximity to workforce housing in the community profiles interactive mapping tool: **[insert link]**

D. Location Efficiency (1 to 9 points):

1. For Projects in the **Twin Cities metropolitan area**, indicate whether the project will promote location efficiency based on access to transit and walkability.

a. Access to Transit: To claim access to transit in the Twin Cities metropolitan area, a project must be (select one):

i. ☐ Located within one half mile of a planned[8] or existing LRT, BRT, or commuter rail station **(7 points)**;

ii. ☐ Located within one quarter mile of a fixed route stop on Metro Transit's Hi-Frequency Network **(4 points)**

iii. ☐ Located within one quarter mile of a high service[9] public transportation fixed route stop **(2 points)**;

iv. ☐ Located within one half mile of an express bus route stop **(2 points)**

v. ☐ Located within one half mile of a park and ride facility **(2 points)**

[8] Includes planned stations on future transitways that are in advance design or under construction that meet the following criteria: issuance of a draft EIS, station area planning underway, and adoption by the Metropolitan Council Transportation Policy Plan. Transitways entering into advance design after publication will be eligible, but data may not be available using Minnesota Housing scoring tools.

[9] High service fixed route stop is defined as those serviced from 6 am to 7 pm and with service approximately every half hour during that time.

b. Walkability: To claim walkability in the Twin Cities metropolitan area, a project must meet the Access to Transit criterion described above, and be (select one):

i. ☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com **(2 points)**

ii. ☐ Located in an area with a Walk Score between 50 and 69 according to www.walkscore.com **(1 point)**

2. For projects in **Greater Minnesota**, choose from **urbanized areas** and **rural and small urban areas**. Urbanized areas, according to the U.S. Census are places with populations greater than 50,000, and are defined by the Minnesota Department of Transportation (MnDOT)[10] as areas in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato and St. Cloud. Rural and small urban areas are places with populations fewer than 50,000.

a. Urbanized Areas (population greater than 50,000)[11]:

i. Access to Transit: To claim access to transit, a project in Greater Minnesota must be (select one):

1. ☐ Located within one quarter mile of a planned [12]or existing public transportation fixed route stop **(7 points)**;

2. ☐ Located between one quarter mile and one half mile of a planned or existing public transportation fixed route stop **(4 points)**;

3. ☐ Located less than one half mile of an express bus route stop or park and ride lot **(4 points)**

ii. Walkability: To claim walkability, a project in Greater Minnesota must meet the Access to Transit criterion described above, and be (select one):

1. ☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com **(2 points)**;

2. ☐ Located in an area with a Walk Score between 50 and 69 according to www.walkscore.com **(1 point)**

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[10] Greater Minnesota Transit Investment Plan: http://www.dot.state.mn.us/transitinvestment

[11] Eligible areas are those in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead and St. Cloud. These are the seven MnDOT identified fixed route transit systems for Greater Minnesota.

[12] For a Greater Minnesota planned stop to be claimed, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop of route must be available M-F and provide service every 60 minutes for a minimum of 10 hours per day.

b. Rural and Small Urban Areas (population fewer than 50,000). For rural and small urban areas, applicants may claim Location Efficiency by having access to route deviation service or demand response/dial-a-ride, and walkability. Route deviation service[13] is different from fixed route transit in that the vehicle may leave its predetermined route upon request by passengers to be picked up or returned to destinations near the route, after which the vehicle returns to the predetermined route. Passengers may call in advance for route deviations similar to that of demand response/dial-a-ride or access the service at designated route stops without advanced notice. Demand response usually involves curb-to-curb or door-to-door service with trips scheduled in advance (also known as "Dial-A-Ride").

i. Access to Transit: To claim access to transit, a project in Greater Minnesota must be (select one):

1. ☐ Located within one quarter mile of an existing or planned[14] designated stop that has service every 60 minutes OR served by demand response/dial-a-ride with no more than two hour advance notice. **(7 points)**

2. ☐ Located between one quarter mile and one half mile of an existing or planned designated stop that has service every 60 minutes OR served by demand response/dial-a-ride with prior day notice. **(4 points)**

3. ☐ The proposed housing has access to demand response/dial-a-ride service not meeting the scheduling terms above **(2 points)**

ii. Walkability: To claim walkability, a project in Greater Minnesota must meet the Access to Transit criteria described above, and be (select one):

1. ☐ Located in an area with a Walk Score of 50 or more according to www.walkscore.com **(2 points)**

2. ☐ Located in an area with a Walk Score between 35 – 49 according to www.walkscore.com **(1 point)**

At the time of application, the applicant must submit a map identifying the location of the project with exact distances to the eligible public transit station/stop and include a copy of the route, span and frequency of service.

[13] Applicants can find providers by county or city on MnDOT's website, https://www.dot.state.mn.us/transit/riders/index.html, and the service type in MnDOT's annual transit report, http://www.dot.state.mn.us/govrel/reports/2017/transit.pdf

[14] For a Greater Minnesota planned stop to claimed, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop of route must be available M-F and provide service every 60 minutes for a minimum of 10 hours per day.

Access to transportation maps and census tract listings are found on Minnesota Housing's website: **[insert link]**

Community profiles interactive mapping tool: **[insert link]**

4. Supporting Community and Economic Development (1 to 18 points)

A. ~~Planned Community Development~~ Community Development Initiative (3 points):

~~1. ☐ Project contributes to active implementation of Planned Community Development efforts, as defined in section 6.A of the HTC Program Procedural Manual, to address locally identified needs and priorities, in which local stakeholders are actively engaged. Comprehensive plans, land use plans and general neighborhood planning documents are not by themselves considered evidence of Planned Community Development. **(3 points)**~~

~~2.~~

~~3. A qualifying plan or initiative can be created and approved by a wide variety of public and private local community development partners such as cities, counties, private foundations and public housing authorities. Plans local entities are required to produce, such as comprehensive and consolidated plans, are not by themselves considered evidence of Planned Community Development.~~

~~4.~~

~~5. To be considered for Planned Community Development, an applicant must provide a narrative and backup documentation. The narrative must address the items below and include page numbers to direct where information is located in the backup documentation:~~

~~6.~~

~~7. A list of various local stakeholders involved and their role.~~

~~8. The milestones or steps that have been completed, underway and planned. Include dates and stakeholders involved.~~

~~9. Key investments, in-kind or other financial commitments that have been made, or are pending, and are critical for implementation. Include dates for these commitments.~~

~~10. Affordable housing as a key strategy.~~

~~11. The Targeted Geographic area.~~

1. Project contributes to active implementation of a Community Development Initiative to address locally identified needs and priorities, with active engagement by local stakeholders. The initiative can be created by, and involve engagement from, a wide variety of public and private local community development partners such as cities, counties, employers, private foundations, public housing authorities, or other community stakeholders. The plan must contain more components than the project itself. Documentation must be provided that addresses four requirements for the Community Development Initiative:

    a. Targeted Geographic Area and Map
    b. Current implementation plan with goals or outcomes specific to the need identified by the initiative
    c. Affordable housing as a key strategy of the initiative
    d. A list of stakeholders, including their role in active implementation of the initiative

    If a project is located in a Qualified Census Tract (QCT), in order to be eligible for these points, the project must provide additional evidence that demonstrates a strategy for obtaining

commitments of public and/or private investment in non-housing efforts to demonstrate that the project contributes to a concerted community revitalization plan.

Applicants must complete the Community Initiative Narrative and submit documentation demonstrating how the initiative meets the requirements outlined below. Documents can include plans, charters or other evidence demonstrating active implementation of the Community Development Initiative. Note that comprehensive and land use plans are not by themselves considered evidence of a Community Development Initiative.

REQUIRED	DECSRIPTION OF REQUIREMENT	REQUIRED DOCUMENTATION
1. Targeted Geographic Area + Map	A Targeted Geographic Area and map of the area. The Targeted Geographic Area boundaries must be larger than the proposed rental project site, yet within a measurable impact area. For larger geographic areas, the Targeted Area must be small enough that one municipality or county (or a small conglomerate of municipalities or counties) can exercise jurisdiction over it.	Yes
2. Current implementation plan with goals or outcomes specific to the need identified by the initiative	Include milestones or steps of the plan that have been: 1. Completed 2. Underway 3. Planned	Yes
3. Affordable housing as a key strategy	Affordable housing is identified as a key strategy of the initiative.	Yes
4. Stakeholder List and Role	Provide a list of local stakeholders involved and a description of their role in the active implementation of the initiative.	Yes
REQUIRED FOR PROJECTS IN A QCT		
1. Public or Private Investment (non-housing)	Demonstrated strategy for obtaining commitments of public or private investment (or both) in non-housing infrastructure, amenities, or services that could include, but is not limited to: • Commercial/retail development • Economic development • Education-related initiatives/development • Environmental clean-up • Public works/infrastructure • Parks, green space and recreation • Transit-oriented development or transit initiatives	Required if the project is in a QCT

EXCEL HELP TEXT:

Select ~~Planned Community Development~~ Community Development Initiative under Strategic Priorities to enable checkboxes for ~~Planned Community Development~~ Community Development Initiative.

B. Eventual Tenant Ownership (1 point):

1. ☐ Projects with detached single-family units are eligible for homeowner conversion. The project owner must submit a preliminary conversion plan with their application that is consistent with the requirements of the Eventual Tenant Ownership (ETO) Guide. The plan must address the transfer of 100% of the HTC unit ownership after the end of the 15-year compliance period from the initial ownership entity (or Minnesota Housing approved "Transfer of Ownership" entity) of the project to tenant ownership. **(1 point)**

   The unit purchase price at time of sale must be affordable to buyers with incomes meeting HTC eligibility requirements. To be eligible, the buyer must have an HTC qualifying income at the time of initial occupancy (HTC rental tenant). The final conversion plan, to be submitted by the 15th year of initial compliance, must incorporate an ownership exit strategy, a third party Property Capital Needs Assessment report and budget for capital improvements, and services including homeownership education and training. A final conversion plan complying with all of the requirements of the ETO Guide must be submitted to, and approved by, Minnesota Housing prior to commencing the conversion.

   The Declaration of Land Use Restrictive Covenants will contain provisions ensuring compliance with these Eventual Tenant Ownership commitments by the owner, including a right of first refusal allowing tenants to purchase their units. (Refer to the Eventual Tenant Ownership (ETO) Guide and also to Chapter 3W of the HTC Program Procedural Manual for additional information.)

NOTE: Until the time the HTC units are purchased by qualified tenants or in the event that not all HTC units are acquired by qualified tenants, the owner will extend the duration of low-income use for the full extended use period.

C. Rural/Tribal (10 points):

Projects located in Rural/Tribal Designated Areas outside of the Twin Cities seven-county metropolitan area.

1. ☐ The proposed housing is located in a census tract eligible as a Rural/Tribal Designate Area outside of the Twin Cities seven-county metropolitan area. **(10 points)**

Rural/Tribal Designated Area maps and census tract listing: **[insert link]**

Rural/Tribal Designation Area map overlays in the community profiles interactive mapping tool: **[insert link]**

D. QCT/Community Revitalization and Tribal Equivalent Areas (1 point):

1. ☐ The proposed housing is located in a QCT Community Revitalization Area or a Tribal Equivalent Area **(1 point)**

To be eligible for the QCT/Community Revitalization criterion, the project must be located in a Qualified Census Tract (See Qualified Census Tract – Reference Materials Index) and be part of a concerted plan that provides for community revitalization consistent with the definition described in the ~~Planned Community Development~~ Community Development Initiative selection criterion.

To be eligible for the Tribal Equivalent Areas criterion, the project must be located in one of the Tribal Equivalent Areas: **[insert link]**

Find these areas in the community profiles interactive mapping tool: **[insert link]**

E. Minority-owned/Women-owned Business Enterprise (MBE/WBE) (3 points):

1. ☐ The project sponsor, executive director of a non-profit, general contractor, architect, or management agent is a MBE/WBE[15], as certified by the owner. **(3 points)**

5. Preservation (5 to 30 points)

~~**IMPORTANT NOTE: DUAL APPLICATION and PRE-APPLICATION REQUIRED**~~**.**
Applicants **must submit a dual application**, as defined in the Multifamily RFP Guide, if the development contains 40 units or more.

Applicant **must provide** ~~**the required Pre-Application 30 days prior to the application deadline for HTC Round 1 or Round 2**~~ **all required supporting documentation**, as detailed in the Multifamily Customer Portal ~~HTC Program Procedural Manual Section 6.A. Failure to submit all required pre-application materials will result in rejection of the pre-application.~~ If received, provide Minnesota Housing's "Preliminary Determination of Preservation Eligibility" letter with the application which should be consistent with threshold and items claimed below.

A. Thresholds: Applicants seeking Preservation ~~points~~ should read the descriptions and then select one of the following three Thresholds:

1. ☐ Risk of Loss Due to Market Conversion

   a. Expiration of contract/use-restrictions
      i. Existing property at risk of conversion to market rate housing within five years of application date, and conversion is not prohibited by existing financing or use restrictions; OR
      ii. Existing tax credit developments eligible to exercise their option to file for a Qualified Contract, and have not previously exercised their option; AND
   b. Market for conversion evidenced by low physical vacancy rate (4% or lower) for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing's discretion); AND

[15] A MBE/WBE is a tribe or tribally-designated housing entity, or another entity which is at least 51% owned by one or more minority persons or women, and whose management and daily business operations are controlled by one or more minority persons or women who own it.

c. Market for conversion evidenced by one or more of the following:
   i. An appraisal commissioned by Minnesota Housing within a year of the application date where the as-is unrestricted value is equal to or greater than the as-is restricted value; OR
   ii. ~~ii.~~ For properties with Section 8 contracts, a Rent Comparability Study acceptable to Minnesota Housing staff and reviewers which was completed within a year of the application date that shows current rents are below comparable market rents; OR A market study ~~commissioned~~ approved by Minnesota Housing completed within a year of the application date that shows current rents are below comparable market rents and that the property has comparable location, amenities and condition to convert to market rate; AND
d. Fifteen (15) or more years have passed since the award of the existing federal assistance and the tax credit placed in service date (if applicable) for projects claiming ~~points under~~ Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming ~~points under~~ Critical Affordable Units.

NOTE: Minnesota Housing, at its sole discretion, must agree that a market exists for a conversion to market rate housing.

2. ☐ Risk of Loss Due to Critical Physical Needs

   a. Fifteen (15) or more years have passed since the award of the Existing Federal Assistance and the tax credit placed in service date (if applicable) for projects claiming ~~points under~~ Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming ~~points under~~ Critical Affordable Units; AND
   b. Critical physical needs identified by third party assessment to support the following conclusions:
      i. Repair/replacement of major physical plant components have been identified that will result in 15+ years sustained operations; AND
      ii. Identified scope of critical physical needs exceeds the available reserves by at least $5,000 per unit, as evidenced by the Three Year Critical Needs Model;

NOTE: Minnesota Housing will conduct an inspection of the development and must agree with applicant on scope of work, severity levels and cost estimates.

3. ☐ Risk of Loss Due to Ownership Capacity/Program Commitment

   a. Fifteen (15) or more years have passed since the award of the Existing Federal Assistance and the tax credit placed in service date (if applicable) for projects claiming ~~points under~~ Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming ~~points under~~ Critical Affordable Units; AND
   b. One of four conditions exist:
      i. Existing conditions created by the current owner such as bankruptcy, insolvency, default, foreclosure action, unpaid taxes and assessments, on-going lack of compliance with lenders or terms of federal assistance, or self-determination by non-profit board are severe enough to put the property at significant risk of not

remaining decent, safe and affordable. Ownership must be transferred to an unrelated party; OR

ii. The property has been or will be acquired from an unrelated party within three years of the application date after being offered for sale on the open market after an opt-out notice for the HAP contract had been submitted to Minnesota Housing; OR

iii. The property has been or will be acquired from an unrelated party within 3 years of the application date as a result of a PARIF Right of First Refusal being exercised; OR

iv. The acquisition of a property with USDA Rural Development rental assistance has occurred or will occur when the current or previous owner intends or intended to allow the existing USDA Rural Development mortgage to mature, and has turned down offers from USDA Rural Development to reamortize the mortgage. Must apply within five years of maturity date and within three years of acquisition.

NOTE: Minnesota Housing, at its sole discretion, must agree that a change in ownership is necessary for units to remain decent, safe or affordable.

EXCEL HELP TEXT
Select Preservation under Strategic Priorities to enable checkboxes for Preservation**.**
For projects meeting one of the three thresholds above, choose ~~points under~~ either Existing Federal Assistance or Critical Affordable Units at Risk of Loss below.

B. ~~Scoring~~ Criteria:

Existing Federal Assistance (5 to 30 points):
Definition: Any housing receiving project-based rental assistance or operating subsidies under a U.S. Department of Housing and Urban Development (HUD), U.S. Department of Agriculture Rural Development (RD), NAHASDA or other program that is not scheduled to sunset or expire. Properties that have converted their type of federal rental assistance through the Rental Assistance Demonstration program, Component 2 (RAD 2) are eligible. Such assistance must have been committed to the property 15 years prior to the year of application.

Owner will continue renewals of existing project based housing subsidy payment contract(s) for as long as the assistance is available. Except for "good cause," the owner will not evict existing subsidized residents and must continue to renew leases for those residents. Developments with qualified Existing Federal Assistance and which have secured additional federal rental assistance (including through an 8bb transfer) should count the total number of assisted units below. Such units are not eligible to be counted under Rental Assistance.

Select an option from either a. or b. below.

a. Existing Federally Assisted Units:

i. ☐ 100% of units are federally assisted **(30 points)**
Number of units _____

ii. ☐ 75.01% - 99.99% of units are federally assisted **(22 points)**
Number of units _____

iii. ☐ 50.01 - 75% of units are federally assisted **(15 points)**
Number of units _____

iv. ☐ 25.01% - 50% of units are federally assisted **(10 points)**
Number of units _____

v. ☐ Less than 25% of units are federally assisted **(5 points)**
Number of units _____

b. Partially assisted projects with Existing Federally Assisted Units in Economic Integration census tracts:

i. ☐ 75.01 - 99.99% of units are federally assisted **(30 points)**
Number of units _____

ii. ☐ 25.01 - 75% of units are federally assisted **(20 points)**
Number of units _____

iii. ☐ Less than 25% of units are federally assisted **(10 points)**
Number of units _____

OR

2. **Critical Affordable Units at Risk of Loss (6 points)**

a. ☐ Any housing with a current recorded deed restriction limiting rent or income restrictions at or below the greater of 80% of statewide median income or area median income. Includes existing public housing units, including converting through Rental Assistance Demonstration Program, Component 1 (RAD 1), tax credit units, Rural Development funded units without rental assistance and Existing Federal Assistance not described in paragraph 1. above (e.g., 202, 236) or other programs limiting income and rent restrictions as stated above.

AND

You must also claim and be eligible under Serves Lowest Income Tenants/Rent Reduction criterion. Unless the project is a RAD 1 conversion with 50% of more of the units covered by a section 8 rental assistance contract. **(6 points)**

EXCEL HELP TEXT:
Projects must select one of the three Risk of Loss thresholds above to activate options in Preservation Selection Priority.

6. Efficient Use of Scarce Resources and Leverage (0 to 38 points)

A. Financial Readiness to Proceed/Leveraged Funds (0 to16 points):

1. Applicants who have secured funding commitments for one or more permanent funding sources at the time of application, except commitments for funding from Minnesota Housing and Funding Partners (i.e., Minnesota Department of Employment and Economic Development, Family Housing

Fund, Greater Minnesota Housing Fund, Metropolitan Council Local Housing Incentive Account) are only included if obtained in a previous funding cycle/round.

Calculate your total using the formula below, and then select the appropriate option. The calculation must exclude first mortgage financing and any anticipated proceeds from the current tax credit request.

Total eligible funding secured, awarded or committed (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current tax credit request, and sales tax rebate[16]) **$_____divided by Total Development Cost** (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current tax credit request, and sales tax rebate) **$_____ equals Percentage of Funds Committed _____% (round to nearest tenth):**

a. ☐ 70% or more of funding secured, awarded or committed[17] **(16 points)**

b. ☐ 60% to 69.9% of funding secured, awarded or committed **(14 points)**

c. ☐ 50% to 59.9% of funding secured, awarded or committed **(12 points)**

d. ☐ 40% to 49.9% of funding secured, awarded or committed **(10 points)**

e. ☐ 30% to 39.9% of funding secured, awarded or committed **(8 points)**

f. ☐ 20% to 29.9% of funding secured, awarded or committed **(6 points)**

g. ☐ 10% to 19.9% of funding secured, awarded or committed **(4 points)**

h. ☐ 9.9% and below of funding secured, awarded or committed **(0 points)**

The documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval, or statement of agreement or eligibility. Commitment documentation must state the amount, terms and conditions and be executed or approved by the lender or contributor and the applicant. Documentation containing words synonymous with “consider” or “may,” (as in “may award”) regarding the commitment will not be acceptable.

Financial Readiness/Leverage Funding Commitments include:

- Syndication proceeds due to previously awarded tax credits: Syndication proceeds from tax credits awarded in a previous cycle/round may be included if verification is included in the application. Acceptable verification is an executed syndicator agreement or executed Letter of Intent from the syndicator that is acceptable to Minnesota Housing. The executed Letter of Intent must:
  - Be current within 15 days of submission of the application

[16] Sales tax rebate, for the purpose of this scoring category, should be calculated as 40% of the construction contract amount multiplied by the local tax rate for the area where the project is located.

[17] Projects that have both a numerator and denominator equal to zero are eligible to claim 70 % or more of funding secured, awarded or committed.

  - Contain a projected closing date for the development
  - Contain a projected equity price for the purchase of the credit
  - Contain a detailed explanation of the assumptions being used by the syndicator to arrive at the projected equity price
- Monetary grants/donations
- Amortizing first mortgage incorporates tax abatement for properties with a first mortgage
- Tax Increment Financing (TIF): Provide satisfactory documentation that the contribution is committed to the development at the time of application, including a letter from the city and a city council resolution, indicating its intention to provide TIF assistance and the anticipated amount and term. The documentation should include the TIF analysis from the city or its consultant.
- Deferred loans with a minimum 30-year term with an interest rate at or below the Applicable Federal Rate (AFR)
- Grants from nonprofit charitable organizations converted to deferred loans with a minimum 30-year term that is with an interest rate at or below the AFR. Award letter from the nonprofit charitable organization contributor must be provided at the time of application verifying the contribution. Documentation must evidence that the contribution is restricted for housing development uses and the contribution must be included as a development source.
- Historic Tax Credits: In addition to the commitment documentation, at the time of application provide written documentation of eligibility through evidence of Historic Register listing or approval of Part 1—Evaluation of Significance.
- Funder commitments to modify existing debt including: ~~debt forgiveness~~; approval of assumption of debt and extension of loan term; commitments must contain no contingencies other than receipt of a tax credit award. At the time of application, written documentation from the funder justifying the amount and the terms of the contribution must be provided.
- Deferred developer fee: The applicant must provide the required commitment documentation and provide evidence of repayment within 10 years by the projected cash flow.

B. Other Contributions (0 to 10 points):

1. For projects that receive contributions referenced below from the federal government; a local unit of government; an area employer; and/or a private philanthropic, religious or charitable organization. Calculate your total using the formula below, and then select the appropriate option.

   Identity of Interest exclusion: Contributions from any part of the ownership entity will be considered general partner cash and excluded from the calculation unless the contributions are awarded by 1) nonprofit charitable organizations pursuant to a funding competition; 2) local units of government; or 3) tribal governments or tribally designated housing entities.

   Total "Other" non-funding contributions from federal/local/philanthropic sources $_____ divided by Total Development Cost $_____ equals (rounded to the nearest tenth):

   a. ☐ 20.1% and above **(10 points)**

   b. ☐ 15.1 to 20% **(8 points)**

c. ☐ 10.1 to 15% **(6 points)**

d. ☐ 5.1 to 10% **(4 points)**

e. ☐ 2.1 to 5% **(2 points)**

f. ☐ 0 to 2 % **(0 points)**

At the time of application, written documentation from the contributor justifying the amount and the terms of the contribution must be provided and be consistent with current market comparable costs. The documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval, statement of agreement or eligibility, or memorandum of understanding.

The documentation must state the amount, terms and conditions and must be executed or approved, at a minimum, by the contributor. Documentation containing words synonymous with "consider" or "may" (as in "may award") regarding the contribution will not be acceptable. Lack of acceptable documentation will result in the reevaluation and adjustment of the tax credits or RFP award, up to and including the total recapture of tax credits or RFP funds.

Other Contributions include:

- Land donation or city write-down of the development site
- In-kind work and materials donated at no cost
- Local government donation/waiver of project specific costs, assessments or fees (e.g., SAC/WAC)
- Reservation land not subject to local property taxes calculate net present value (NPV) by using NPV discounted by applicable federal rate (AFR) for the term of the LURA)
- Reservation land with long-term low cost leases
- Funder commitments to modify existing debt including: debt forgiveness; forgiveness of interest payable; reduction in interest rate (measured as amount of interest saved over term of loan). Commitments must contain no contingencies other than receipt of a tax credit award. At the time of application, written documentation from the funder justifying the amount and the terms of the contribution must be provided.

C. Intermediary Costs (0 to 6 points):

1. Intermediary costs are third-party service costs related to the project development. Excluded costs are Surveys, Soil Borings, Payment and Performance Bond Premium, Sewer-Water Access Charge, Furnishing and Equipment, and Hazard and Liability Insurance.

   Projects with the lowest intermediary costs on a sliding scale based on percentage of total development costs. For selected projects, this percentage will be enforced at the time of closing for deferred loans or at issuance of the IRS Form 8609 for HTC developments. Calculate your total using the formula below, and then select the appropriate option.

   Intermediary cost amount $_____ divided by Total Development Costs $_____ Equals Intermediary Percentage _____% (rounded to the nearest tenth):

   a. ☐ 0.0 to 15% **(6 points)**

b. ☐ 15.1 to 20% **(3 points)**

c. ☐ 20.1 to 25% **(2 points)**

d. ☐ 25.1 to 30% **(1 point)**

e. ☐ 30.1% and over **(0 points)**

D. Cost Containment (6 points):

1. ☐ Proposals will receive points based on the cost containment methodology. For each of the four competition groups, the cost per unit of the proposal at the 50th percentile in Round 1 will determine the cut-off point or threshold for receiving points for 4% tax credits. **(6 points)**

NOTE: Proposals that believe they have contained their costs should select ~~these points~~ this criterion. Only proposals that claim cost containment ~~points on the Self-Scoring Worksheet~~ and are awarded ~~points~~ through the process described above will eligible for ~~receive~~ cost containment ~~points.~~

CAUTION: If a project receives points under this criterion, failure to keep project costs under the applicable cost threshold will be considered an unacceptable practice and will result in negative four points being awarded in all of the applicant's tax credit submissions in the next funding round in which submissions are made. The penalty will be assessed to an application submitted to the same funding round (Competitive or 4% Only) for which the points were initially awarded. Tax credit developments awarded points via the 4% only allocation process will receive a penalty if the points were necessary to meet the minimum threshold. If developers are concerned about their costs and keeping them within the "applicable cost threshold," they should not claim the cost-containment points.

Cost Containment Methodology: **[insert link]**

7. Building Characteristics (1 to 4 points)

A. Universal Design (3 points):

1. A unit that includes all Minimum Essential Universal Design Features below, along with eight Optional Features for units in a new construction or adaptive re-use project, and four Optional Features for units in a rehabilitation project. Type A accessible units (as referenced in Minnesota Housing's Rental Housing Design and Construction Standards) also meet the definition of a Universal Design unit.

Select one:

a. ☐ An elevator building with 100% of assisted units meeting the definition of a Universal Design Unit **(3 points)**; **OR**
Number of units

b. ☐ A non-elevator building with at least 10% of assisted units meeting the definition of a Universal Design Unit **(3 points)**

Number of units

Minimum Essential Universal Design Features:

- At least one bedroom or space that can be converted to a bedroom (without changing door locations for new construction or adaptive re-use) on an accessible level and connected to an accessible route, or efficiency units (without a bedroom) on an accessible level and connected to an accessible route
- 42" minimum hallways within a unit for new construction or adaptive re-use
- At least one three quarter bathroom on an accessible level with five foot open radius for new construction or adaptive re-use, and clear floor space of 30" x 48" for rehabilitation
- Lever handles on all doors and fixtures
- Provide wall blocking in all tub and shower areas for new construction or adaptive re-use, and for rehabilitation if showers are being replaced
- Door thresholds flush with the floor with maximum threshold height of ½" beveled or ¼"square edged
- Kitchen and laundry appliances have parallel approach clear floor space with all controls within maximum height of 48". Range controls must have lockout feature. Stackable laundry units with a maximum reach range of 54" will meet this requirement
- Kitchen sink area 30" wide minimum with cabinet panel concealing piping or a removable base cabinet
- All common spaces and amenities provided in the housing development located on an accessible route
- For new construction or adaptive re-use, deck or patio spaces have a step-less transition from dwelling unit meeting door threshold requirements, with decking gaps no greater than ¼"
- Universal Design features are incorporated in an aesthetic, marketable, non-institutional manner

Optional Features:

- High contrast finish selections that include floor to wall transitions, top treads of stairs, counters and adjacent flooring and walls
- Single lever, hands free or touch faucets
- At least 50% of kitchen storage space within reach range. This can include pull-out shelves, full extension glide drawers or pantry design
- A variety of work surface heights in kitchen and one five foot open radius
- Roll under vanity or sink in 25% of Universal Design qualifying units, rounded up to the nearest whole number
- Cabinet hardware with "D" type pull handles or operation for people with limited dexterity
- Zero threshold shower or transfer space at tub is provided for minimum of half the qualifying Universal Design units, rounded up to the nearest whole number
- Slip resistant flooring in kitchens and baths
- Toilets provided with seats 17"– 19" from the floor
- Windows are provided with maximum sill height of 36", parallel clear floor space and locks/operating mechanism within 48" and easily operable with one hand. Sidelight or view window at main entry door from a seated position

- Thermostats designed for visually impaired or ability to monitor and operate with electronic device such as a tablet computer
- Closet storage is adjustable in a majority of the closets provided
- Audio/visual doorbell
- Covered entry with adequate lighting and interior or exterior bench space for parcels or groceries
- Lettering and numbering with all characters and symbols contrasting with their background
- Parking spaces provided for at least 50% of Universal Design qualifying units, rounded up to the nearest whole number, with a five foot wide adjacent auxiliary space connected to accessible route
- Residential elevator or chair lift space structured for future use in multiple level homes
- Enterprise Green Communities Model Specifications are used for applicable sections for the Universal Design qualifying units
- On-site physical activity is provided for in a fitness area, biking or walking path or community garden
- Other modifications that make units livable for disabled populations, as demonstrated by credible evidence provided in the application, and at the sole discretion of Minnesota Housing

B. Smoke Free Buildings (1 point):

1. ☐ The projects will institute and maintain a written policy[18]* prohibiting smoking in all the units and all common areas within the building/s of the project. The project must include a non-smoking clause in the lease for every household. Projects awarded a point in this scoring criteria will be required to maintain the smoke-free policy for the term of the declaration. **(1 point)**

8. Unacceptable Practices (-4 to -25 points)

Minnesota Housing will impose penalty points for unacceptable practices as identified in Chapter 2.G. of the HTC Program Procedural Manual.

Total Points

TOTAL DEVELOPER CLAIMED POINTS:

TOTAL MINNESOTA HOUSING AWARDED POINTS:

Signatures

Under penalty of perjury, owner hereby certifies the information provided herein is true and accurate.

Name of Owner: _____

[18] The written policy must be submitted with the application and should include procedures regarding transitioning to smoke-free for existing residents and establishment of smoking areas outside of units and common areas if applicable. Consequences for violating the smoke-free policy are determined by the owner but must be included in the written policy.

By (Signature):

Of (Name of Legal Entity):

Its (Title) (Managing General Partner):

Print or Type Name of Signatory:

NOTE: During the competition process, Minnesota Housing's review of the submitted Self-Scoring Worksheet is only to validate that the points claimed are eligible, to reduce points claimed if not eligible, and to determine points awarded. Minnesota Housing will not award additional points that are not initially claimed by the applicant/owner. Many performance obligations are created by the claiming of certain scoring points. As such, Minnesota Housing will not assume the position of creating any such performance obligations on behalf of the applicant/owner. In addition, applications funded under the Joint Powers Agreement must also comply with the suballocators selection criteria defined in their Qualified Allocation Plan.

~~2019~~ 2020 Housing Tax Credit Self-Scoring Worksheet

9% Housing Tax Credits

Updated ~~July~~ February ~~2017~~2018

~~Development~~ Project Name: _____

~~Development~~ Property Number (D Number): _____

~~Application~~ Project Number (M Number): _____

~~Development Location~~ Primary Address: _____

~~Development~~ City: _____

Instructions

Strategic Priority Policy Threshold:

A. All projects, must meet at least one of the Strategic Priority Policy Thresholds defined in Article 9 of the State of Minnesota Housing Tax Credit Qualified Allocation Plan (QAP) in order to apply for Housing Tax Credits (HTC).

Minimum Point Requirements:

A. Request for Minnesota Housing Finance Agency (Minnesota Housing) administered tax credits from the state's tax credit volume cap must demonstrate the project is eligible for not fewer than 70 points, excluding projects funded through the Rural Development/Small Projects Set-Aside.

B. Minnesota Housing reserves the right to reject applications not meeting its Project Selection requirements as contained in the HTC Program Procedural Manual, to revise proposal features, and associated scoring, and to ensure the project meets the requirements.

Documentation of Points:

A. Indicate the ~~scoring~~ selection criteria expected for your project. Where multiple points per section are available, please check the appropriate box (☐) for points claimed. **In addition to the self-scoring worksheet the applicant must submit a separate detail sheet and documentation that clearly supports the points claimed. Minnesota Housing will determine the eligible points; points will not be awarded unless documentation is provided along with the application to justify the points claimed.**

Documentation of Units:

A. Indicate the number of units for each selection criteria expected for your project. When calculating a percentage for a criterion all units must be rounded up to the next full unit. The number of units indicated will be required and incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants (declaration) and deferred loan documents with the exception of tenant targeting in the Permanent Supportive Housing for High Priority Homeless.

Extended Duration:

A. Request for Minnesota Housing Finance Agency (Minnesota Housing) administered tax credits from the state's tax credit volume cap must maintain the duration of low-income use for a minimum of 30 years or longer if a longer duration is selected. The owner agrees that the Qualified Contract provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project, and the owner also agrees the Section 42 income and rental restrictions must apply for a period of at least 30 years beginning with the first day of the compliance period in which the building is a part of a qualified low-income housing project.

Design Standards:

A. The project must meet the requirements in the Minnesota Housing Rental Housing Design/Construction Standards and be evidenced by a Design Standards Certification form executed by the owner and architect. Additional design requirements will be imposed if Large Family Housing points are claimed/awarded or points are claimed/awarded that require specific design elements (e.g. Universal Design).

A Declaration of Land Use Restrictive Covenants:

A. A Declaration of Land Use Restrictive Covenants covering the rent restrictions and occupancy requirements presented at selection must be recorded against the property.

Affirmative Fair Housing:

A. Affirmative Fair Housing Marketing Regulations, held as centrally important by Minnesota Housing, require that each applicant carry out an affirmative marketing program to attract prospective buyers or tenants of all majority and minority groups in the housing market area regardless of race, creed, color, religion, sex, national origin, marital status, status with regard to public assistance, disability, sexual orientation, or familial status. At the time of 8609, all applicants must submit an Affirmative Fair Housing Marketing Plan documenting an acceptable plan to carry out an affirmative marketing program.

Round 1 – Minimum Threshold Requirements

For applications submitted in Round 1, all applicants statewide must meet one of the following threshold types. Please indicate the threshold item you meet:

A. In the Metropolitan Area:

1. ☐ New construction or substantial rehabilitation in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), at least 75% of the total tax credit units are single room occupancy, efficiency, or one bedroom units with rents affordable to households whose income does not exceed 30% of the area median income (AMI).

2. ☐ New construction or substantial rehabilitation family housing projects that are not restricted to persons 55 years old or older in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), at least 75% of the total tax credit units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms. **OR**

3. ☐ Substantial rehabilitation projects in neighborhoods targeted by the city for revitalization.

B. Outside the Metropolitan Area:

1. ☐ Projects which meet a locally identified housing need and which are in short supply in the local housing market as evidenced by credible data submitted with the application ~~such as a local council resolution submitted with the application~~. ~~(For Threshold Letter – Sample Format, see the HTC Application Reference Materials section located on the Tax Credit page of Minnesota Housing's website.)~~

C. Projects that are not restricted to persons of a particular age group and in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), a percentage of the units are set aside and rented to persons:

1. ☐ With a serious and persistent mental illness as defined in Minnesota Statutes § 245.462, Subdivision 20, paragraph (c).

2. ☐ With a developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended.

3. ☐ Who have been assessed as drug dependent persons as defined in Minnesota Statutes § 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes § 254A.02, Subdivision 2.

4. ☐ With a brain injury as defined in Minnesota Statutes § 256B.093, Subdivision 4, paragraph (a); **OR**

5. ☐ With permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules Chapter 1341.

D. Preserve Existing Subsidized Housing

1. ☐ Projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the use of tax credits is necessary to (1) prevent conversion to market rate use; or (2) to remedy physical deterioration of the project which would result in loss of existing federal subsidies; **OR**

E. Rural Development:

1. ☐ Projects financed by Rural Development, which meet statewide distribution goals.

Strategic Priority Thresholds

To be eligible for tax credits from the state's volume cap under Minnesota Housing's QAP, and to be eligible for deferred funding a developer must demonstrate that the project meets at least one of the following priorities.
Select all that apply.

A. Access to Fixed Transit:

1. ☐ Projects within one-half mile of a planned or existing LRT, BRT or commuter rail station.

B. Greater Minnesota Workforce Housing:

1. ☐ Projects in Greater Minnesota documenting all three of the following:
   a. Need: Projects in communities with low vacancy (typically considered 4 percent and below, documented by a market study or other third party data) and:
      i. That have experienced net job growth of 100 or more jobs,
      ii. With 15 percent or more of the workforce commuting 30 or more miles to work, or
      iii. With planned job expansion documented by a local employer
   b. Employer Support in the form of a letter of support from an employer with 20 or more FTE's. The letter should discuss the difficulty of employees' to locate housing in the jurisdiction where the project is located and provide a description of employee wages and proposed rents in the project.
   ~~c. Cooperatively Developed Plan: Projects that are consistent with a community-supported plan that addresses workforce housing needs.~~

C. Economic Integration:

1. ☐ Projects located in higher income communities (outside of rural/tribal designated areas) with access to low and moderate wage jobs, meeting either First or Second Tier Community Economic Integration as defined in the Areas of Opportunity category. This strategic priority must be selected to activate the Economic Integration criterion (Excel).

D. Tribal:

1. ☐ Projects sponsored by tribal governments, tribally designated housing entities or tribal corporate entities.

E. Community Development Initiative ~~Community Development:~~

1. ☐ Projects that contribute to active implementation of ~~Planned~~ a Community Development ~~efforts~~ Initiative, as defined in the Community Development Initiative ~~Planned Community Development~~ selection criterion to address locally identified needs and priorities in which local stakeholders are actively engaged. This strategic priority must be selected to activate the Community Development Initiative ~~Planned Community Development~~ selection criterion (Excel).

F. Preservation:

1. ☐ Projects that preserve existing federally assisted housing or other critical affordable housing projects must be eligible under the Preservation selection criterion. This strategic priority must be selected to activate the Preservation selection criterion (Excel).

G. Supportive Housing:

1. ☐ Projects that will serve people with disabilities or High Priority Homeless (HPH) households must be eligible under the Permanent Supportive Housing for High Priority Homeless selection criterion or the People with Disabilities selection criterion. This strategic priority must be selected to activate the High Priority Homeless or People with Disabilities selection criteria (Excel).

~~2020~~2019 HOUSING TAX CREDIT SELECTION CRITERIA
1. Greatest Need Tenant Targeting (5 to 39 points)

A. Large Family Housing (5 to 7 points):

1. **Large Family Housing** - The proposal is for a project that provides family housing that is not restricted to persons 55 years old or older. ~~The tenant selection plan must give preference to~~ The owner agrees to market to families with minor children. Select all that apply:

a. ☐ At least 75% of the total assisted[1] units contain two or more bedrooms. **(5 points)**

Number of units with
2 Bedrooms_____
3 Bedrooms_____
4 Bedrooms_____

b. ☐ For Greater Minnesota proposals if eligible under 1. a. above, at least one-third of the 75% contain three or more bedrooms. **(2 points)**

Number of units with
3 Bedrooms_____
4 Bedrooms_____

B. Permanent Supportive Housing for High Priority Homeless[2] (7 to 22 points):

1. A minimum of 5% ~~(rounded up to the next full unit)~~ of the total units, but no fewer than four units are set aside and rented to High Priority Homeless who are households prioritized for permanent supportive housing by the Coordinated Entry System[3] (HPH units) and targeted to the populations indicated below. Select one and complete the unit count below:

a. ☐ 50% to 100%, but no fewer than 20 units **(20 points)**
Number of units _____

b. ☐ 10% to 49.99%, but no fewer than 7 units **(10 points)**
Number of units _____

c. ☐ 5% to 9.99%, but no fewer than 4 units **(7 points)**
Number of units _____

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[1] Assisted is defined as tax credit units for HTC applications and affordable units for deferred funding.

[2] **Specific performance requirement relief provisions are available for projects eligible for the Permanent Supportive Housing High Priority Homeless ~~category~~selection criterion for "~~Homeless~~ HPH Units".** Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents recorded with the property.

[3] Coordinated Entry System is defined by the Statewide Coordinated Entry standards and protocol as adopted by the local Continuum of Care, or such successor system as determined by Minnesota Housing.

____Number of Units Representing:

Youth with Children: _____
Youth Singles: _____
Youth Total: _____
Single Adults: _____
Families with Children: _____
Total High Priority Homeless: _____

2. Proposals that are eligible for ~~serve High Priority Homeless in~~ B. 1 above ~~are eligible for~~ can claim this selection criterion if units will be available for populations consistent with local needs identified by the local Continuum of Care. (Published Priorities are available on Minnesota Housing's website at: **[insert link]**)

   a. ☐ 5% of units ~~(rounded up to the next full unit)~~ or more, but no fewer than four units, targeted to Continuum of Care Household Type Priority One **(2 points)**
   Number of units _____
   Priority Type: _____
   (Families with children, youth singles, youth with children or single adults)

EXCEL HELP TEXT:
Select Supportive Housing under Strategic Priority Threshold to enable checkboxes for Permanent Supportive Housing for High Priority Homeless**.**

NOTE:
Permanent Supportive Housing for High Priority Homeless (B.) and People with Disabilities (C.) selection criteria cannot be claimed for the same units.

To be eligible for Permanent Supportive Housing for High Priority Homeless (HPH), the proposal must meet *all* of the following conditions:

1. The applicant must complete and submit the Supportive Housing application materials, including the narratives, forms and submittals identified in the ~~Multifamily Rental Housing Request for Proposal Guide and the Multifamily Rental Housing Common~~ Application Checklist in the Multifamily Customer Portal.
2. The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available
3. The applicant agrees that if units set aside for High Priority Homeless are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the greater of 30% of the household's monthly income or the most current Supportive Housing Standard for the unit size, as published annually by Minnesota Housing in the Multifamily Underwriting Standards in the Supportive Housing Standards – High Priority Homeless or People with Disabilities section. The owner must establish and implement policy and procedure to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.

~~3~~.4. Supportive Housing Threshold Criteria:

a. Supportive Services: On-site service coordination and tenant engagement must be made available to ~~all~~ supportive housing residents. The level and type of services offered should be appropriate for the needs of the target population, with a minimum of tenant service coordination averaging two hours per household per week as further defined in the supportive housing narrative.

b. Experienced service provider, or partnering with an experienced service provider, with demonstrated outcomes:

   i. At a minimum, the service provider has experience providing services to a similar population to maintain housing over a period of time, and has sufficient capacity to deliver the services proposed.

c. Service funding commitments: At a minimum, a portion of service funding is secured with a viable plan for securing the remaining resources, as approved by Minnesota Housing. Evidence must be provided in the application narrative and commitment letters or other documentation.

   i. Developments with 5% to 9.99% HPH units must have secured at least 75% of service funding

   ii. Developments with 10% to 49.99% HPH units must have secured at least 20% of service funding

   iii. Developments with 50% to 100% HPH units must have secured at least 5% of service funding

d. Coordinated Entry and serving highest need households: The property owner must agree to accept high priority households for the HPH supportive housing units through Coordinated Entry.

A proposal that claims ~~points from~~ this category and is selected to receive tax credits will be required to comply with the reporting requirements for Permanent Supportive Housing for High Priority Homeless, as defined by Minnesota Housing. The Tax Credit Declaration of Land Use Restrictive Covenants, including a specific Rider to the Declaration and Minnesota Housing Loan documents) will contain performance requirements related to these permanent supportive housing units for High Priority Homeless and will be recorded with the property.

C. People with Disabilities (7 to 10 points):

1. Select the number of units set aside for people with disabilities:

a. ☐ 15% to 25% of units **(10 points)**
Number of units _____

b. ☐ 10% to 14.99% of units **(9 points)**
Number of units _____

c. ☐ 5% to 9.99%, but no fewer than four units **(7 points)**
Number of units _____

Permanent housing proposals are not restricted to persons of a particular age group. A percentage of the units are set aside and rented to persons with any of the following disabilities[4]:

i. A serious and persistent mental illness as defined in Minn. Stat. § 245.462, subdivision 20, paragraph (c)
ii. A developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended
iii. Assessed as drug dependent as defined in Minn. Stat. § 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minn. Stat. § 254A.02, Subdivision 2
iv. A brain injury as defined in Minn. Stat. § 256B.093, Subdivision 4, paragraph (a)
v. Permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules Chapter 1341

EXCEL HELP TEXT: Select Supportive Housing under Strategic Priority Threshold to enable checkboxes for People with Disabilities.

NOTE: Permanent Supportive Housing for High Priority Homeless (B.) and People with Disabilities (C.) selection criteria may not be claimed for the same units.

To be eligible under People with Disabilities, the proposal must meet all of the following conditions:

1. The applicant must submit the People with Disabilities narratives and any other forms and submittals identified in the Multifamily Rental Housing Common Application Request for Proposal Guide and the Multifamily Rental Housing Common Application Checklist.
2. The applicant must ~~complete the required People with Disabilities Narrative and provide~~ submit a signed Service Agreement. Applicant can either complete the signature page (must be completed by both parties) attached to the People with Disabilities Narrative, or submit a separate signed service agreement.
   ~~a. People with Disabilities Narrative: Complete the required narrative that demonstrates the applicant meets the following threshold criteria including: the target population of people with disabilities; the income limit restrictions for the units to households with incomes at or below 30% Multifamily Tax Subsidy Project (MTSP) income limits; rent levels; outreach efforts; referral processes; verification of applicant disability; types of services provided to tenants; how the service entity communicates with property management; and plans for crisis intervention, eviction prevention and lease mitigation.~~
   ~~b. Signed service agreement: Applicants can either complete the signature page (must be completed by both parties) attached to the People with Disabilities Narrative, or submit a separate signed service agreement.~~

[4] **Specific performance requirement relief provisions are available for projects that meet the ~~People with Disabilities selection category of the~~People with Disabilities Selection Criterion for "PDSC Units."** Reference Section 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents recorded with the property.

3. The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available.
4. The application must meet the following threshold criteria as evidenced in the People with Disabilities Narrative and Service Agreement:
    a. Target population: The target population(s) of people with disabilities must be clearly defined in the narrative (e.g., mental illness, developmental disability, physical disability).
    b. Units are restricted to households with incomes at or below 30% MTSP income limits.
    c. The applicant agrees that if units set aside for People with Disabilities are occupied by households without project-based rental assistance the gross rents, including an allowance for tenant-paid utilities, cannot exceed the greater of 30% of the household's monthly income or the most current Supportive Housing Standard for the unit size, as published annually by Minnesota Housing in the Multifamily Underwriting Standards in the Supportive Housing Standards – High Priority Homeless or People with Disabilities section. The owner must establish and implement policy and procedures to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.
    ~~c. Rent levels must be underwritten to the Supportive Housing Units underwriting standards outlined in the Multifamily Underwriting Standards if no rent assistance is available.~~
    d. Service Agreement: The property owner must have an agreement with the county or tribal human services office ~~OR a designated service provider~~ specifying:
        i. How they will provide outreach to the target population
        ii. How eligible applicants will be referred to the property management agent
        iii. That verification of applicant disability will be provided to the owner
        iv. The types of services appropriate to the population that will be made available with the goal of housing stability
        v. Service funding sources
        vi. How services will be provided to tenants
        vii. How the service entity will communicate and coordinate with property management
        viii. Plans for crisis intervention, eviction prevention and lease mitigation
    e. Units for individuals with disabilities must be provided in an integrated setting.

2. Serves Lowest Income for Long Durations (2 to 48 points)

A. Serves Lowest Income Tenants/Rent Reduction (8 to 13 points):

1. Eligibility is based on gross rent level, including utilities before rental assistance. Eligible units must have rents affordable to households whose incomes do not exceed 50% of MTSP income limits as published by HUD without rental assistance for a period of 10 years.

   ~~In addition to the elected income limit of 50% or 60% MTSP for the full term of the declaration (refer to the Minimum Set-Aside) the,~~ The applicant agrees to maintain the deeper rent structuring for which selection points are requested.

This selection will restrict rents only (tenant incomes will not be restricted to the 50% or 30% income level by claiming ~~points in~~ this section).

a. ☐ 100% of the restricted unit rents affordable to households with incomes at the county 50% HUD MTSP income limit **(13 points)**

Number of units _____

b. ☐ At least 50% of the restricted unit rents affordable to households with incomes at the county 50% HUD MTSP income limit **(8 points)**

Number of units _____

NOTE: Serves Lowest Income and Rental Assistance selection criteria cannot be claimed for the same units.

Minnesota Housing will incorporate these restrictions into the Declaration of Land Use Restrictive Covenants and Minnesota Housing loan documents. The applicant must demonstrate, to the sole satisfaction of Minnesota Housing, that the property can achieve these reduced rents and remain financially feasible [IRC § 42(m)(2)]. ~~Points are~~ Contingent upon financial plans demonstrating feasibility, positive cash flow on a 15-year pro forma and gaining Minnesota Housing management approval (for management, operational expenses, and cash flow assumptions).

IMPORTANT

All 50% rent restricted units must meet rents affordable at the 50% MTSP income for a minimum of 10 years after the last placed in service date for any building in the property or loan closing. After the 10 year period has expired, rent may be increased to the 60% MTSP rent limit over a three year period, with increases not to exceed the amount listed in the table below, provided that a more restrictive threshold, selection priority or funding requirements do not apply.

YEAR	30% of 50% Rent Levels
1-10	30% of 50%
11	30% of 53%
12	30% of 57%
13	30% of 60%

B. Rental Assistance (2 to 26 points):

1. Priority is given to an owner who submits with the application a **fully executed binding commitment** (i.e., binding Resolution/binding Letter of Approval from the governing body) for project-based rental assistance awarded in accordance with 24 CFR Ch. IX, Section 983.51 or which is effectively project-based by written contract. For the purposes of this category, project-based rental assistance is defined as a project-specific funding stream that supports the operations of the property, reduces the tenant rent burden, and provides for the tenant paid portion of rent to be no greater than 30% of household income.

- New or transferred federal rental assistance contracts that were executed within the past 15 years are eligible. This includes transfers of existing Section 8 contracts under the 8bb notice to new construction projects or existing developments that currently have no Existing Federal Assistance.
- Site-based Housing Support[5] and awards of project-based McKinney Vento Continuum of Care funding, will be considered project-based rental assistance.
- Privately funded rental assistance must demonstrate a commitment of a minimum of four years. Documentation must also contain language regarding the possibility of future renewals.
- A current request for Minnesota Housing Rental Assistance is not eligible to claim this category. A past award of existing Rental Assistance will be counted toward meeting the required percentages.

For developments that agree to set aside units and have the required binding commitment for the associated percentage of units with project based rental assistance units as follows. Select one option from a.- f. and, if applicable, select g.

a. ☐ 100% of the total units for project-based rental assistance **(15 points)**
Number of units _____

b. ☐ Between 51.1% to 99.9% of the total units **(12 points)**
Number of units _____

c. ☐ 20.1% but under to 51% of the total units **(9 points)**
Number of units _____

d. ☐ 10.1% to 20% of the total units, with a minimum of four units **(6 points)**
Number of units _____

e. ☐ 5% to 10% of the total units, with a minimum of four units **(3 points)**
Number of units _____

f. ☐ Less than 5% of units, ~~but no fewer than 4 units~~with a minimum of four units **(2 points)**
Number of units _____

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g. ☐ For selection components a-f above, if, in addition, the development agrees to provide the project-based rental assistance for a **minimum 10 years** after the last placed in service date for any building in the property or loan closing. The owner must continue renewals of existing project-based housing subsidy payment contract(s). Applicant agrees

[5] Formerly known as Group Residential Housing.

that rents will remain at affordable at 50% MTSP income limits for a 10 year period if the rental assistance is not available for the full period[6]. **(4 points)**

2. Projects that are eligible under B. 1. a - f above and ~~that~~ have rental assistance (as described above), that agree to further restrict units to households whose incomes do not exceed 30% of MTSP income limit for a 10 year period**. Rental Assistance Commitment documentation should indicate that deeper income restrictions on project based units is allowable.**[7]Select one:

   a. ☐ 75.1% to 100% of the total units **(7 points)**
   ~~5% to 15%, but no fewer than four units **(3 points)**~~
   Number of units _____

   b. ☐ 50.1% to 75% of the total units **(6 points)**
   Number of units _____

   c. ☐ 25.1% to 50% of the total units **(5 points)**
   Number of units _____

   d. ☐ 15.1% to 25% of the total units **(4 points)**
   Number of units _____

   ~~☐ 25.1% to 50% of units **(5 points)**~~
   ~~Number of units _____~~

   ~~☐ 50.1% to 75% of units **(6 points)**~~
   ~~Number of units _____~~

   e. ☐ 5% to 15%, of the total units but no fewer than four units **(3 points)**~~**75.1% to 10% of units (7 points)**~~
   Number of units _____

NOTE: Rental Assistance and Serves Lowest-Income Tenants/Rent Reduction selection criteria cannot be claimed for the same units.

NOTE: Rental Assistance selection criterion cannot be claimed if the development qualifies for or is claiming Existing Federal Assistance under the Preservation criterion. Rental assistance under the

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[6] **Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion for Continued Renewal Rental Assisted unit "CRRA Units".** Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents and deferred loan documents recorded with the property.

[7] **Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion for Further Restricted Rental Assisted units "FRRA Units."** Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents and deferred loan documents recorded with the property.

Rental Assistance Demonstration Program (components I or II) or the Public Housing Program are also not eligible.

To claim the criterion, the applicant must comply with all program requirements for the assistance at application, including maintaining rents within the appropriate payment standard for the project area in which the project is located for the full compliance and extended use period of the housing tax credits.

Rent for assisted units must be at or below Fair Market Rents (or appropriate payment standard for the project area). ~~Receiving these points~~Eligibility and agreeing to a minimum number of assisted units does not release owners from their obligations under the Minnesota Human Rights Act and Section 42 prohibiting refusal to lease to the holder of a voucher of eligibility under Section 8 of the United States Housing Act of 1937 because of the status of the prospective tenant as such a holder.

C. Long Term Affordability (8 to 9 points):

Application for 9% Tax Credits

1. The owner agrees to extend long term affordability of the project by increasing the term of the declaration and Section 42 income and rental restrictions must apply for the period indicated below beginning with the first day of the compliance period in which the building is a part of a qualified low-income housing project. The owner also agrees that the Qualified Contract provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project~~, and the owner also agrees the Section 42 income and rental restrictions must apply for the period indicated below beginning with the first day of the compliance period in which the building is a part of a qualified low-income housing project.~~ Select one:

   a. ☐ Extend the term of declaration and waive the right to Qualified Contract ~~Extend the long-term affordability of the project and maintain the duration of low-income use~~ for a minimum of 40 years**. (9 points)**

   b. ☐ Extend the term of the declaration and waive the right to Qualified Contract ~~long-term affordability of the project and maintain the duration of low-income use~~for a minimum of 35 years. **(8 points)**

3. Areas of Opportunity (1 to 28 points)

A. Economic Integration (2 to 9 points):

1. Projects that meet the requirements under economic integration include (select one):

   a. ☐ Provides the project economic integration by providing at least 25% but not greater than 80% of the total units in the project as qualified HTC assisted low-income units (does not include full-time manager or other common space units) **(2 points)**

Number of units _____

b. Promotes economic integration for projects that are located in higher income communities that are outside of Rural/Tribal Designated Areas. First and second tier economic integration areas are outside of racially and ethnically concentrated areas of poverty.

i. ☐ **First Tier -** The proposed housing is located in a first tier census tract **(9 points)**

ii. ☐ **Second Tier -** The proposed housing is located in a second tier census tract **(7 points)**

EXCEL HELP TEXT:
Select Economic Integration under Strategic Priority Threshold to enable the checkboxes for First and Second Tier.

The following resources on Minnesota Housing's website may be used to determine if the proposed housing is located in areas that meet the requirements under Economic Integration:
Economic integration area maps and census tract listing: **[insert link]**
Rural/Tribal Designated areas maps and census tract listing: **[insert link]**

Economic integration and Rural/Tribal Designation Area map overlays in the community profiles interactive mapping tool: **[insert link]**

B. Access to Higher Performing Schools (4 points):

1. Projects serving families in locations that will provide access to higher performing schools must have at least 25% of total assisted units, with a minimum of 15 units, contain two or more bedrooms, and the owner agrees to market the units to families with minor children.

a. ☐ The proposed housing will serve families and is located in an area considered to have Access to Higher Performing Schools **(4 points)**

Enter number of units to be marketed to families with minor children:
2 Bedrooms: _____
3 Bedrooms: _____
4 Bedrooms: _____

Access to Higher Performing Schools area maps: **[insert link]**

Access to Higher Performing Schools Area map overlays in the community profiles interactive mapping tool: **[insert link]**

C. Workforce Housing Communities (3 to 6 points):

1. Projects located in or near a city or township needing workforce housing (communities having a large number of jobs or job growth, individual employer growth, or having a large share of their workforce commuting long distances). Select one:

   a. ☐ The proposed housing is in a Top Job Center or Net Five Year Job Growth Community **(6 points)**

   b. ☐ The proposed housing is in an Individual Employer Growth community where an individual employer has added at least 100 net jobs (for permanent employees of the company) during the previous five years, as evidenced by documentation signed by an authorized representative of the company, subject to validation by Minnesota Housing **(6 points)**

   c. ☐ The proposed housing is in a Long Commute Community **(3 points)**

In the metropolitan area, project locations must be within five miles of a workforce housing city or township. In Greater Minnesota, project locations must be within ten miles of a workforce housing city or township.

Top Job Centers, Net Five Year Job Growth communities, and Long Commute communities lists and maps: **[insert link]**

Proximity to workforce housing in the community profiles interactive mapping tool: **[insert link]**

D. Location Efficiency (1 to 9 points):

1. For Projects in the **Twin Cities metropolitan area**, indicate whether the project will promote location efficiency based on access to transit and walkability.

   a. Access to Transit: To claim access to transit in the Twin Cities metropolitan area, a project must be (select one):

      i. ☐ Located within one half mile of a planned[8] or existing LRT, BRT, or commuter rail station **(7 points)**;

      ii. ☐ Located within one quarter mile of a fixed route stop on Metro Transit's Hi-Frequency Network **(4 points)**

      iii. ☐ Located within one quarter mile of a high service[9] public transportation fixed route stop **(2 points)**;

[8] Includes planned stations on future transitways that are in advance design or under construction that meet the following criteria: issuance of a draft EIS, station area planning underway, and adoption by the Metropolitan Council Transportation Policy Plan. Transitways entering into advance design after publication will be eligible, but data may not be available using Minnesota Housing scoring tools.

[9] High service fixed route stop is defined as those serviced from 6 am to 7 pm and with service approximately every half hour during that time.

iv. ☐ Located within one half mile of an express bus route stop **(2 points)**

v. ☐ Located within one half mile of a park and ride facility **(2 points)**

b. Walkability: To claim walkability in the Twin Cities metropolitan area, a project must meet the Access to Transit criterion described above, and be (select one):

i. ☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com **(2 points)**

ii. ☐ Located in an area with a Walk Score between 50 and 69 according to www.walkscore.com **(1 point)**

2. For projects in **Greater Minnesota**, choose from **urbanized areas** and **rural and small urban areas**. Urbanized areas, according to the U.S. Census are places with populations greater than 50,000, and are defined by the Minnesota Department of Transportation (MnDOT)[10] as areas in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato and St. Cloud. Rural and small urban areas are places with populations fewer than 50,000.

a. Urbanized Areas (population greater than 50,000)[11]:

i. Access to Transit: To claim access to transit, a project in Greater Minnesota must be (select one):

1. ☐ Located within one quarter mile of a planned [12]or existing public transportation fixed route stop **(7 points)**;

2. ☐ Located between one quarter mile and one half mile of a planned or existing public transportation fixed route stop **(4 points)**;

3. ☐ Located less than one half mile of an express bus route stop or park and ride lot **(4 points)**

ii. Walkability: To claim walkability, a project in Greater Minnesota must meet the Access to Transit criterion described above, and be (select one):

[10] Greater Minnesota Transit Investment Plan: http://www.dot.state.mn.us/transitinvestment

[11] Eligible areas are those in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead and St. Cloud. These are the seven MnDOT identified fixed route transit systems for Greater Minnesota.

[12] For a Greater Minnesota planned stop to be claimed, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop of route must be available M-F and provide service every 60 minutes for a minimum of 10 hours per day.

1. ☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com **(2 points)**;

2. ☐ Located in an area with a Walk Score between 50 and 69 according to www.walkscore.com **(1 point)**

b. Rural and Small Urban Areas (population fewer than 50,000). For rural and small urban areas, applicants may claim Location Efficiency by having access to route deviation service or demand response/dial-a-ride, and walkability. Route deviation service[13] is different from fixed route transit in that the vehicle may leave its predetermined route upon request by passengers to be picked up or returned to destinations near the route, after which the vehicle returns to the predetermined route. Passengers may call in advance for route deviations similar to that of demand response/dial-a-ride or access the service at designated route stops without advanced notice. Demand response usually involves curb-to-curb or door-to-door service with trips scheduled in advance (also known as "Dial-A-Ride").

i. Access to Transit: To claim access to transit, a project in Greater Minnesota must be (select one):

1. ☐ Located within one quarter mile of an existing or planned[14] designated stop that has service every 60 minutes OR served by demand response/dial-a-ride with no more than two hour advance notice. **(7 points)**

2. ☐ Located between one quarter mile and one half mile of an existing or planned designated stop that has service every 60 minutes OR served by demand response/dial-a-ride with prior day notice. **(4 points)**

3. ☐ The proposed housing has access to demand response/dial-a-ride service not meeting the scheduling terms above **(2 points)**

ii. Walkability: To claim walkability, a project in Greater Minnesota must meet the Access to Transit criteria described above, and be (select one):

1. ☐ Located in an area with a Walk Score of 50 or more according to www.walkscore.com **(2 points)**

2. ☐ Located in an area with a Walk Score between 35 – 49 according to www.walkscore.com **(1 point)**

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[13] Applicants can find providers by county or city on MnDOT's website, https://www.dot.state.mn.us/transit/riders/index.html, and the service type in MnDOT's annual transit report, http://www.dot.state.mn.us/govrel/reports/2017/transit.pdf

[14] For a Greater Minnesota planned stop to claimed, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop of route must be available M-F and provide service every 60 minutes for a minimum of 10 hours per day.

At the time of application, the applicant must submit a map identifying the location of the project with exact distances to the eligible public transit station/stop and include a copy of the route, span and frequency of service.

Access to transportation maps and census tract listings are found on Minnesota Housing's website: **[insert link]**

Community profiles interactive mapping tool: **[insert link]**

4. Supporting Community and Economic Development (1 to 18 points)

A. ~~Planned Community Development~~ Community Development Initiative (3 points):

1. ☐ ~~Project contributes to active implementation of Planned Community Development efforts, as defined in section 6.A of the HTC Program Procedural Manual, to address locally identified needs and priorities, in which local stakeholders are actively engaged. Comprehensive plans, land use plans and general neighborhood planning documents are not by themselves considered evidence of Planned Community Development. **(3 points)**~~
2.
3. ~~A qualifying plan or initiative can be created and approved by a wide variety of public and private local community development partners such as cities, counties, private foundations and public housing authorities. Plans local entities are required to produce, such as comprehensive and consolidated plans, are not by themselves considered evidence of Planned Community Development.~~
4.
5. ~~To be considered for Planned Community Development, an applicant must provide a narrative and backup documentation. The narrative must address the items below and include page numbers to direct where information is located in the backup documentation:~~
6.
7. ~~A list of various local stakeholders involved and their role.~~
8. ~~The milestones or steps that have been completed, underway and planned. Include dates and stakeholders involved.~~
9. ~~Key investments, in-kind or other financial commitments that have been made, or are pending, and are critical for implementation. Include dates for these commitments.~~
10. ~~Affordable housing as a key strategy.~~
11. ~~The Targeted Geographic area.~~

Project contributes to active implementation of a Community Development Initiative to address locally identified needs and priorities, with active engagement by local stakeholders. The initiative can be created by, and involve engagement from, a wide variety of public and private local community development partners such as cities, counties, employers, private foundations, public housing authorities, or other community stakeholders. The plan must contain more components than the project itself. Documentation must be provided that addresses four requirements for the Community Development Initiative:

a. Targeted Geographic Area and Map
b. Current implementation plan with goals or outcomes specific to the need identified by the initiative

c. Affordable housing as a key strategy of the initiative
d. A list of stakeholders, including their role in active implementation of the initiative

If a project is located in a Qualified Census Tract (QCT), in order to be eligible for these points, the application must provide additional evidence that demonstrates a strategy for obtaining commitments of public and/or private investment in non-housing efforts to demonstrate that the project contributes to a concerted community revitalization plan.

Applicants must complete the Community Initiative Narrative and submit documentation demonstrating how the initiative meets the requirements outlined below. Documents can include plans, charters or other evidence demonstrating active implementation of the Community Development Initiative. Note that comprehensive and land use plans are not by themselves considered evidence of a Community Development Initiative.

REQUIRED	DECSRIPTION OF REQUIREMENT	REQUIRED DOCUMENTATION
1. Targeted Geographic Area + Map	A Targeted Geographic Area and map of the area. The Targeted Geographic Area boundaries must be larger than the proposed rental project site, yet within a measurable impact area. For larger geographic areas, the Targeted Area must be small enough that one municipality or county (or a small conglomerate of municipalities or counties) can exercise jurisdiction over it.	Yes
2. Current implementation plan with goals or outcomes specific to the need identified by the initiative	Include milestones or steps of the plan that have been: 1. Completed 2. Underway 3. Planned	Yes
3. Affordable housing as a key strategy	Affordable housing is identified as a key strategy of the initiative.	Yes
4. Stakeholder List and Role	Provide a list of local stakeholders involved and a description of their role in the active implementation of the initiative.	Yes
REQUIRED FOR PROJECTS IN A QCT		
1. Public or Private Investment (non-housing)	Demonstrated strategy for obtaining commitments of public or private investment (or both) in non-housing infrastructure, amenities, or services that could include, but is not limited to: • Commercial/retail development • Economic development • Education-related initiatives/development • Environmental clean-up • Public works/infrastructure • Parks, green space and recreation • Transit-oriented development or transit	Required if the project is in a QCT

	initiatives	

EXCEL HELP TEXT:
Select ~~Planned Community Development~~ Community Development Initiative under Strategic Priorities to enable checkboxes for ~~Planned Community Development.~~ Community Development Initiative.

B. Eventual Tenant Ownership (1 point):

1. ☐ Projects with detached single-family units are eligible for homeowner conversion. The project owner must submit a preliminary conversion plan with their application that is consistent with the requirements of the Eventual Tenant Ownership (ETO) Guide. The plan must address the transfer of 100% of the HTC unit ownership after the end of the 15-year compliance period from the initial ownership entity (or Minnesota Housing approved "Transfer of Ownership" entity) of the project to tenant ownership. **(1 point)**

   The unit purchase price at time of sale must be affordable to buyers with incomes meeting HTC eligibility requirements. To be eligible, the buyer must have an HTC qualifying income at the time of initial occupancy (HTC rental tenant). The final conversion plan, to be submitted by the 15th year of initial compliance, must incorporate an ownership exit strategy, a third party Property Capital Needs Assessment report and budget for capital improvements, and services including homeownership education and training. A final conversion plan complying with all of the requirements of the ETO Guide must be submitted to, and approved by, Minnesota Housing prior to commencing the conversion.

   The Declaration of Land Use Restrictive Covenants will contain provisions ensuring compliance with these Eventual Tenant Ownership commitments by the owner, including a right of first refusal allowing tenants to purchase their units. (Refer to the Eventual Tenant Ownership (ETO) Guide and also to Chapter 3W of the HTC Program Procedural Manual for additional information.)

NOTE: Until the time the HTC units are purchased by qualified tenants or in the event that not all HTC units are acquired by qualified tenants, the owner will extend the duration of low-income use for the full extended use period.

C. Rural/Tribal (10 points):

Projects located in Rural/Tribal Designated Areas outside of the Twin Cities seven-county metropolitan area.

1. ☐ The proposed housing is located in a census tract eligible as a Rural/Tribal Designate Area outside of the Twin Cities seven-county metropolitan area. **(10 points)**

Rural/Tribal Designated Area maps and census tract listing: **[insert link]**

Rural/Tribal Designation Area map overlays in the community profiles interactive mapping tool: **[insert link]**

D. QCT/Community Revitalization and Tribal Equivalent Areas (1 point):

1. ☐ The proposed housing is located in a QCT Community Revitalization Area or a Tribal Equivalent Area **(1 point)**

   To be eligible for the QCT/Community Revitalization criterion, the project must be located in a Qualified Census Tract (See Qualified Census Tract – Reference Materials Index) and be part of a concerted plan that provides for community revitalization consistent with the definition described in the ~~Planned Community Development~~ Community Development Initiative selection criterion.

To be eligible for the Tribal Equivalent Areas criterion, the project must be located in one of the Tribal Equivalent Areas: **[insert link]**

Find these areas in the community profiles interactive mapping tool: **[insert link]**

E. Minority-owned/Women-owned Business Enterprise (MBE/WBE) (3 points):

1. ☐ The project sponsor, executive director of a non-profit, general contractor, architect, or management agent is a MBE/WBE[15], as certified by the owner. **(3 points)**

5. Preservation (5 to 30 points)

IMPORTANT NOTE: DUAL APPLICATION and PRE-APPLICATION REQUIRED.
Applicants **must submit a dual application**, as defined in the Multifamily RFP Guide, if the development contains 40 units or more.

Applicant **must provide the required Pre-Application 30 days prior to the application deadline for HTC Round 1 or Round 2**, as detailed in the Multifamily Customer Portal. ~~as detailed in the HTC Program Procedural Manual Section 6.A.~~ Failure to submit all required pre-application materials will result in rejection of the pre-application. Provide Minnesota Housing's "Preliminary Determination of Preservation Eligibility" letter with the application which should be consistent with threshold and items claimed below.

A. Thresholds: Applicants seeking Preservation ~~points~~ should read the descriptions and then select one of the following three Thresholds:

1. ☐ Risk of Loss Due to Market Conversion

[15] A MBE/WBE is a tribe or tribally-designated housing entity, or another entity which is at least 51% owned by one or more minority persons or women, and whose management and daily business operations are controlled by one or more minority persons or women who own it.

a. Expiration of contract/use-restrictions
   i. Existing property at risk of conversion to market rate housing within five years of application date, and conversion is not prohibited by existing financing or use restrictions; OR
   ii. Existing tax credit developments eligible to exercise their option to file for a Qualified Contract, and have not previously exercised their option; AND
b. Market for conversion evidenced by low physical vacancy rate (4% or lower) for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing's discretion); AND
c. Market for conversion evidenced by one or more of the following:
   i. An appraisal commissioned by Minnesota Housing within a year of the application date where the as-is unrestricted value is equal to or greater than the as-is restricted value; OR
   ii. For properties with Section 8 contracts, a Rent Comparability Study acceptable to Minnesota Housing staff and reviewers which was completed within a year of the application date that shows current rents are below comparable market rents; OR A market study ~~commissioned~~ approved by Minnesota Housing completed within a year of the application date that shows current rents are below comparable market rents and that the property has comparable location, amenities and condition to convert to market rate; AND
d. Fifteen (15) or more years have passed since the award of the existing federal assistance and the tax credit placed in service date (if applicable) for projects claiming ~~points under~~ Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming ~~points under~~ Critical Affordable Units.

NOTE: Minnesota Housing, at its sole discretion, must agree that a market exists for a conversion to market rate housing.

2. ☐ Risk of Loss Due to Critical Physical Needs

a. Fifteen (15) or more years have passed since the award of the Existing Federal Assistance and the tax credit placed in service date (if applicable) for projects claiming ~~points under~~ Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming ~~points under~~ Critical Affordable Units; AND
b. Critical physical needs identified by third party assessment to support the following conclusions:
   i. Repair/replacement of major physical plant components have been identified that will result in 15+ years sustained operations; AND
   ii. Identified scope of critical physical needs exceeds the available reserves by at least $5,000 per unit, as evidenced by the Three Year Critical Needs Model;

NOTE: Minnesota Housing will conduct an inspection of the development and must agree with applicant on scope of work, severity levels and cost estimates.

3. ☐ Risk of Loss Due to Ownership Capacity/Program Commitment

a. Fifteen (15) or more years have passed since the award of the Existing Federal Assistance and the tax credit placed in service date (if applicable) for projects ~~claiming points~~ under Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects ~~claiming points~~ under Critical Affordable Units; AND
b. One of four conditions exist:
   i. Existing conditions created by the current owner such as bankruptcy, insolvency, default, foreclosure action, unpaid taxes and assessments, on-going lack of compliance with lenders or terms of federal assistance, or self-determination by non-profit board are severe enough to put the property at significant risk of not remaining decent, safe and affordable. Ownership must be transferred to an unrelated party; OR
   ii. The property has been or will be acquired from an unrelated party within three years of the application date after being offered for sale on the open market after an opt-out notice for the HAP contract had been submitted to Minnesota Housing; OR
   iii. The property has been or will be acquired from an unrelated party within 3 years of the application date as a result of a PARIF Right of First Refusal being exercised; OR
   iv. The acquisition of a property with USDA Rural Development rental assistance has occurred or will occur when the current or previous owner intends or intended to allow the existing USDA Rural Development mortgage to mature, and has turned down offers from USDA Rural Development to reamortize the mortgage. Must apply within five years of maturity date and within three years of acquisition.

NOTE: Minnesota Housing, at its sole discretion, must agree that a change in ownership is necessary for units to remain decent, safe or affordable.

EXCEL HELP TEXT
Select Preservation under Strategic Priorities to enable checkboxes for Preservation**.**
For projects meeting one of the three thresholds above, choose ~~points under~~ either Existing Federal Assistance or Critical Affordable Units at Risk of Loss below.

B. ~~Scoring~~ Criteria:

Existing Federal Assistance (5 to 30 points):
Definition: Any housing receiving project-based rental assistance or operating subsidies under a U.S. Department of Housing and Urban Development (HUD), U.S. Department of Agriculture Rural Development (RD), NAHASDA or other program that is not scheduled to sunset or expire. Properties that have converted their type of federal rental assistance through the Rental Assistance Demonstration program, Component 2 (RAD 2) are eligible. Such assistance must have been committed to the property 15 years prior to the year of application.

Owner will continue renewals of existing project based housing subsidy payment contract(s) for as long as the assistance is available. Except for "good cause," the owner will not evict existing subsidized residents and must continue to renew leases for those residents. Developments with qualified Existing Federal Assistance and which have secured additional federal rental assistance

(including through an 8bb transfer) should count the total number of assisted units below. Such units are not eligible to be counted under Rental Assistance.

Select an option from either a. or b. below.

a. Existing Federally Assisted Units:

i. ☐ 100% of units are federally assisted **(30 points)**
Number of units _____

ii. ☐ 75.01% - 99.99% of units are federally assisted **(22 points)**
Number of units _____

iii. ☐ 50.01 - 75% of units are federally assisted **(15 points)**
Number of units _____

iv. ☐ 25.01% - 50% of units are federally assisted **(10 points)**
Number of units _____

v. ☐ Less than 25% of units are federally assisted **(5 points)**
Number of units _____

b. Partially assisted projects with Existing Federally Assisted Units in Economic Integration census tracts:

i. ☐ 75.01 - 99.99% of units are federally assisted **(30 points)**
Number of units _____

ii. ☐ 25.01 - 75% of units are federally assisted **(20 points)**
Number of units _____

iii. ☐ Less than 25% of units are federally assisted **(10 points)**
Number of units _____

OR

2. **Critical Affordable Units at Risk of Loss (6 points)**

a. ☐ Any housing with a current recorded deed restriction limiting rent or income restrictions at or below the greater of 80% of statewide median income or area median income. Includes existing public housing units, including converting through Rental Assistance Demonstration Program, Component 1 (RAD 1), tax credit units, Rural Development funded units without rental assistance and Existing Federal Assistance not described in paragraph 1. above (e.g., 202, 236) or other programs limiting income and rent restrictions as stated above.

AND

You must also claim and be eligible under Serves Lowest Income Tenants/Rent Reduction criterion. Unless the project is a RAD 1 conversion with 50% of more of the units covered by a section 8 rental assistance contract. **(6 points)**

EXCEL HELP TEXT:
Projects must select one of the three Risk of Loss thresholds above to activate options in Preservation Selection Priority.

6. Efficient Use of Scarce Resources and Leverage (0 to 38 points)

A. Financial Readiness to Proceed/Leveraged Funds (0 to 16 points):

1. Applicants who have secured funding commitments for one or more permanent funding sources at the time of application, except commitments for funding from Minnesota Housing and Funding Partners (i.e., Minnesota Department of Employment and Economic Development, Family Housing Fund, Greater Minnesota Housing Fund, Metropolitan Council Local Housing Incentive Account) are only included if obtained in a previous funding cycle/round.

   Calculate your total using the formula below, and then select the appropriate option. The calculation must exclude first mortgage financing and any anticipated proceeds from the current tax credit request.

   Total eligible funding secured, awarded or committed (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current tax credit request, and sales tax rebate[16]) **$_____divided by Total Development Cost** (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current tax credit request, and sales tax rebate) **$_____ equals Percentage of Funds Committed _____% (round to nearest tenth):**

   a. ☐ 70% or more of funding secured, awarded or committed[17] **(16 points)**

   b. ☐ 60% to 69.9% of funding secured, awarded or committed **(14 points)**

   c. ☐ 50% to 59.9% of funding secured, awarded or committed **(12 points)**

   d. ☐ 40% to 49.9% of funding secured, awarded or committed **(10 points)**

   e. ☐ 30% to 39.9% of funding secured, awarded or committed **(8 points)**

   f. ☐ 20% to 29.9% of funding secured, awarded or committed **(6 points)**

   g. ☐ 10% to 19.9% of funding secured, awarded or committed **(4 points)**

[16] Sales tax rebate, for the purpose of this scoring category, should be calculated as 40% of the construction contract amount multiplied by the local tax rate for the area where the project is located.
[17] Projects that have both a numerator and denominator equal to zero are eligible to claim 70 % or more of funding secured, awarded or committed.

h. ☐ 9.9% and below of funding secured, awarded or committed **(0 points)**

The documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval, or statement of agreement or eligibility. Commitment documentation must state the amount, terms and conditions and be executed or approved by the lender or contributor and the applicant. Documentation containing words synonymous with "consider" or "may," (as in "may award") regarding the commitment will not be acceptable.

Financial Readiness/Leverage Funding Commitments include:

- Syndication proceeds due to previously awarded tax credits: Syndication proceeds from tax credits awarded in a previous cycle/round may be included if verification is included in the application. Acceptable verification is an executed syndicator agreement or executed Letter of Intent from the syndicator that is acceptable to Minnesota Housing. The executed Letter of Intent must:
  - Be current within 15 days of submission of the application
  - Contain a projected closing date for the development
  - Contain a projected equity price for the purchase of the credit
  - Contain a detailed explanation of the assumptions being used by the syndicator to arrive at the projected equity price
- Monetary grants/donations
- Amortizing first mortgage incorporates tax abatement for properties with a first mortgage
- Tax Increment Financing (TIF): Provide satisfactory documentation that the contribution is committed to the development at the time of application, including a letter from the city and a city council resolution, indicating its intention to provide TIF assistance and the anticipated amount and term. The documentation should include the TIF analysis from the city or its consultant.
- Deferred loans with a minimum 30-year term with an interest rate at or below the Applicable Federal Rate (AFR)
- Grants from nonprofit charitable organizations converted to deferred loans with a minimum 30-year term that is with an interest rate at or below the AFR. Award letter from the nonprofit charitable organization contributor must be provided at the time of application verifying the contribution. Documentation must evidence that the contribution is restricted for housing development uses and the contribution must be included as a development source.
- Historic Tax Credits: In addition to the commitment documentation, at the time of application provide written documentation of eligibility through evidence of Historic Register listing or approval of Part 1—Evaluation of Significance.
- Funder commitments to modify existing debt including: ~~debt forgiveness~~; approval of assumption of debt and extension of loan term; commitments must contain no contingencies other than receipt of a tax credit award. At the time of application, written documentation from the funder justifying the amount and the terms of the contribution must be provided.
- Deferred developer fee: The applicant must provide the required commitment documentation and provide evidence of repayment within 10 years by the projected cash flow.

B. Other Contributions (0 to 10 points):

1. For projects that receive contributions referenced below from the federal government; a local unit of government; an area employer; and/or a private philanthropic, religious or charitable

organization. Calculate your total using the formula below, and then select the appropriate option.

Identity of Interest exclusion: Contributions from any part of the ownership entity will be considered general partner cash and excluded from the calculation unless the contributions are awarded by 1) nonprofit charitable organizations pursuant to a funding competition; 2) local units of government; or 3) tribal governments or tribally designated housing entities.

Total "Other" non-funding contributions from federal/local/philanthropic sources $_____ divided by Total Development Cost $_____ equals (rounded to the nearest tenth):

a. ☐ 20.1% and above **(10 points)**

b. ☐ 15.1 to 20% **(8 points)**

c. ☐ 10.1 to 15% **(6 points)**

d. ☐ 5.1 to 10% **(4 points)**

e. ☐ 2.1 to 5% **(2 points)**

f. ☐ 0 to 2 % **(0 points)**

At the time of application, written documentation from the contributor justifying the amount and the terms of the contribution must be provided and be consistent with current market comparable costs. The documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval, statement of agreement or eligibility, or memorandum of understanding.

The documentation must state the amount, terms and conditions and must be executed or approved, at a minimum, by the contributor. Documentation containing words synonymous with "consider" or "may" (as in "may award") regarding the contribution will not be acceptable. Lack of acceptable documentation will result in the reevaluation and adjustment of the tax credits or RFP award, up to and including the total recapture of tax credits or RFP funds.

Other Contributions include:

- Land donation or city write-down of the development site
- In-kind work and materials donated at no cost
- Local government donation/waiver of project specific costs, assessments or fees (e.g., SAC/WAC)
- Reservation land not subject to local property taxes calculate net present value (NPV) by using NPV discounted by applicable federal rate (AFR) for the term of the LURA)
- Reservation land with long-term low cost leases
- Funder commitments to modify existing debt including: debt forgiveness; forgiveness of interest payable; reduction in interest rate (measured as amount of interest saved over term of loan). Commitments must contain no contingencies other than receipt of a tax credit award. At the time of application, written documentation from the funder justifying the amount and the terms of the contribution must be provided.

C. Intermediary Costs (0 to 6 points):

1. Intermediary costs are third-party service costs related to the project development. Excluded costs are Surveys, Soil Borings, Payment and Performance Bond Premium, Sewer-Water Access Charge, Furnishing and Equipment, and Hazard and Liability Insurance.

   Projects with the lowest intermediary costs on a sliding scale based on percentage of total development costs. For selected projects, this percentage will be enforced at the time of closing for deferred loans or at issuance of the IRS Form 8609 for HTC developments. Calculate your total using the formula below, and then select the appropriate option.

   Intermediary cost amount $_____ divided by Total Development Costs $_____ Equals Intermediary Percentage _____% (rounded to the nearest tenth):

   a. ☐ 0.0 to 15% **(6 points)**

   b. ☐ 15.1 to 20% **(3 points)**

   c. ☐ 20.1 to 25% **(2 points)**

   d. ☐ 25.1 to 30% **(1 point)**

   e. ☐ 30.1% and over **(0 points)**

D. Cost Containment (6 points):

1. ☐ 50% of developments with the lowest costs within each development type/location group will receive ~~points~~ priority (subject to the methodology described in Cost Containment Methodology.

   Applicants may claim ~~these points~~ this criterion and Minnesota Housing will ~~make point reductions following its~~review ~~of~~costs for all applications to confirm eligibility in the funding round. **(6 points)**

   A different process occurs for the second round of 9% tax credit selections. For each of the four competition groups, the cost per unit of the proposal at the 50th percentile in Round 1 will determine the cut-off point or threshold for receiving points in Round 2.

NOTE: Proposals that believe they have contained their costs should select this criterion ~~these points.~~ Only proposals that claim cost containment ~~points on the Self-Scoring Worksheet~~ and are ~~awarded points~~ awarded through the process described above will ~~receive~~be eligible for cost containment~~points~~.

CAUTION: If a project receives points under this criterion, failure to keep project costs under the applicable cost threshold will be considered an unacceptable practice and will result in negative four points being awarded in all of the applicant's tax credit submissions in the next funding round in which submissions are made. The penalty will be assessed to an application submitted to the same

funding round (Competitive or 4% Only) for which the points were initially awarded. If developers are concerned about their costs and keeping them within the "applicable cost threshold," they should not claim the cost-containment points.

Cost Containment Methodology: **[insert link]**

7. Building Characteristics (1 to 4 points)

A. Universal Design (3 points):

1. A unit that includes all Minimum Essential Universal Design Features below, along with eight Optional Features for units in a new construction or adaptive re-use project, and four Optional Features for units in a rehabilitation project. Type A accessible units (as referenced in Minnesota Housing's Rental Housing Design and Construction Standards) also meet the definition of a Universal Design unit.

   Select one:

   a. ☐ An elevator building with 100% of assisted units meeting the definition of a Universal Design Unit **(3 points)**; **OR**

   Number of units _____

   b. ☐ A non-elevator building with at least 10% of assisted units meeting the definition of a Universal Design Unit **(3 points)**

   Number of units _____

Minimum Essential Universal Design Features:

- At least one bedroom or space that can be converted to a bedroom (without changing door locations for new construction or adaptive re-use) on an accessible level and connected to an accessible route, or efficiency units (without a bedroom) on an accessible level and connected to an accessible route
- 42" minimum hallways within a unit for new construction or adaptive re-use
- At least one three quarter bathroom on an accessible level with five foot open radius for new construction or adaptive re-use, and clear floor space of 30" x 48" for rehabilitation
- Lever handles on all doors and fixtures
- Provide wall blocking in all tub and shower areas for new construction or adaptive re-use, and for rehabilitation if showers are being replaced
- Door thresholds flush with the floor with maximum threshold height of ½" beveled or ¼"square edged
- Kitchen and laundry appliances have parallel approach clear floor space with all controls within maximum height of 48". Range controls must have lockout feature. Stackable laundry units with a maximum reach range of 54" will meet this requirement
- Kitchen sink area 30" wide minimum with cabinet panel concealing piping or a removable base cabinet

- All common spaces and amenities provided in the housing development located on an accessible route
- For new construction or adaptive re-use, deck or patio spaces have a step-less transition from dwelling unit meeting door threshold requirements, with decking gaps no greater than ¼"
- Universal Design features are incorporated in an aesthetic, marketable, non-institutional manner

Optional Features:

- High contrast finish selections that include floor to wall transitions, top treads of stairs, counters and adjacent flooring and walls
- Single lever, hands free or touch faucets
- At least 50% of kitchen storage space within reach range. This can include pull-out shelves, full extension glide drawers or pantry design
- A variety of work surface heights in kitchen and one five foot open radius
- Roll under vanity or sink in 25% of Universal Design qualifying units, rounded up to the nearest whole number
- Cabinet hardware with "D" type pull handles or operation for people with limited dexterity
- Zero threshold shower or transfer space at tub is provided for minimum of half the qualifying Universal Design units, rounded up to the nearest whole number
- Slip resistant flooring in kitchens and baths
- Toilets provided with seats 17"– 19" from the floor
- Windows are provided with maximum sill height of 36", parallel clear floor space and locks/operating mechanism within 48" and easily operable with one hand. Sidelight or view window at main entry door from a seated position
- Thermostats designed for visually impaired or ability to monitor and operate with electronic device such as a tablet computer
- Closet storage is adjustable in a majority of the closets provided
- Audio/visual doorbell
- Covered entry with adequate lighting and interior or exterior bench space for parcels or groceries
- Lettering and numbering with all characters and symbols contrasting with their background
- Parking spaces provided for at least 50% of Universal Design qualifying units, rounded up to the nearest whole number, with a five foot wide adjacent auxiliary space connected to accessible route
- Residential elevator or chair lift space structured for future use in multiple level homes
- Enterprise Green Communities Model Specifications are used for applicable sections for the Universal Design qualifying units
- On-site physical activity is provided for in a fitness area, biking or walking path or community garden
- Other modifications that make units livable for disabled populations, as demonstrated by credible evidence provided in the application, and at the sole discretion of Minnesota Housing

B. Smoke Free Buildings (1 point):

1. ☐ The projects will institute and maintain a written policy[18]* prohibiting smoking in all the units and all common areas within the building/s of the project. The project must include a non-smoking clause in the lease for every household. Projects awarded a point in this scoring criteria will be required to maintain the smoke-free policy for the term of the declaration. **(1 point)**

[18] The written policy must be submitted with the application and should include procedures regarding transitioning to smoke-free for existing residents and establishment of smoking areas outside of units and common areas if applicable. Consequences for violating the smoke-free policy are determined by the owner but must be included in the written policy.

8. Unacceptable Practices (-4 to -25 points)

Minnesota Housing will impose penalty points for unacceptable practices as identified in Chapter 2.G. of the HTC Program Procedural Manual.

Total Points

TOTAL DEVELOPER CLAIMED POINTS:

TOTAL MINNESOTA HOUSING AWARDED POINTS:

Signatures

Under penalty of perjury, owner hereby certifies the information provided herein is true and accurate.

Name of Owner:

By (Signature):

Of (Name of Legal Entity):

Its (Title) (Managing General Partner):

Print or Type Name of Signatory:

NOTE: During the competition process, Minnesota Housing's review of the submitted Self-Scoring Worksheet is only to validate that the points claimed are eligible, to reduce points claimed if not eligible, and to determine points awarded. Minnesota Housing will not award additional points that are not initially claimed by the applicant/owner. Many performance obligations are created by the claiming of certain scoring points. As such, Minnesota Housing will not assume the position of creating any such performance obligations on behalf of the applicant/owner. In addition, applications funded under the Joint Powers Agreement must also comply with the suballocators selection criteria defined in their Qualified Allocation Plan.

2020 QAP - Access to Higher Performing Schools Methodology

Access to higher performing schools is based on a development being located in an area that meets at least two out of three school performance assessments:

- Share of 3rd graders who are reading proficient (2016/2017 school year). The area's neighborhood elementary school needs to meet or exceed the statewide proficiency rate of 56.5%[1]
- Share of 8th graders who are math proficient (2016/2017 school year). The area's neighborhood middle school needs to meet or exceed the statewide proficiency rate of 58.0%[1]
- Share of high school students that graduate on time (2015/2016 school year*). The area's high neighborhood school needs to meet or exceed the statewide graduation rate of 82.17%[2]

Applicants will receive 4 points if the development is located in an area with access to higher performing schools. **The same regions eligible for economic integration points are also eligible for access to higher performing school points. This includes the 7-county Twin Cities metropolitan area and areas in and around Duluth, Rochester, and Saint Cloud.**

Each elementary school, middle school[3], and high school attendance boundary are assessed separately and then combined for a final score. If a school is equal to or greater than the statewide average, it meets that performance threshold for that measure. If at least two of the three measurements achieve the performance threshold, the area is eligible for points.

Access to higher performing schools is based on elementary school attendance boundaries.[4] Points for 8th grade math proficiency and high school graduation rate are assigned to the elementary school that feeds into those middle and high schools. Private, charter, and magnet schools are excluded from this analysis.

Minnesota Department of Education has not released 2016/2017 graduation rates. Minnesota Housing will update with 2015/2016 data upon its release.

This document includes maps of the areas eligible for points given their access to higher performing schools. Interactive tools will be made available for applicants to map project locations and determine the high-performing school points through the community profiles at www.mnhousing.gov > Policy & Research > Community Profiles.

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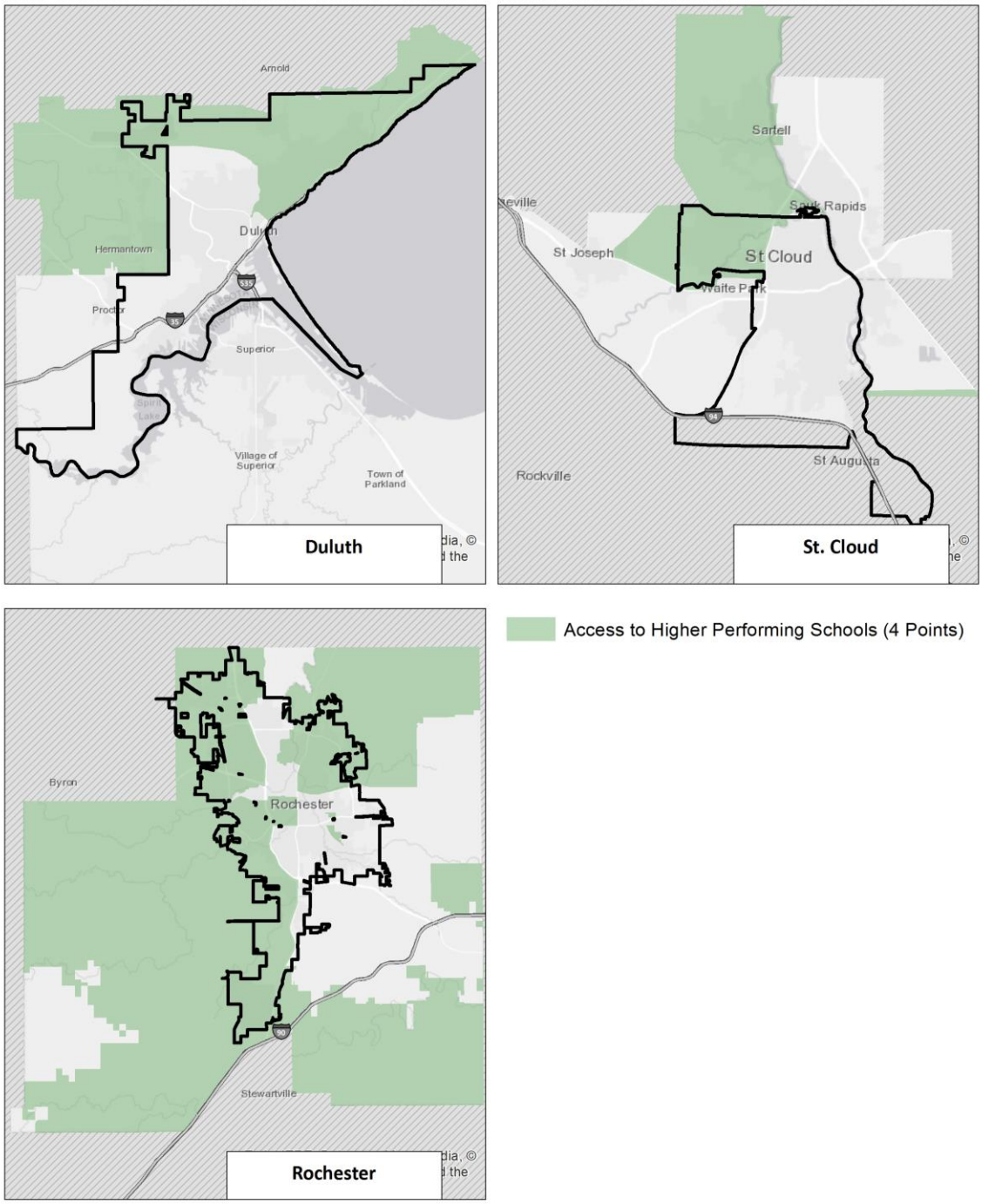
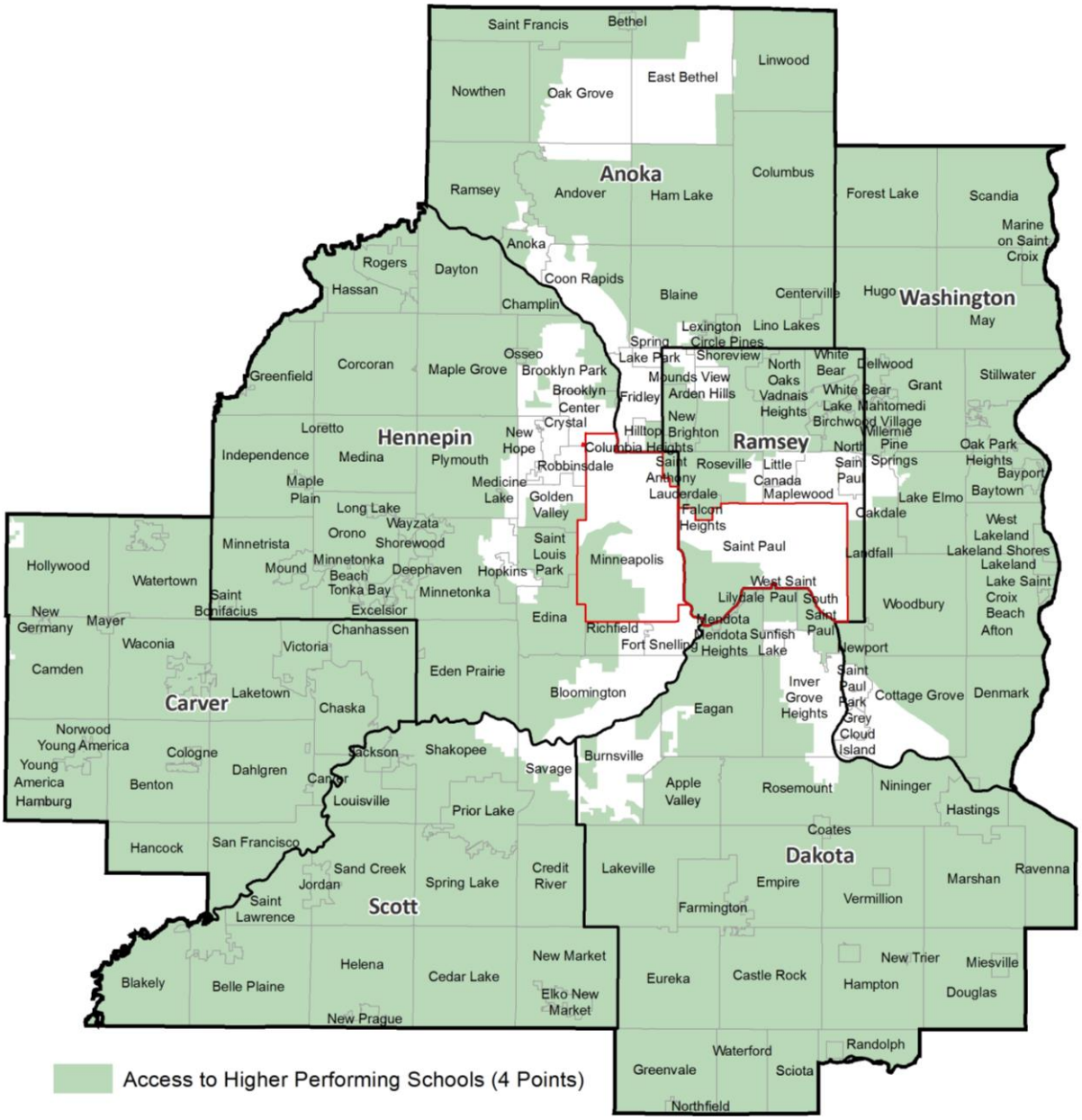
[1] Based on Minnesota Comprehensive Assessments (MCA) Series III test scores by school for 2016/2017 school year – 3rd and 8th grade proficiency. Data source: http://w20.education.state.mn.us/MDEAnalytics/Data.jsp.
[2] Based on 4-year graduation rates by school for 2015/2016 school year. Data source: http://w20.education.state.mn.us/MDEAnalytics/Data.jsp.
[3] If a middle school attendance boundary is not defined or a middle school does not exist, the high school attendance boundary is used.
[4] Data source Minnesota Department of Education via the Minnesota Geospatial Commons: https://gisdata.mn.gov/organization/us-mn-state-mde.

Areas outside the 7-county Twin Cities metropolitan area, Duluth, Rochester, and St. Cloud are not eligible for school performance or economic integration points, but they are eligible for 10 points under the Rural/Tribal Designated Areas.




Saint Francis
Bethel
Linwood
East Bethel
Nowthen
Oak Grove
Anoka
Columbus
Ramsey
Andover
Ham Lake
Forest Lake
Scandia
Marine on Saint Croix
Anoka
Rogers
Dayton
Coon Rapids
Hassan
Blaine
Centerville
Hugo
Washington
May
Champlin
Lexington
Lino Lakes
Spring Lake Park
Circle Pines
Shoreview
Osseo
Greenfield
Corcoran
Maple Grove
Brooklyn Park
Mounds View
North Oaks
White Bear
Dellwood
Stillwater
Brooklyn Center
Fridley
Arden Hills
Vadnais Heights
White Bear Lake
Grant
Mahtomedi
Birchwood Village
Crystal
New Brighton
Loretto
Hennepin
New Hope
Columbia Heights
Ramsey
Willernie
Pine Springs
Oak Park Heights
Independence
Medina
Plymouth
Robbinsdale
Saint Anthony
Roseville
Little Canada
North Saint Paul
Bayport
Maple Plain
Medicine Lake
Golden Valley
Lauderdale
Maplewood
Lake Elmo
Baytown
Long Lake
Falcon Heights
Oakdale
Wayzata
Orono
Shorewood
Saint Louis Park
West Lakeland
Minnetrista
Minneapolis
Saint Paul
Landfall
Lakeland Shores
Hollywood
Mound
Minnetonka Beach
Deephaven
Hopkins
Lakeland
Watertown
Tonka Bay
Minnetonka
West Saint Paul
Lake Saint Croix Beach
Saint Bonifacius
Lilydale
South Saint Paul
Woodbury
New Germany
Mayer
Excelsior
Edina
Mendota
Afton
Chanhassen
Richfield
Mendota Heights
Sunfish Lake
Waconia
Victoria
Fort Snelling
Newport
Camden
Eden Prairie
Saint Paul Park
Carver
Laketown
Bloomington
Inver Grove Heights
Cottage Grove
Denmark
Chaska
Eagan
Grey Cloud Island
Norwood Young America
Cologne
Jackson
Shakopee
Young America
Dahlgren
Savage
Burnsville
Hamburg
Benton
Carver
Apple Valley
Rosemount
Nininger
Louisville
Prior Lake
Hastings
Coates
Hancock
San Francisco
Dakota
Sand Creek
Credit River
Lakeville
Empire
Marshan
Ravenna
Jordan
Spring Lake
Vermillion
Saint Lawrence
Scott
Farmington
New Market
New Trier
Miesville
Helena
Cedar Lake
Blakely
Belle Plaine
Eureka
Castle Rock
Hampton
Douglas
Elko New Market
New Prague
Waterford
Randolph
Greenvale
Sciota
Northfield
Access to Higher Performing Schools (4 Points)

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2020 QAP - Community Economic Integration Methodology

Community economic integration is defined by Minnesota Housing in two tiers based on median family income.

Communities are eligible for these points in the 7-county Twin Cities metropolitan area and areas in and around Duluth, St. Cloud, and Rochester. For applicants to be awarded 7 or 9 points for community economic integration, the proposed housing needs to be located in a community (census tract) with the median family income meeting or exceeding the region's[1] 40th percentile for 7 points and 80th percentile for 9 points, based on data published in the American Community Survey (ACS) for 2016. For each region, the 40 percent of census tracts with the lowest incomes are excluded from receiving points.

This document includes maps of the census tracts that meet the two tiers of community economic integration as well as a list of census tracts by county for each tier. Maps 1 and 2 display the census tracts that meet these criteria, and the corresponding tables show the median incomes needed to achieve the thresholds by region. In the maps we have identified racially/ethnically-concentrated areas of poverty (R/ECAPs), which are a census-tract based concept developed by HUD[2]. As the maps show, R/ECAPs are not in areas eligible for economic integration points. Interactive tools will be made available for applicants and staff to map project locations and determine economic integration points through the community profiles at www.mnhousing.gov > Policy & Research > Community Profiles.

Areas outside the 7-county Twin Cities metropolitan area, Duluth, Rochester, and St. Cloud are not eligible for economic integration or school performance points, but they are eligible for 10 points under the Rural/Tribal Designated Areas.

First Tier Community Economic Integration – 9 Points
Meets or exceeds the 80th percentile of median family income for the region.

Second Tier Community Economic Integration – 7 Points
Meet or exceed the 40th percentile of median family income (but less than the 80th percentile) for the region.

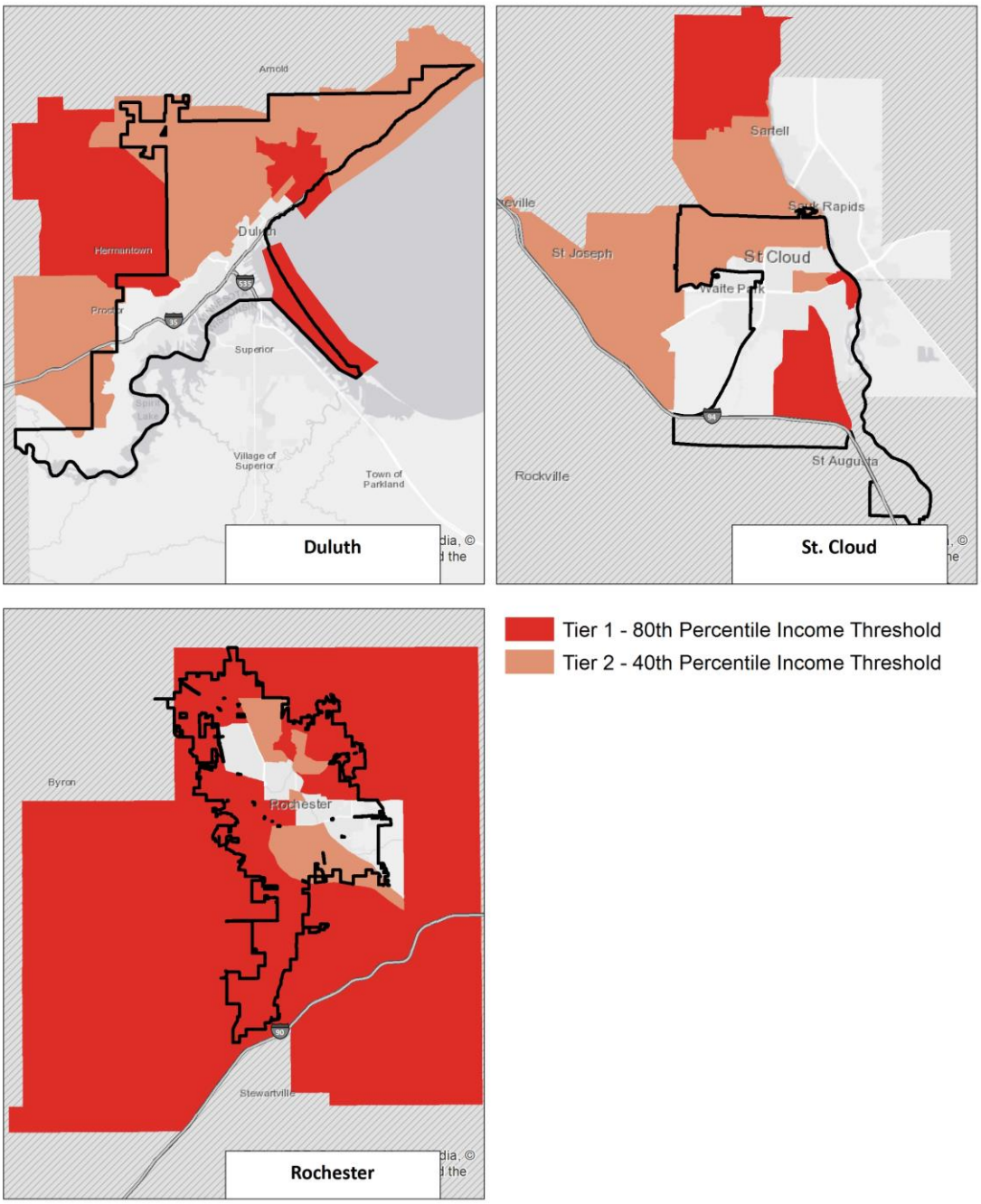
---

[1] For the purpose of assessing income by region, Minnesota Housing used three regional categories 1) Twin Cities 7 County Metropolitan Area, 2) Counties making up Greater Minnesota MSAs, including: Duluth, St. Cloud, Rochester and 3) Balance of Greater Minnesota. The purpose of the regional split is to acknowledge that incomes vary by region.
[2] R/ECAPs must have a non-white population of 50 percent or more and has a poverty rate that exceeds 40 percent or is three or more times the average tract poverty rate for the metropolitan/micropolitan area, whichever threshold is lower (http://egis.hud.opendata.arcgis.com/datasets/320b8ab5d0304daaa7f1b8c03ff01256_0).

Table 1 – Median Family Income Thresholds by Region.

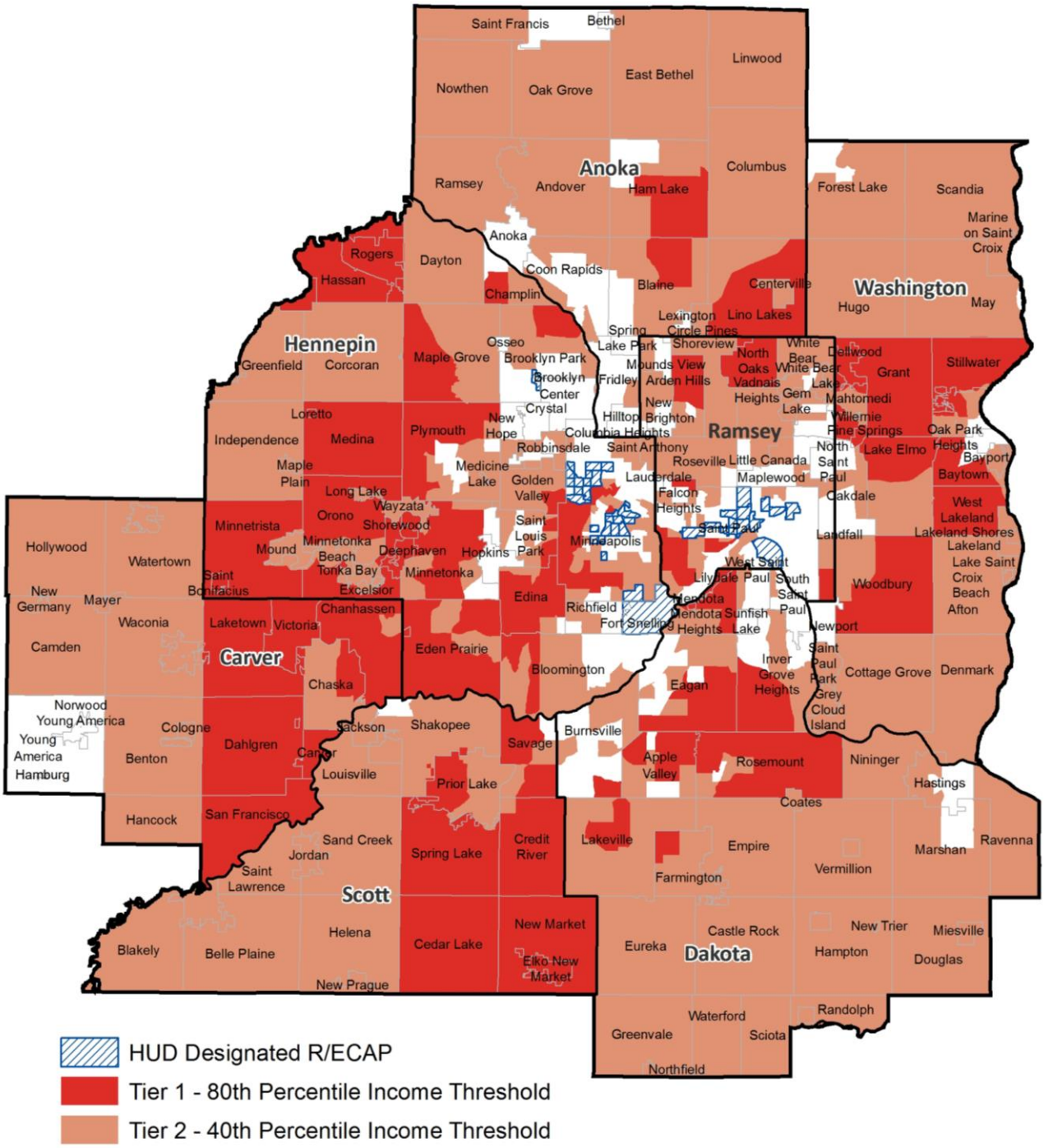
Community Economic Integration *(Twin Cities Metro on next page)*	Non Metro MSAs
Med Family Income / 40th percentile	$64,844
Med Family Income / 80th percentile	$84,250

MAP 1 – CENSUS TRACTS MEETING REGION'S 40TH AND 80TH PERCENTILE THRESHOLDS FOR MEDIAN INCOME (OUTSIDE OF RURAL/TRIBAL AREAS)



MAP 2 – TWIN CITIES 7 COUNTY METRO DETAIL - CENSUS TRACTS MEETING REGION'S 40TH AND 80TH PERCENTILE THRESHOLDS FOR MEDIAN INCOME

	Twin Cities 7 County Metro
Med Family Income / 40th percentile	$77,400
Med Family Income / 80th percentile	$115,872



Census Tract Listing by County for Economic Integration
(denotes tract achieves second tier)*

Anoka	
501.07	*
501.09	*
501.1	*
501.11	*
501.14	*
501.15	*
501.16	*
502.08	*
502.1	*
502.15	*
502.16	
502.17	*
502.18	*
502.19	*
502.2	*
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502.22	*
502.23	*
502.24	*
502.25	*
502.26	*
502.27	*
502.28	*
502.29	*
502.3	
502.32	*
502.33	*
502.34	*
502.36	
502.37	
506.05	*
506.09	*
507.07	*
507.09	*
507.11	*
508.05	*
508.06	*
508.13	*

508.16	*
508.18	
508.19	
508.2	*
508.21	*
509.02	*
512.03	*
516	*
Carver	
901	*
902	*
903.01	*
903.02	*
904.01	
904.02	
905.01	
905.02	
905.03	
906.01	*
906.02	
907.01	
907.02	
908	*
909	
910	*
911	
912.02	*
Dakota	
601.02	*
601.03	*
602.01	*
605.06	*
605.07	*
605.08	
605.09	*
606.03	
606.04	
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607.09	*
607.13	*
607.14	*
607.16	*
607.17	*
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608.06	
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609.04	*
609.05	*
609.06	

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610.07	*
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611.06	*
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614.02	*
615.01	*
615.02	*
Hennepin	
3	*
6.01	*
6.03	*
11	*
81	*
106	
107	
110	*
117.03	
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214	*
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215.05	*
216.01	*

216.02	*
217	*
218	
219	*
220	*
221.01	*
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223.01	*
228.01	
228.02	*
229.01	
229.02	
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235.01	*
235.02	
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258.03	*

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265.12	*
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266.11	*
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275.04	
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276.02	*
277	

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1111	*
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1113	
1114	
1115	
1116	
1226	*
1256	*
1261	*
1262	
Olmsted	
1	*
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9.02	*

9.03	
10	*
11	*
12.01	
12.02	
12.03	
13.01	
13.02	
14.02	
15.01	*
15.02	*
15.03	
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16.02	
16.03	
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17.02	*
17.03	
22	
23	
Ramsey	
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303	*
306.02	*
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323	*
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342.02	*
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802.05	
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807	*
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809.05	*
809.06	*
810	
811	
812	*
813	*
St. Louis	
1	*
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9	*
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23	*
101	*
102	*
103	

157	
Stearns	
4.02	
6.02	*
9.01	*
10.01	*
101.01	
101.02	*
113.01	*
116	
Washington	
701.05	*
701.06	*
702.03	*
702.04	*
702.05	*
702.06	*
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703.04	*
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714	*

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2020 QAP - Cost Containment Methodology

Background

Cost containment points are awarded to the 50% of proposals with the lowest total development costs (TDC) per unit in each of the following four groups:

1. New Construction – Metro
2. New Construction – Greater MN
3. Rehabilitation – Metro
4. Rehabilitation – Greater MN

To address the issue of developments with larger units having higher costs than developments with smaller units, the scoring process includes cost adjustments related to the size of the units. Specifically, the process classifies develops as largely for:

- Singles (primarily efficiencies and 1 bedroom units),
- Large families (primarily 3+ bedroom units), and
- Families/mixed (developments with other bedroom mixes).

The adjustments bring the TDCs for these developments into equivalents terms and reflect historical differences. For example, new construction TDCs for family/mixed developments are typically 16% higher than the TDCs for developments for singles. Thus, to make the TDCs for singles equivalent to those for families/mixed, the TDCs per unit for singles are increased by 16% when making cost comparisons.

The purpose of the cost containment criterion is to give developers an incentive to “sharpen their pencils” and eliminate unnecessary costs and/or find innovative ways to minimize costs. However, Minnesota Housing does not want developers to compromise quality, durability, energy-efficiency, location desirability, and ability to house lower-income and vulnerable tenants. To ensure that these priorities are not compromised, all selected developments must meet Minnesota Housing’s architectural and green standards. In addition, the Agency has intentionally set the points awarded under the cost containment criterion (6 points) to be equal to or less than the points awarded under other criterion, including economic integration, location efficiency, workforce housing, permanent supportive housing for households experiencing homelessness, housing for people with disabilities, and others.

The cost containment criterion applies to the selection of proposals for both 9% credits and 4% credits with tax-exempt bonds; however, the processes for awarding the points are different for the two types of credits.

Process for Awarding Points for Proposals Seeking 9% Credits

To carry out the competition for the points, the following process will be followed for all proposals seeking competitive 9% credits:

- Group all the 9% tax credit proposals into four development type/location categories:
  - New Construction – Metro
  - New Construction – Greater Minnesota
  - Rehabilitation – Metro
  - Rehabilitation – Greater Minnesota

- Adjust the TDCs for developments for singles and large families to make them equivalent to the TDCs for family/mixed developments. See the second column of Table 1 for the adjustments. For example, the TDC per unit for large-family new-construction projects is multiplied by 0.95 to make it equivalent to the costs for a family/mixed development. Specifically, if the TDC per unit is $250,000 for a large-family new-construction development, it is multiplied by 0.95 to compute the equivalent TDC of $237,500.

- After adjusting the TDCs for single and large-family developments, order all the proposals by TDC per unit within each of the four groups from lowest to highest.

- Within each group, award 6 points to the 50% of proposals with the lowest TDCs per unit.

    - If the number of proposals in a group is even, the number of proposals eligible to get points =
      (Number of proposals in group)/2

    - If the number of proposals in a group is odd, the number of proposals eligible to get points =
      (Number of proposals in group)/2
      <u>Rounded down</u> to nearest whole number

      However,

        - If the next proposal in the rank order (of those not already receiving points) meets that group's threshold (see the third column of Table 1), that proposal is also eligible to get points, or
        - If that proposal's TDC per unit is higher than the threshold, it does not get points.

Only proposals that claim cost containment points on the self-scoring worksheet **<u>and</u>** are in the lowest half of the costs for their group will actually receive the cost containment points.

The cost thresholds in the third column reflect the historical mid-point costs for family/mixed developments in each group.

Table 1: 2019 QAP - Adjustment Factors and Thresholds to Determine if Middle Proposal Gets Points if Odd Number in Group

	Cost Adjustment to Families/ Mixed	Threshold Test if Odd Number of Proposals
New Construction Metro for Singles	1.16	$267,000
New Construction Metro for Families/Mixed	1.00	
New Construction Metro for Large Families	0.95	
New Construction Greater MN for Singles	1.16	$212,000
New Construction Greater MN for Families/Mixed	1.00	
New Construction Greater MN for Large Families	0.95	
Rehabilitation Metro for Singles	1.23	$213,000
Rehabilitation Metro for Families/Mixed	1.00	
Rehabilitation Metro for Large Families	0.83	
Rehabilitation Greater MN for Singles	1.23	$169,000
Rehabilitation Greater MN for Families/Mixed	1.00	
Rehabilitation Greater MN for Large Families	0.83	

- "Metro" applies to the seven-county Twin Cities metro area, while "Greater MN" applies to the other 80 counties.
- "Singles" applies to developments where the share of efficiencies and 1 bedroom units is 75% or greater.
- "Large Families" applies to developments where the share of units with 3 or more bedrooms is 50% or greater.
- "Families/Mixed" applies to all other developments.
- "New Construction" includes regular new construction, adaptive reuse/conversion to residential housing, and projects that mix new construction and rehabilitation if the new construction gross square footage is greater than the rehabilitation gross square footage.

Implementation Details for 9% Credit Proposals

Tribal Proposals. To recognize the unique costs and situation of projects on Tribal lands, these projects will receive a 15% adjustment to their TDCs. Their proposed TDCs will be reduced by 15% when they compete for the cost-containment points.

Self-Scoring Worksheet and Awarding Points. All applicants that want to pursue the cost containment points must claim the 6 points in the self-scoring worksheet; however, during the final scoring by the Agency, staff will take away the points from those proposals not in the lower half of TDCs for each of the four categories. (To identify the 50% of proposals with the lowest costs in each category, the Agency will include the TDCs of all proposals seeking 9% tax credits, not just those electing to participate in the competition for cost containment points by claiming the points in the self-scoring worksheet. However, only those electing to participate in the

competition by claiming the points in the self-scoring worksheet will be eligible to receive the points if they are in the lower half of project TDCs.)

Applicable Cost Threshold and Unacceptable Practices. If a project receives points under this criterion, failure to keep the actual TDC under the "applicable cost threshold" will be considered an unacceptable practice and result in negative 4 points being awarded in the applicant's next round of tax credit submission. [See the section on Implementing Negative Points for more details.]

The "applicable cost thresholds" will be determined by the cost-containment selection process. Within each of the 4 development/location types, the TDC per unit of the proposal at the 50th percentile (as identified in the process outlined above) will represent the "applicable cost threshold" that projects receiving cost-containment points will need to meet (with appropriate adjustments for single, family/mixed, and large family developments). For example, if the 50th percentile proposal for new construction in Greater Minnesota is a family/mixed development with a per unit TDC of $215,000, all new construction family/mixed developments in Greater Minnesota receiving the cost-containment points will need to have a final TDC per unit at or below this threshold when the project is completed.

Within the 4 development/location types, separate thresholds will be published for single, family/mixed, and large-family developments, using the cost-adjustment factors in Table 1. In the example above, if the family/mixed category has a $215,000 threshold, the threshold for large-family developments will be $226,316 ($215,000 divided by 0.95 equals $226,316).

Under this process, there will be some cushion for cost overruns for projects that have proposed TDCs less than the applicable cost thresholds. However, the project at the 50th percentile, which is the basis of the applicable cost threshold, will have no cushion. Its actual TDC per unit will have to be at or below its proposed TDC per unit to avoid the negative 4 points. Because applicants will not know if their project is the one at the 50th percentile until after proposals have been submitted, all applicants need to carefully assess their proposed costs and the potential for cost increases.

If developers are concerned about their costs and keeping them within the "applicable cost threshold", they should not claim the cost-containment points in the self-scoring worksheet.

Round-2 Process. A different process is used for the Round-2 tax credit applications and selections. The Round-1 "applicable cost thresholds" will serve as the thresholds for determining if a Round-2 tax credit proposal receives the cost containment points. Like Round-1, Round-2 proposals will need to claim the 6 cost containment points on the self-scoring worksheet to be eligible; and developers for selected projects that receive the points will receive negative 4 points for their next tax credit submission if they do not keep their actual TDCs within the applicable cost thresholds. [See the section on Implementing Negative Points for more details.]

Process for Awarding Points for Proposals Seeking 4% Credits

Minnesota Housing will publish the "applicable cost thresholds" from the Round-1 competition for 2020 9% credits by September 30, 2019. Proposals for 2020 4% credits must have TDCs within these thresholds to receive the cost containment points.

To be eligible for the points, an applicant must claim the 6 cost containment points on the self-scoring worksheet; and developers for selected projects that receive the points will receive negative 4 points for their next tax credit submission if they do not keep their actual TDCs within the applicable cost thresholds. [See the section on Implementing Negative Points for more details.]

Implementing Negative Points for Actual Costs above the Applicable Cost Thresholds

The penalty will be assessed against a future credit request of the same funding round for which the points were initially awarded.

- Tax credit developments that exceed the cost containment threshold and were awarded points in a competitive funding round (Consolidated RFP[1] or HTC Round 2) will receive the penalty on the next tax credit application submitted to either of these competitive funding rounds.
- Tax credit developments that exceed the cost containment threshold and were awarded points via the 4% only allocation process will receive the penalty on the next 4% only (42M) tax credit application if the points were necessary to meet the minimum point requirement.

Predictive Cost Model and Cost Reasonableness

Besides awarding cost-containment points under this criterion, Minnesota Housing will also evaluate "cost-reasonableness" of tax credits proposals (even those that do not receive points under this criterion) using the Agency's predictive cost model. The model is a regression analysis that predicts TDCs per unit using data from developments that the Agency has financed in the past (adjusted for inflation) and industry-wide data on construction costs. The model measures the individual effect that a set of explanatory variables (which includes building type, building characteristics, unit characteristics, type of work carried out, project size, project location, population served, financing, etc.) have on costs. During the process of evaluating projects for funding, Minnesota Housing compares the proposed TDC per unit for each project with its predicted TDC per unit from the model. The Agency combines the model's results with the professional assessment of the Agency's architects and underwriters to assess cost reasonableness overall. The purpose of the cost-reasonableness testing (on top of the cost-containment scoring) is to ensure that all developments financed by Minnesota Housing have reasonable costs, even those that do not receive points under the cost-containment criterion.

[1] The Consolidated RFP includes HTC Round 1 and 4% HTC applications submitted through the Consolidated RFP.

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2020 QAP - Location Efficiency Methodology

Location efficiency is defined by Minnesota Housing through a combination of access to transit and walkability criteria in the Twin Cities Metro and Greater Minnesota.

Twin Cities Metropolitan Area

In the Twin Cities Metro, applicants can receive up to 9 points for location efficiency based on two criteria. First, applicants must achieve one of three levels of access to transit. Second, up to two additional points are available for walkability as measured by Walk Score (www.walkscore.com).

• **Access to Transit (one of the following):** *Applicants can map project locations and determine access to transit points at the Minnesota Housing Community Profiles tool: www.mnhousing.gov > Research & Publications > Community Profiles*		
Proximity to LRT/BRT/Commuter Rail Station	Locations within ½ mile of a planned[1] or existing LRT, BRT, or Commuter Rail Station. As of publication, lines include: Hiawatha, Central Corridor, Bottineau, and Southwest LRT, Northstar Commuter Rail, and stations of the Cedar Ave, Snelling, Penn, and I-35W rapid bus lines.	Points 7
Proximity to Hi-Frequency Transit Network	Locations located within ¼ mile of a fixed route stop on Metro Transit's Hi-Frequency Network.	4
Access to Public Transportation	Locations within one quarter mile of a high service[2] public transportation fixed route stop or within one half mile of an express route bus stop or park and ride lot.	2
• **Walkability (one of the following):**		
Walk Score of 70+	Walk Score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated print out of locations' Walk Score from the Walk Score tool.[3]	2
Walk Score of 50-69		1

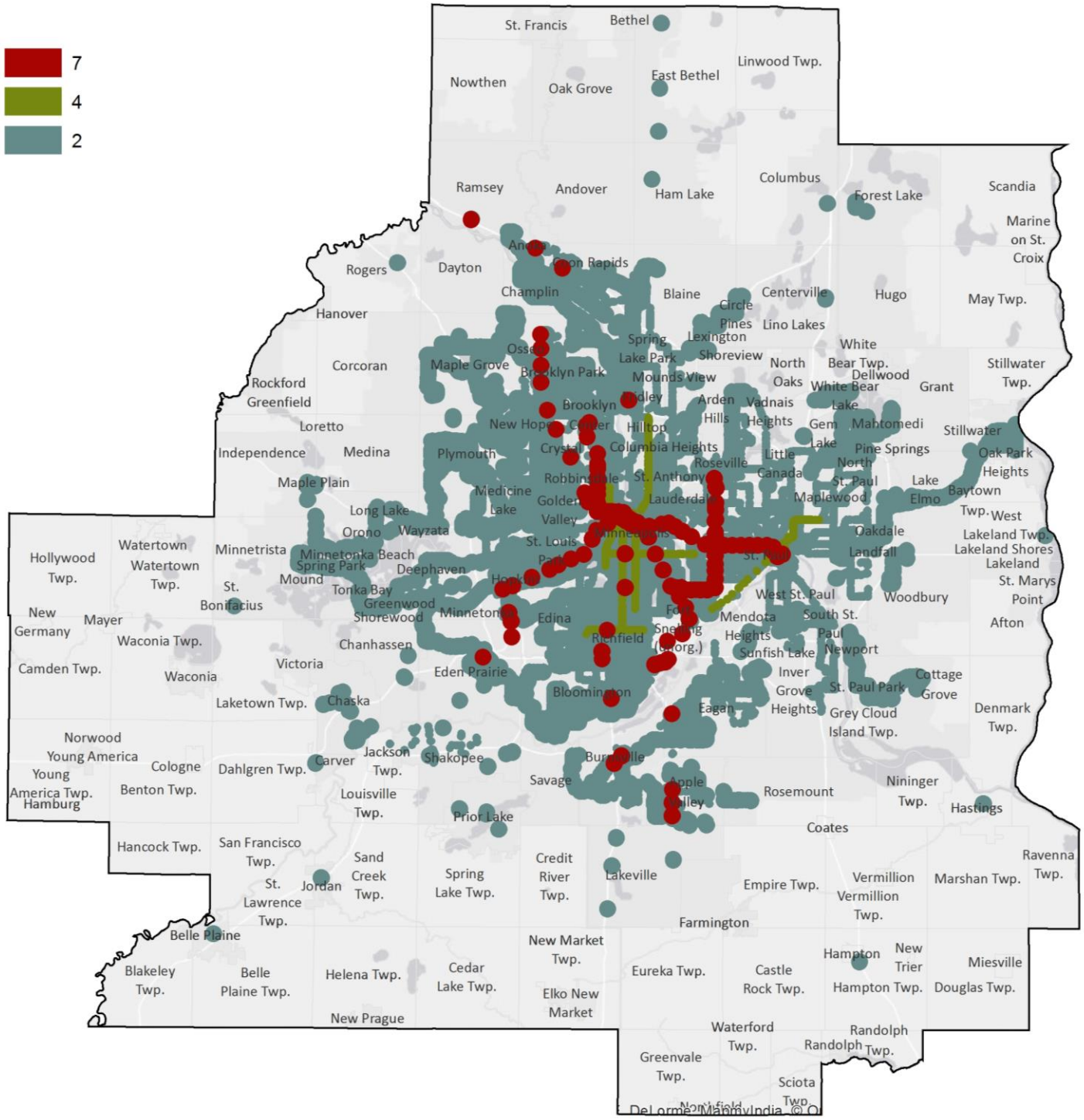
The following map shows areas with access to transit. An interactive version of this map is accessible at: www.mnhousing.gov > Policy & Research > Community Profiles.

[1] Includes planned stations on future transitways that are in advanced design or under construction. To be considered in advanced design, transitways need to meet the following criteria: issuance of a draft EIS, station area planning underway, and adoption by the Metropolitan Council Transportation Policy Plan. Transitways entering into advanced design after publication will be eligible, but data may not be available using Minnesota Housing scoring tools.

[2] High service fixed route stop defined as those serviced during the time period 6 AM through 7 PM and with service approximately every half hour during that time.

[3] If applicants would like to request revisions of a location's Walk Score, they may contact Walk Score directly with details of the request to mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If an address cannot be found in the Walk Score tool, use closest intersection within ¼ mile of the proposed location.

Figure 1: Transit Access Point Levels in the Twin Cities Metro



Map Source: Minnesota Housing analysis of MetroTransit data on Hi-Frequency Network, Planned and Existing Transit Lines, bus service, and park and rides (obtained January 2018)

Greater Minnesota – Urbanized Areas

For urbanized areas, defined by the U.S. Census as places with populations greater than 50,000, applicants can receive up to 9 points with a combination of access to fixed route transit and walkability. These areas, identified by the Minnesota Department of Transportation (MnDOT)[4], are in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato, and St. Cloud.

For urbanized areas:

• **Access to Transit (one of the following):**		Points
Within ¼ mile of existing or planned[5] fixed route transit stop		7
Between ¼ mile and ½ mile of existing or planned fixed route transit stop		4
Within ½ mile of an express bus route stop or park and ride lot		4
• **Walkability (one of the following):**		
Walk Score of 70+	Walk Score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated print out of locations' Walk Score from the Walk Score tool.[6]	2
Walk Score of 50-69		1
• The proposed housing must have access to transit service Monday through Friday for a minimum of 10 hours per day. • The maps in Figure 2 display fixed route stops and ¼ and ½ mile buffers in Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato, and St. Cloud. • Applicants must provide a map with the proposed housing's distance to the nearest stop.		

[4] Greater Minnesota Transit Investment Plan: http://www.dot.state.mn.us/transitinvestment/

[5] For a Greater Minnesota planned stop to be eligible for points under the QAP, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop or route must be available Monday through Friday and provide service every 60 minutes for a minimum of 10 hours per day.

[6] If applicants would like to request revisions of a location's Walk Score, they may contact Walk Score directly with details of the request to mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If address cannot be found in the Walk Score tool, use the closest intersection within ¼ mile of the proposed location.

Figure 2: Transit Access Point Levels in Greater Minnesota

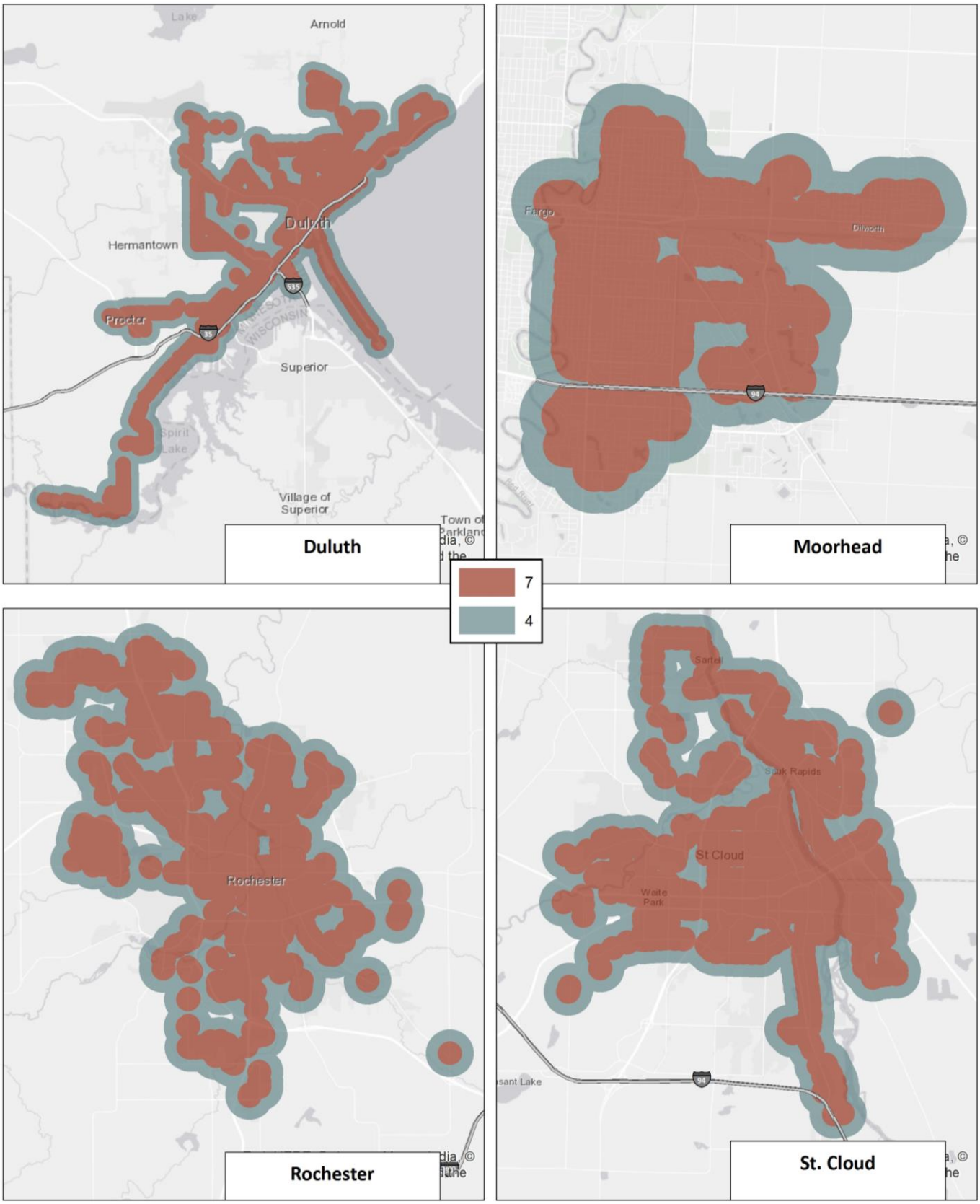
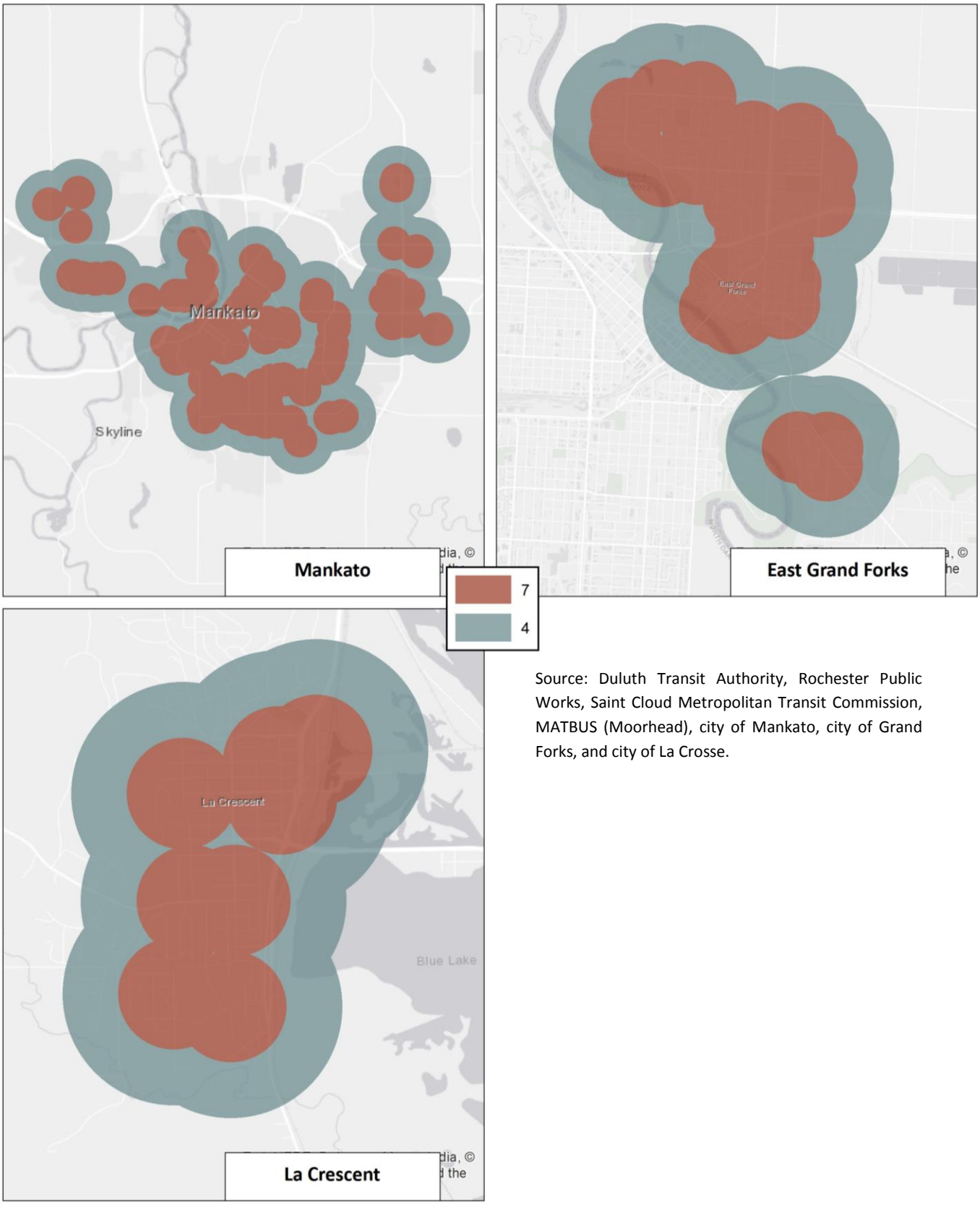


Figure 2: Transit Access Point Levels in Greater Minnesota



Source: Duluth Transit Authority, Rochester Public Works, Saint Cloud Metropolitan Transit Commission, MATBUS (Moorhead), city of Mankato, city of Grand Forks, and city of La Crosse.

Greater Minnesota – Rural and Small Urban Areas

For rural and small urban areas, places with populations less than 50,000, applicants can receive up to 9 points by having access to route deviation service or demand response/dial-a-ride, and walkability. Route deviation service is different from fixed route transit in that the vehicle may leave its predetermined route upon request by passengers to be picked up or returned to destinations near the route, after which the vehicle returns to the predetermined route. Passengers may call in advance for route deviations similar to that of demand response/ dial-a-ride or access the service at designated route stops without advanced notice. Demand response usually involves curb-to-curb or door-to-door service with trips scheduled in advance (also known as "Dial-A-Ride").

Applicants can find providers by county or city on MnDOT's website, http://www.dot.state.mn.us/transit/riders/index.html, and the service type in MnDOT's annual transit report, http://www.dot.state.mn.us/govrel/reports/2017/transit.pdf.

For rural and small urban areas:

• **Access to Transit (one of the following):**		Points
Within ¼ mile of an existing or planned[7] designated stop that has service every 60 minutes **OR** served by demand response/dial-a-ride with no more than 2 hour advance notice		7
Between ¼ mile and ½ mile of an existing or planned[7] designated stop that has service every 60 minutes **OR** served by demand response/dial-a-ride with prior day notice		4
Demand response/dial-a-ride service not meeting the scheduling terms above		2
• **Walkability (one of the following):**		
Walk Score of 50+	Walk Score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated print out of locations' Walk Score from the Walk Score tool.[8]	2
Walk Score of 35-49		1

- The proposed housing must have access to transit service Monday through Friday for a minimum of 10 hours per day.
- Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative. For proposed housing near deviated routes, applicants must provide a map with the distance to the nearest stop or predetermined route if the service allows passengers to board anywhere along that route.
- For proposed housing in communities with deviated route service but beyond the ½ mile requirement, requests for route deviations must meet the advanced notice requirements for demand response in that pointing category to receive the points.

[7] For a Greater Minnesota planned stop to be eligible for points under the QAP, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop or route must be available Monday through Friday and provide service every 60 minutes for a minimum of 10 hours per day.

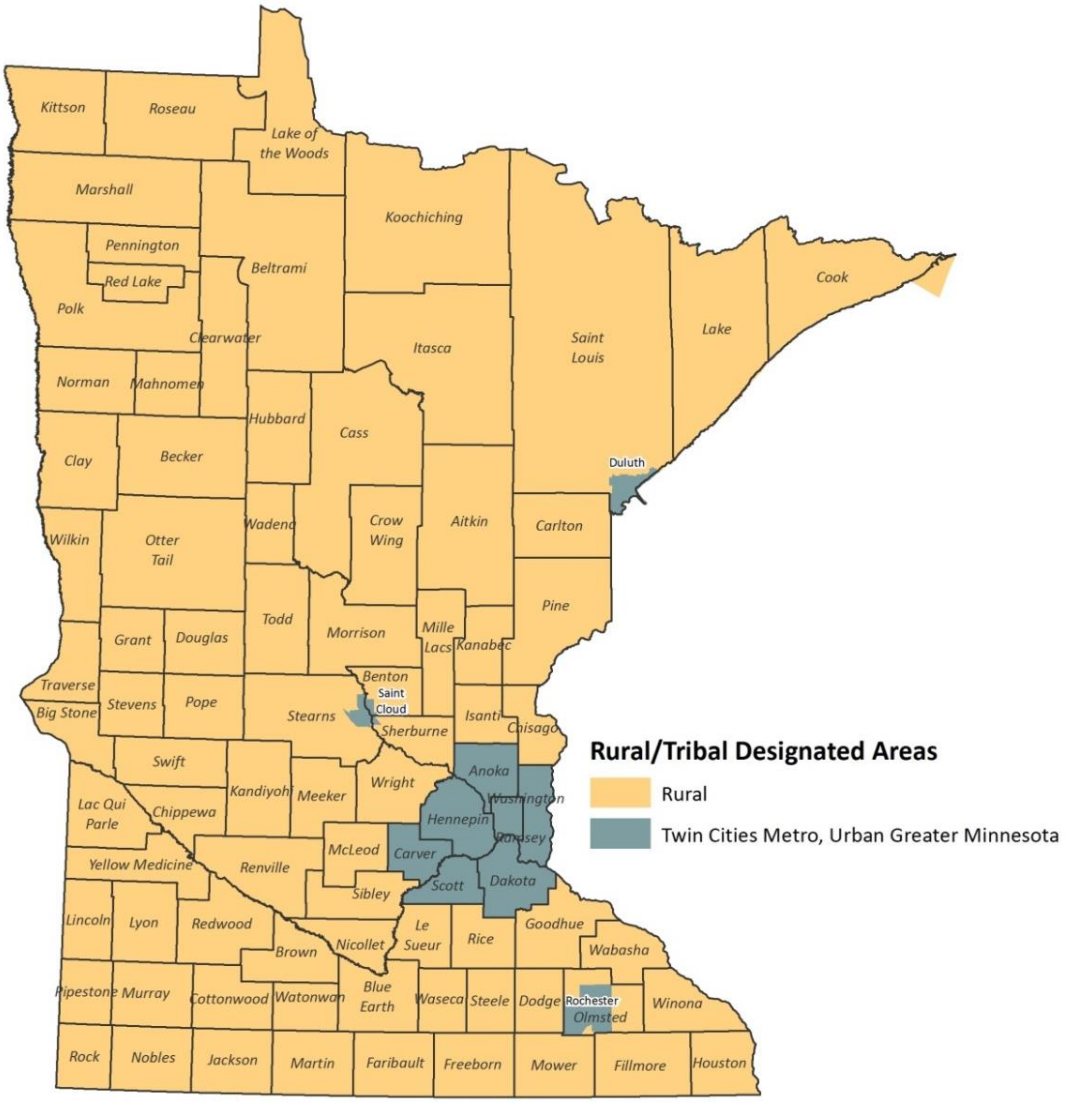
[8] If applicants would like to request revisions of a location's Walk Score, they may contact Walk Score directly with details of the request to mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If address cannot be found in the Walk Score tool, use the closest intersection within ¼ mile of the proposed location.

2020 QAP - Rural/Tribal Designated Areas

Because communities in rural parts of Minnesota will no longer compete for economic integration priority points, the selection process will now have a new 10 point criterion for rural communities.

Minnesota Housing defines rural communities using tracts outside of the Twin Cities 7 County Metropolitan Area and communities in Greater Minnesota with populations over 50,000. These areas include tracts in, Duluth, Rochester, and St Cloud.

The map below shows areas receiving the rural/tribal designation points in orange. The following pages list the tracts eligible by county.



Tracts Eligible for Rural/Tribal Designation Points

Aitkin	9502	9400.01	301.06	9505
7701	9503	9400.02	301.03	**Douglas**
7702	**Blue Earth**	9601	301.04	4501
7703	1701	9602	**Clearwater**	4502
7704	1702	9603.01	1	4505
7905.01	1703	9603.02	2	4506
7905.02	1704	9606	3	4507.01
Becker	1705	9607	**Cook**	4507.02
4501	1706	9608.01	4801	4508
4502	1707	9608.02	4802	4509
4503	1709	**Chippewa**	**Cottonwood**	4510
4504	1710	9503	2701	**Faribault**
4505	1713	9504	2702	4601
4506	1714	9505	2703	4602
4507	1715	9506	2704	4603
4508	1708	**Chisago**	**Crow Wing**	4604
4509	1712.02	1101	9501	4605
9400	1716	1102	9502.04	4606
Beltrami	1711.01	1103.01	9504	**Fillmore**
4501	**Brown**	1103.02	9505.01	9601
4502	9601.01	1104.02	9505.02	9602
4503	9601.02	1105.01	9507	9603
4504	9602	1105.02	9508	9604
4505	9603	1106	9509	9605
4506	9604	1107	9510	9606
4507.01	9605	1104.01	9511	**Freeborn**
4507.02	9606	**Clay**	9512	1801
9400.01	9607	201	9513.01	1802
9400.02	**Carlton**	202.02	9513.02	1803
Benton	701	203	9514	1804
201	702	204	9516	1805
202.02	703	205	9517	1806
202.03	704	206	**Dodge**	1807
202.05	705	301.02	9501	1808
203	706	301.07	9502	1809
Big Stone	9400	302.01	9503	1810
9501	**Cass**	302.02	9504	**Goodhue**

801.01
801.02
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804
805
806
807
808
809
Grant
701
702
Houston
201
202
203
205
209
Hubbard
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702
703
704
705
706
707
Isanti
1301
1302
1303.01
1303.02
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1305.01
1305.02
1306
Itasca
4801
4803

4804
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4806
4807
4808.01
4808.02
4809
4810
9400
Jackson
4801
4802
4803
4804
Kanabec
4801
4802
4803
4804
Kandiyohi
7709
7801
7802
7803
7804
7805
7806
7807
7808
7810
7811
7812
Kittson
901
902
Koochiching
7901
7902
7903

7905
Lac Qui Parle
1801
1802
1803
Lake
3701
3703
3704
Lake of the Woods
4603
4604
Le Sueur
9501
9502
9503
9504
9505
9506
Lincoln
2010.01
2010.02
Lyon
3601
3602
3603
3604
3605
3606
3607
Mahnomen
9401
9403
Marshall
801
802
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Martin
7901
7902
7903
7904
7905
7906
McLeod
9501
9502
9503
9504
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9506
9507
Meeker
5601
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Mille Lacs
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Morrison
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Nobles
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Norman
9601
9602
9603
Olmsted
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Otter Tail
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Pennington
901
902
903
904
905
Pine
9501
9502
9503
9504
9505
9506
9507
9508
Pipestone
4601
4602
4603
4604

4605
Polk
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208
209
210
Pope
9701
9702
9703
9704
Red Lake
101
102
Redwood
7501
7502
7503
7504
7505
7506
Renville
7901
7902
7903
7904
7905
7906
Rice
701
702
703
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705.01
705.03
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706.02
707
708
709.01
709.02
Rock
5701
5702
5703
Roseau
9701
9702
9703
9704
9705
Saint Louis
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123
124
125
Sherburne
301.01
301.02
302
303
304.02
304.03
304.04
305.02
305.03
305.04
Sibley
1701.98
1702
1703
1704
Stearns
102
104.01
104.02
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110
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112

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Steele
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Stevens
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9601
9602
9603
9604
Todd
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7907
7908
Traverse
4601
4602
Wabasha
4901
4902
4903
4904

4905
4906
Wadena
4801
4802
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Wilkin
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Winona
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2020 QAP - Qualified Census Tracts (QCT), Tribal Equivalent Areas Methodology

QCT are based on Census Tract boundaries, but the boundaries of larger Census Tracts and reservations in greater Minnesota do not always align. Thus, large geographic areas of some low-income reservations are not classified as QCTs. Reservations that meet the criteria for designation as a QCT are treated as a QCT equivalent area if either (1) the entire reservation meets the definition of a QCT or (2) if a tract within the reservation is eligible under current HUD QCT criteria[1] . Applicants will find interactive maps to identify whether a property falls within these areas on Minnesota Housing's website – www.mnhousing.gov > Policy & Research > Community Profiles.

Eligible Areas

The reservations in the table below and identified on the map on the following page are eligible as Tribal QCT equivalent areas. To be eligible, these areas must meet either income or poverty thresholds:

- Areas are eligible based on income thresholds if 50% or more of households have incomes below the average household size adjusted income limit for at least two of three evaluation years (2013-2015).
- Areas are eligible based on the poverty threshold if the poverty rate is 25% or higher for at least two of three evaluation years (2013-2015).

Indian Reservations or Trust Land in Minnesota Based on Characteristics of Eligibility for Qualified Census Tracts

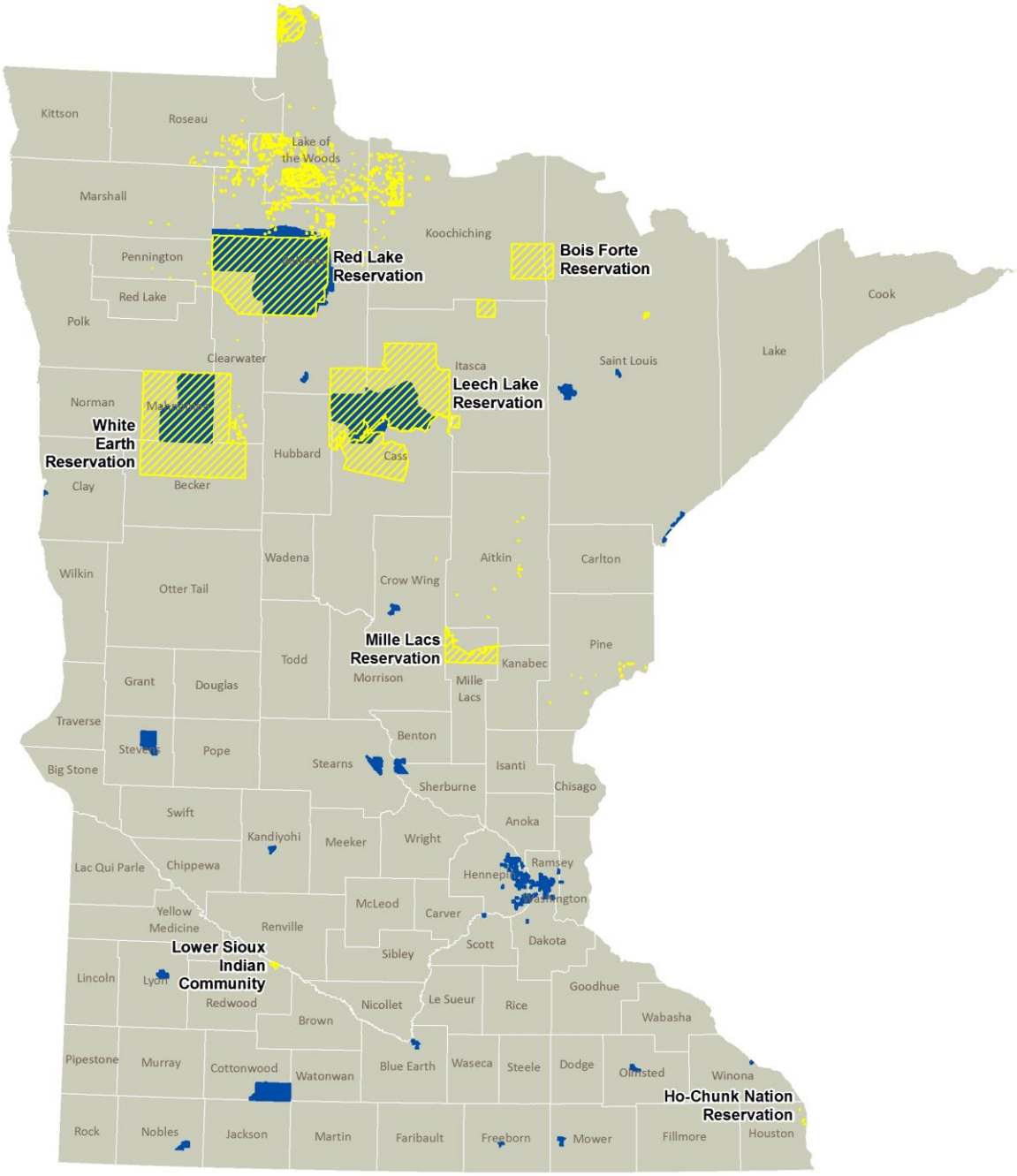
Indian Reservation	Years Eligible Based on Income	Years Eligible based on Poverty
Bois Forte Reservation, MN	3	0
Fond du Lac Reservation and Off-Reservation Trust Land, MN--WI	0	1
Ho-Chunk Nation Reservation and Off-Reservation Trust Land, WI--MN	3	3
Leech Lake Reservation and Off-Reservation Trust Land, MN	1	3
Lower Sioux Indian Community, MN	0	3
Mille Lacs Reservation and Off-Reservation Trust Land, MN	3	1
Red Lake Reservation, MN	3	3
White Earth Reservation and Off-Reservation Trust Land, MN	3	3

Sources: Decennial Census, HUD Income Limits (Statwide for Very Low Income, 50%), American Community Survey 2009-2013, 2010-2014, and 2011-2015 samples.

Minnesota Housing will update the list of Tribal Census tracts or reservations, in accordance with HUD updates to federally designated qualified census tracts.

[1] HUD QCT Designation Algorithm found here: http://qct.huduser.org/tables/QCT_Algorithm_2018.htm

Qualified Census Tracts and Tribal Lands Eligible Under QCT Methods



Source: Minnesota Housing Analysis of American Community Survey Data for three periods, 2011-2015, 2010-2014, and 2009-2013. Tribal lands are 2014 boundaries from the US Census of American Indian, Alaska Native, and Native Hawaiin geographies.

MINNESOTA HOUSING

2020 QAP - Workforce Housing Communities Methodology

Communities with a need for workforce housing are identified using data on: (1) total jobs in 2016, (2) 5 year job growth, or (3) long distance commuting. Data on jobs and growth are from the Minnesota Department of Employment and Economic Development's Quarterly Census of Employment and Wages.[1] Data on commuting are from the US Census Bureau's Longitudinal Employer-Household Dynamics program.[2] Workforce housing areas are defined separately for the Twin Cities Metro (7 County) and Greater Minnesota. The priority has two point levels, 6 and 3 points. The following sections describe the eligible communities and buffers around these communities for the two regions. Applicants will find interactive maps to identify whether a property falls within these areas at Minnesota Housing's website: www.mnhousing.gov > Policy & Research > Community Profiles.

- **6 Points**

  - **Top Job Centers**. A community is eligible if it is one of the top 10 job centers in Greater Minnesota or the top 5 job centers in the Twin Cities Metro as of 2016 as defined by total jobs.

(OR)

  - **Net Five Year Job Growth.** Communities are eligible in Greater Minnesota if they have at least 2,000 jobs in the current year and had a net job growth of at least 100 jobs in the last five years. In the Twin Cities Metro the minimum net job growth is 500. Minnesota Housing is publishing in this document the most current available data from the Dept. of Employment and Economic Development, 2011-2016; but will add additional communities when more current data becomes available in April 2019 for the 2020 QAP.

(OR)

  - **Individual Employer Growth.** A community is eligible if an individual employer has added at least 100 net jobs (for permanent employees of the company) during the last five years, and can provide sufficient documentation signed by an authorized representative of the company to prove the growth.

(OR)

- **3 Points**

  - **Long Commute Communities.** A community is eligible if it is not a top job center, job growth community, or an individual employer growth community, yet is identified as a long commute community. These are communities where 15% or more of the communities' workforce travels 30+ miles into the community for work.

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[1] The 5 year job growth communities presented in this methodology are for 2011-2016. Minnesota Housing will also add eligible 2012-2017 growth communities by application release of the 2020 QAP. Data source: https://mn.gov/deed/data/data-tools/qcew/

[2] Data from LEHD are current to 2015. Minnesota Housing will also add eligible communities with more current data available by application release of the 2020 QAP. Data source: https://lehd.ces.census.gov/data/.

In each case above, communities are buffered by 10 miles in Greater Minnesota and 5 miles in the Twin Cities Metro to account for a modest commuteshed.

The maps and tables below and on following pages list and display eligible areas for the Twin Cities Metro (pages 2-4) and Greater Minnesota (pages 5-7). If additional communities become eligible in the next year with updated data, Minnesota Housing will add them to the 2020 QAP lists; no communities will be subtracted from the 2020 QAP lists with the update.

Twin Cities Metro Job Centers and Ranked Job Growth Communities 2011-2016 (6 Points)

Twin Cities Metro Top 5 Job Centers (2016)
Minneapolis, Hennepin
Saint Paul, Ramsey
Bloomington, Hennepin
Eden Prairie, Hennepin
Eagan, Dakota

Twin Cities Metro Communities With Net Growth of 500 Jobs or More (2011-2016)	
Andover, Anoka	Lakeville, Dakota
Anoka, Anoka	Lino Lakes, Anoka
Apple Valley, Dakota	Maple Grove, Hennepin
Blaine, largely Anoka	Maple Plain, Hennepin
Bloomington, Hennepin	Maplewood, Ramsey
Brooklyn Center, Hennepin	Medina, Hennepin
Brooklyn Park, Hennepin	Minneapolis, Hennepin
Burnsville, Dakota	Minnetonka, Hennepin
Chaska, Carver	New Brighton, Ramsey
Cottage Grove, Washington	Oakdale, Washington
Crystal, Hennepin	Plymouth, Hennepin
Eagan, Dakota	Ramsey, Anoka
Eden Prairie, Hennepin	Rogers, Hennepin
Edina, Hennepin	Rosemount, Dakota
Farmington, Dakota	Roseville, Ramsey
Forest Lake, Washington	Saint Paul, Ramsey
Fridley, Anoka	Savage, Scott
Ham Lake, Anoka	Shakopee, Scott
Hopkins, Hennepin	Vadnais Heights, Ramsey
Hugo, Washington	Waconia, Carver
Inver Grove Heights, Dakota	White Bear Lake, Ramsey
Lake Elmo, Washington	Woodbury, Washington

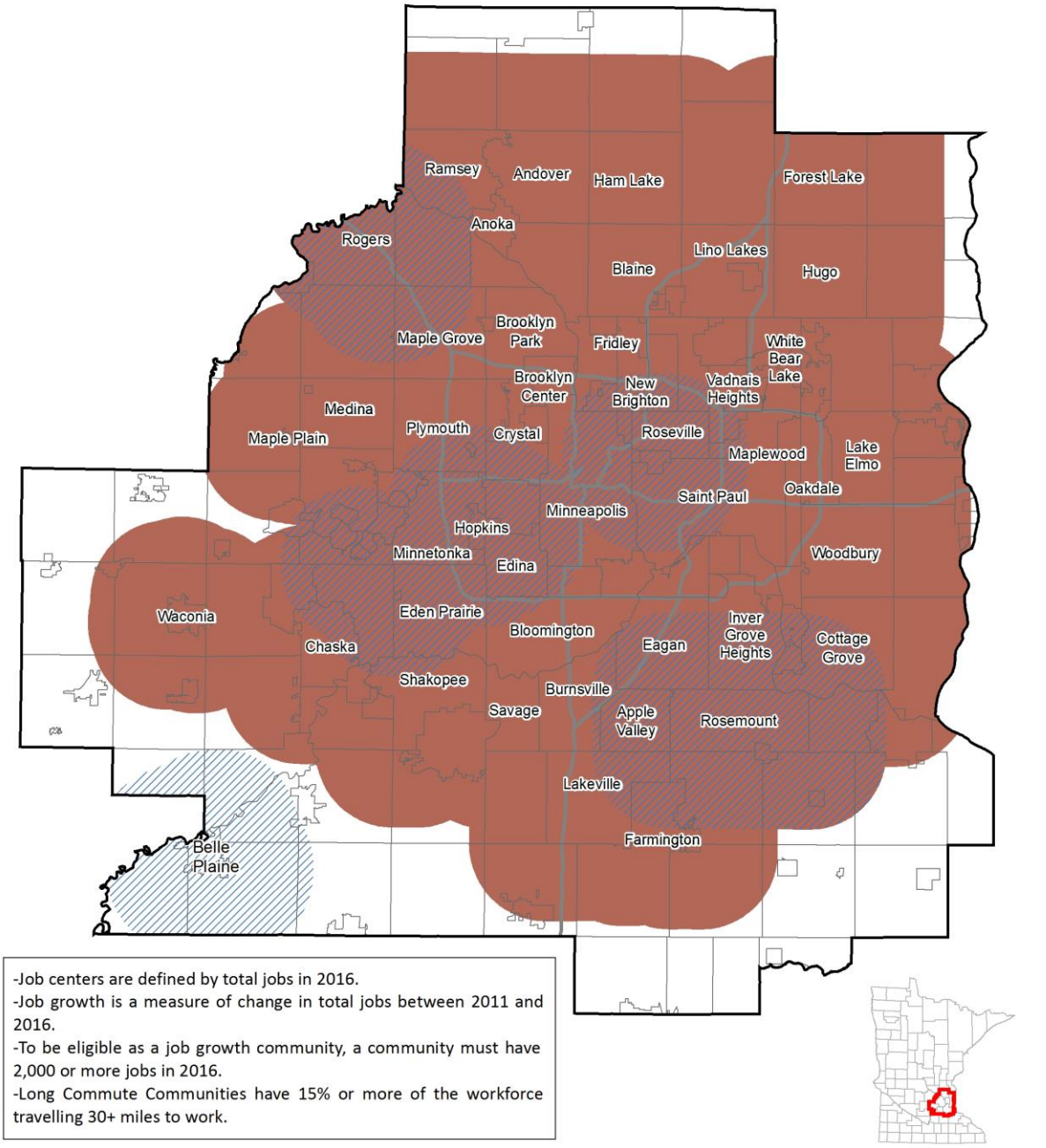
Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2011-2016).

Twin Cities Metro Long Commute Communities (3 Points)

Twin Cities Metro Long Commute Communities		
Belle Plaine	Falcon Heights	Rogers
Chanhassen	Hopkins	Rosemount

Source: Minnesota Housing analysis of US Census Longitudinal Employer Household Dynamics Data, 2015.

Metro Workforce Housing Communities for 2020 QAP



-Job centers are defined by total jobs in 2016.
-Job growth is a measure of change in total jobs between 2011 and 2016.
-To be eligible as a job growth community, a community must have 2,000 or more jobs in 2016.
-Long Commute Communities have 15% or more of the workforce travelling 30+ miles to work.

Long Commute Community (3 Points)

Top 5 Job Center or Growth >=500 Jobs (6 Points)

0 4 8 Miles

Source: Minnesota Housing analysis of MN Department of Employment and Economic Developments Quarterly Census of Employment and Wages. Date: 12/29/2017

MINNESOTA HOUSING

Greater Minnesota Job Centers and Job Growth Communities 2011-2016 (6 Points)

Greater Minnesota Top 10 Job Centers (2016)
Rochester, Olmsted
Duluth, Saint Louis
Saint Cloud, largely Stearns
Mankato, largely Blue Earth
Winona, Winona
Owatonna, Steele
Willmar, Kandiyohi
Moorhead, Clay
Austin, Mower
Alexandria, Douglas

Greater MN Communities With Net Growth of 100 jobs or more, 2011-2016	
Aitkin, Aitkin	Moose Lake, Carlton
Albertville, Wright	Mora, Kanabec
Alexandria, Douglas	Mountain Iron, Saint Louis
Austin, Mower	New Ulm, Brown
Baxter, Crow Wing	North Branch, Chisago
Becker, Sherburne	North Mankato, Nicollet
Bemidji, Beltrami	Northfield, largely Rice
Big Lake, Sherburne	Otsego, Wright
Brainerd, Crow Wing	Owatonna, Steele
Buffalo, Wright	Park Rapids, Hubbard
Cambridge, Isanti	Perham, Otter Tail
Cloquet, Carlton	Princeton, largely Mille Lacs
Cold Spring, Stearns	Redwood Falls, Redwood
Delano, Wright	Rochester, Olmsted
Detroit Lakes, Becker	Saint Cloud, largely Stearns
Dodge Center, Dodge	Saint James, Watonwan
Duluth, Saint Louis	Saint Joseph, Stearns
East Grand Forks, Polk	Saint Michael, Wright
Elk River, Sherburne	Saint Peter, Nicollet
Faribault, Rice	Sartell, largely Stearns
Grand Rapids, Itasca	Sauk Rapids, Benton
Hermantown, Saint Louis	Thief River Falls, Pennington
Lake City, Goodhue	Waite Park, Stearns
Le Sueur, largely Le Sueur	Warroad, Roseau
Litchfield, Meeker	Willmar, Kandiyohi
Luverne, Rock	Willmar Twp, Kandiyohi
Mankato, Blue Earth	Winona, Winona
Monticello, Wright	Wyoming, Chisago
Moorhead, Clay	

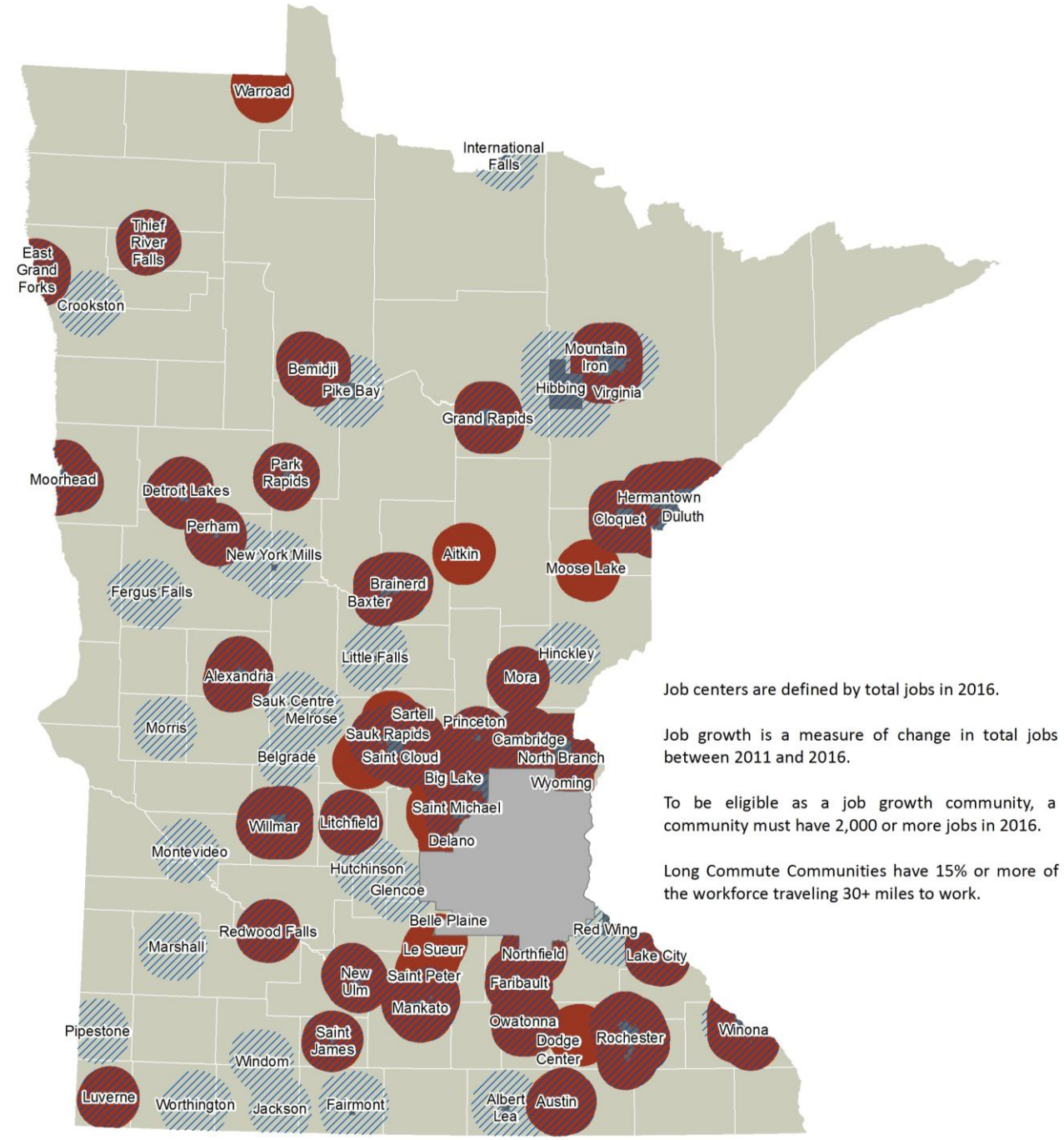
Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2011-2016).

Greater Minnesota Long Commute Communities (3 Points)

Greater Minnesota Metro Long Commute Communities			
Albert Lea	Fergus Falls	Montevideo	Redwood Falls
Alexandria	Glencoe	Moorhead	Rochester
Austin	Goodview	Mora	Saint Cloud
Baxter	Grand Rapids	Morris	Saint James
Belgrade	Hermantown	Mountain Iron	Saint Joseph
Bemidji	Hibbing	New Ulm	Saint Michael
Big Lake	Hinckley	New York Mills	Sauk Centre
Brainerd	Hutchinson	North Branch	Sauk Rapids
Cambridge	International Falls	North Mankato	Thief River Falls
Cloquet	Jackson	Northfield	Virginia
Crookston	Lake City	Owatonna	Wadena
Detroit Lakes	Litchfield	Park Rapids	Waite Park
Duluth	Little Falls	Perham	Willmar
East Grand Forks	Luverne	Pike Bay Twp.	Willmar Twp.
Elk River	Mankato	Pipestone	Windom
Fairmont	Marshall	Princeton	Winona
Faribault	Melrose	Red Wing	Worthington

Source: Minnesota Housing analysis of US Census Longitudinal Employer Household Dynamics Data, 2015.

Greater Minnesota Workforce Housing Communities for 2020 QAP



Source: Minnesota Housing analysis of MN Department of Employment and Economic Developments Quarterly Census of Employment and Wages. Date: 12/29/2017

MINNESOTA HOUSING

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Continuum of Care (CoC) Priorities for the 2019 RFP/2020 QAP

Priority Household Type Options: Single Adults, Families with Children, Youth –Singles, Youth with Children (Youth are defined as age 24 and younger)

Central	
County	**Household Type**
Benton	Singles
Cass	Singles
Chisago	Families
Crow Wing	Singles
Isanti	Families
Kanabec	Families
Mille Lacs	Singles
Morrison	Singles
Pine	Singles
Sherburne	Singles
Stearns	Singles
Todd	Singles
Wright	Singles
Hennepin County	
Hennepin	Singles
Northeast	
Aitkin	Singles
Carlton	Families
Cook	Singles
Itasca	Singles
Koochiching	Singles
Lake	Singles
Northwest	
Beltrami	Families
Clearwater	Families
Hubbard	Families
Kittson	Families
Lake of the Woods	Families
Mahnomen	Families
Marshall	Families
Norman	Families
Pennington	Families
Polk	Families
Red Lake	Families
Roseau	Families
Ramsey County	
Ramsey	Families
St Louis County	
St Louis	Singles

Southeast	
County	**Household Type**
Blue Earth	Youth w/children
Brown	Youth w/children
Dodge	Families
Faribault	Families
Fillmore	Singles
Freeborn	Families
Goodhue	Singles
Houston	Families
Le Sueur	Singles
Martin	Singles
Mower	Families
Nicollet	Singles
Olmsted	Singles
Rice	Singles
Sibley	Singles
Steele	Singles
Wabasha	Singles
Waseca	Families
Watonwan	Families
Winona	Singles
Southwest	
Big Stone	Families
Chippewa	Families
Cottonwood	Families
Jackson	Families
Kandiyohi	Families
Lac qui Parle	Families
Lincoln	Families
Lyon	Families
McLeod	Families
Meeker	Families
Murray	Families
Nobles	Families
Pipestone	Families
Redwood	Families
Renville	Families
Rock	Families
Swift	Families
Yellow Medicine	Families

Suburban Metro Area	
County	**Household Type**
Anoka	Families
Carver	Families
Dakota	Families
Scott	Families
Washington	Families
West Central	
Becker	Families
Clay	Families
Douglas	Families
Grant	Families
Otter Tail	Families
Pope	Families
Stevens	Families
Traverse	Families
Wadena	Families
Wilkin	Families

These priorities were determined and approved by each COC governing body. The COC is required to invite broad community input, including tribal representatives if the COC region includes tribal land, and must broadly advertise the meeting to vote on the priority. The COC must use the most recent, reliable local data and needs assessment to determine the priority. Recommended methodology is to use the local Point in Time Data (PIT), Housing Inventory Chart (HIC), and coordinated entry waitlist data. Local housing studies may also be used. The Minnesota Interagency Council on Homelessness implementation team verifies that the prioritization process is valid.

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Board Agenda Item: 7.E
Date: 2/22/2018

Item: Delegation, Regarding HUD RFP for Performance Based Contract Administration of Section 8 Project Based Rental Contracts

Staff Contact(s):
Tom O'Hern, 651.296.9796, tom.ohern@state.mn.us
Anne Smetak, 651.296.9806, anne.smetak@state.mn.us

Request Type:
☒ Approval
☒ Motion
☐ Resolution
☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
Request for the Board to delegate authority to the Commissioner to execute agreements among Minnesota Housing, the Wisconsin Housing and Economic Development Authority and the Michigan State Housing Development Authority necessary to respond to the HUD RFP for Performance Based Contract Administration (PBCA) of Section 8 Based Rental Contracts.

Fiscal Impact:
Unknown at this time.

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background

Background:
At the November 22, 2017 Board meeting the Board was provided with background information regarding an anticipated U.S. Department of Housing and Urban Development (HUD) request for proposals (RFP) regarding Performance Based Contract Administration (PBCA). A PBCA contract is the mechanism by which HUD contracts with entities to oversee and administer the project-based Section 8 program. In December 2017, HUD issued two performance work statements for public comment whereby HUD stated it intended to issue both a national and regional solicitation for work currently performed under the PBCA program. In the regional performance work statement, HUD divided the country into 15 sub-regions and indicated it will require entities to perform work for an entire sub-region. Minnesota is in Sub-Region 2.1 along with Wisconsin and Michigan. Comments to the performance work statements were due January 31, 2018 and Minnesota Housing submitted extensive comments to HUD. It is unknown exactly when HUD will release the RFPs for the PBCA work, but HUD's last estimate was that the RFPs will be released at the end of March with responses due 30-60 days later.

Once the RFPs are released it is anticipated that the state entities in Sub-Region 2.1 will need to act quickly in order to submit a bid for the work in the entire sub-region in a tight time frame. Therefore, it is necessary for Minnesota, Wisconsin and Michigan to enter into joint agreements to prepare and submit the sub-region's response to the RFP. Under Minn. Stat. § 471.59, Minnesota Housing is authorized to enter into such agreements with other governmental units through action of its governing body (i.e. the Board). The Board also has authority to delegate activities, including executing agreements, to the Commissioner. At this point, one necessary agreement is a teaming agreement wherein the parties are agreeing to principles for preparing the proposal and a structure by which it is expected the work in the sub-region will be conducted. Another necessary agreement relates to the retention of a federal procurement consultant to assist in the preparation and submission of the bid proposal.

We are requesting that the Board delegate to the Commissioner authority to execute joint power agreements necessary in order to prepare and submit the PBCA proposal. We will continue to keep the Board informed as matters progress and seek any additional necessary Board approvals.

MINNESOTA HOUSING

Board Agenda Item: 8.A
Date: 2/22/2018

Item: Draft Analysis of Impediments to Fair Housing Choice

Staff Contact(s):
Jessica Deegan, 651.297.3120, jessica.deegan@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:
The State of Minnesota's draft Analysis of Impediments to Fair Housing Choice is out for public comment through March 2, 2018. The attached executive summary and action items provide background on the current landscape of fair housing and the proposed actions to address contributing factors to fair housing issues.

Fiscal Impact:
None.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Draft AI Executive Summary and Action Items

Background

Minnesota Housing, along with the Department of Employment and Economic Development and Department of Human Services, contracted with BBC Research throughout 2017 to conduct an Analysis of Impediments to Fair Housing Choice (AI). The agency is required to annually certify to the US Department of Housing and Urban Development (HUD) through the Consolidated Planning process that the agency is affirmatively furthering fair housing. The AI assesses barriers to housing choice and establishes action items the state will take to address fair housing challenges. While the Consolidated Planning and AI requirements are triggered by the agency's receipt of HOME Investment Partnerships, Housing Opportunities for Persons with AIDS, and the National Housing Trust Fund, the obligation to affirmatively further fair housing extends throughout the agency's programs and activities.

The State last conducted an AI in 2011 to correspond with the 2012-2016 5-Year Consolidated Plan. Each year, we have reported on action items associated with that AI in annual reporting to HUD. Typically, a jurisdiction will update AIs with each Consolidated Plan, but the State determined an extension was in order as HUD promulgated a new Affirmatively Furthering Fair Housing rule in mid 2015 which restructured how jurisdictions were to approach fair housing planning and has been slowly rolling it out. The fair housing planning tool created as a result of the new rule is called an Assessment of Fair Housing (AFH) and the framework is substantially different from the older AI framework. A major difference is that the AFH framework considers fair housing challenges in a more holistic framework, for example, including issues in accessing economic opportunities such as jobs as a barrier to fair housing choice.

The state is not required to conduct an AFH under the new rule until 2021 to correspond with our 2022-2026 Consolidated Plan, but we felt that developing an AI with AFH components would both better prepare the state for developing the new plan in 2021 and result in a more robust AI. Please note that while the AFH tool and submission requirements are delayed by the HUD administration, at this stage it does not impact the state's time frame, and does not take away from the requirement to affirmatively further fair housing.

The attached executive summary and action items describe the community engagement process used in conjunction with demographic and regulatory analyses conducted to develop the AI. The process included surveys, in depth interviews with stakeholders, and community conversations with residents across the state. The report is structured into six sections including: demographic summary, housing choice analysis, access to opportunity and community engagement, disability and access analysis, complaint and regulatory review, and a final section summarizing the contributing factors, priorities and goals.

The draft action items are directly associated with a series of thirteen contributing factors to fair housing issues and fall within four goal areas:

1) Address disproportionate housing needs
2) Address housing segregation and increase access to opportunity
3) Expand access to housing for persons with disabilities
4) Address limited knowledge of fair housing laws through education, outreach, and developing tools and resources

This draft AI was completed and put forth for a public comment period beginning 1/31 that will run through 3/2. A public hearing is scheduled for 2/20 at 4:00 PM at Rondo Library in St. Paul. The full document and more information can be found at www.mnfairhousing.org.

BBC RESEARCH & CONSULTING

Analysis of Impediments to Fair Housing Choice

Minnesota Housing, Department of Employment and Economic Development, Department of Human Services

DRAFT

Draft Executive Summary and Action Items

Draft Executive Summary and Action Items from Full Report

January 2018

Analysis of Impediments to Fair Housing Choice

DRAFT

Prepared for
Minnesota Housing
Department of Employment and Economic Development
Department of Human Services

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BBC RESEARCH & CONSULTING

Executive Summary

This document is the 2018 State of Minnesota Analysis of Impediments to Fair Housing Choice (AI). The State of Minnesota is required to assess barriers to housing choice with development of its five-year Consolidated Plan for federal block grants funding for housing and community development. The state agencies that are direct recipients of these funds are the Minnesota Housing Finance Agency (Minnesota Housing), the Minnesota Department of Employment and Economic Development (DEED) and the Department of Human Services (DHS).

An Economic Opportunity Approach

This study approaches the analysis of fair housing issues through an "opportunity lens." This was done to:

- Incorporate recent research that links long-term economic gains of cities and states to advancing economic growth of residents,
- Incorporate the latest legal developments around fair housing, and
- Most importantly, identify where the Grantees can best intervene to improve the economic opportunities of residents and, ultimately the fiscal health, across the state.

How does economic opportunity relate to fair housing? The Federal Fair Housing Act requires that HUD programs and activities be administrated in a manner that affirmatively furthers (AFFH) the policies of the Fair Housing Act. Federal courts have interpreted this to mean doing more than simply not discriminating: The AFFH obligation also requires recipients of federal housing funds to take meaningful actions to overcome historic and current barriers to accessing housing and economically stable communities.

It is important to recognize that fair housing planning has benefits beyond complying with federal funding. This has been articulated by HUD as: "the obligations and principles embodied in the concept of fair housing are fundamental to healthy communities…and…actions in the overall community planning and development process lead to substantial positive change."

HUD is not prescriptive in its approach to fair housing planning, although the agency does place high importance on fair housing strategies that facilitate positive economic environments in all communities—whether these be bustling urban areas, quaint and stable suburbs, or pastoral rural towns.

In sum, this new approach to fair housing provides a more comprehensive evaluation of the circumstances within the state's geographic focus and authority that affect fair housing choice and economic prosperity.

This document is modeled after the structure of the HUD-proposed Assessment of Fair Housing for States and Insular Areas. It includes a:

- Demographic Summary (Section I)—review of demographic indicators, which may be linked to fair housing issues;
- Housing Choice Analysis (Section II)—examination of barriers to housing choice and the effects on protected classes;
- Access to Opportunity (Section III)—exploration of how relevant State of Minnesota policies and practices support access to economic opportunity;
- Disability and Access Analysis (Section IV)— examination of the housing experience and access to opportunity for Minnesota residents with disabilities;
- Complaint and Regulatory Review (Section V)— review of the fair housing enforcement and regulatory environment; and
- Contributing Factors, Priorities, and Goals (Section VI)—identifies fair housing issues found in the analysis conducted for the State of Minnesota AI and also includes actions the State will take in response to these issues.

Community Engagement Process

In addition to analysis of publicly available demographic and socioeconomic data, HUD-provided data, and review of state, regional and local studies, the Minnesota AI provided opportunities for residents and stakeholders to share their experience with housing choice and access to opportunity. The engagement process included:

- Community conversations held in Worthington, Marshall, Willmar and Bemidji with Anuak, Eritrean, Hispanic, Karen, Oromo, Vietnamese, and Somali residents, residents with disabilities and members of the Red Lake, Leech Lake and White Earth bands of Chippewa Indians—69 residents participated;
- In-depth interviews focused on organizations providing services to or advocacy on behalf of: African immigrants and refugees, Asian Pacific residents, residents with disabilities, Karen refugees and immigrants, low income residents, Minnesota's tribal nations, and interviews with organizations serving residents of racially or ethnically concentrated areas of poverty in the Twin Cities—17 organizations and agencies participated;
- A survey of public housing authorities operating in greater Minnesota—27 participated;
- A comprehensive stakeholder survey—467 stakeholders participated;
- A thorough review of community engagement results from the Twin Cities Regional AI Addendum process conducted in early 2017 and additional discussions with the organizations that led community engagement for the Addendum to identify common fair housing issues with the State AI.

- A public comment period including wide distribution of draft materials and a public hearing.

Summary of Findings

Key findings from the AI as are described fully in the following chapters are below.

Demographic analysis findings:

- Minnesota's racial and ethnic diversity has increased since 2000, due to strong growth in Black/African American, Asian, Hispanic, and multi-race residents. Yet these groups still comprise a very small portion of the State's residents: About 80 percent of residents report their race and ethnicity as white, non-Hispanic.

- Except for Native Americans, the state's racial and ethnic diversity is predominantly in the Twin Cities. Nearly two-thirds of the state's Black/African American residents live in Hennepin and Ramsey Counties.

- The state's non-white residents—especially Black/African American and Native American residents—are more likely to experience poverty than white, non-Hispanic residents. The gap is most pronounced for children: More than four in 10 Black/African American and Native American children in Minnesota lived in poverty in 2014, as well as three in 10 Hispanic children. This compares to just 7 percent of white, non-Hispanic children.

- As defined through the HUD framework, areas of concentrated poverty are most commonly located in the Twin Cities and on Native American reservations. Residents of these areas are employed (very few receive public assistance as their primary source of income), yet they earn low wages and cannot afford the costs of housing: 75 percent of residents in areas of concentrated poverty are cost burdened.

- Segregation by race and ethnicity is not exclusively an urban problem. In fact, segregation in the Twin Cities is declining as a result of migration of Black/African American residents into suburban communities, overall growth in Hispanic residents, and an increase of white households in inner-city neighborhoods. The highest levels of segregation in the state, as measured by the Dissimilarity Index (DI), are found in Becker, Beltrami, Cass, Kandiyohi, Nobles, and Todd Counties in Greater Minnesota, and in Hennepin and Ramsey Counties in the Twin Cities Metro.

Housing choice findings:

- Housing needs in the state have grown significantly in the past 15 years, particularly for renters, due to rising rental costs and stagnant incomes. Large families, immigrant families, and many racial and ethnic minorities are disproportionately affected by market changes like lower vacancy rates that result from this dichotomy

- Between 2010 and 2015, the total number of mortgage loan applications declined by 19 percent, following trends identified in the past State Analysis of Impediments fair housing study: Between 2004 and 2009, applications declined 34 percent.

- The proportion of mortgage loans that were denied has changed little over time and gaps in approvals among different races and ethnicities persist. Denials remain consistently highest for American Indian/Alaskan Native, Black/African American, and Hispanic applicants, and lowest for White and Asian applicants. The highest percentage point difference in denials in 2015 is a 12 percentage point disparity for American Indian/Alaskan Native and White borrowers.

- Since 2008, there has been a divide in urban and rural mortgage loan applicants' approval rates. The gap is more significant in Minnesota than in the U.S. overall. Research by the Minneapolis Federal Reserve bank attributes the gap to a larger share of applicants in rural areas, suggesting an unmet demand for residential capital in rural Minnesota. A recent study by the NBER suggests that lack of access to capital (due to physical proximity or the digital divide) is another factor explaining lending differences.

- Several counties in Minnesota stand out for their large gaps in residential mortgage loan denials between minority and non-minority applicants. These counties are all located in rural areas; most have moderate levels of segregation; and some are home to Indian Reservations.

- To respond to these needs, Minnesota Housing has established strategic priorities that focus on closing the homeownership gap for minority residents; supporting renters through creation of new units and preserving existing affordable housing; prioritizing creation of family rental units; while offering flexibility to respond to individual communities' needs.

Access to opportunity findings:

- There are disparities in access to proficient schools, particularly in the Twin Cities.

- Residents and stakeholders have described a lack of capacity for in-person language interpretation at schools, especially in communities that have seen high growth in immigrants and refugees from non-Spanish-speaking countries.

- Resources for local provision of adult basic education, especially English as a Second Language and adult literacy are perceived to be lacking.

- From community conversations, it's clear that residents, and many landlords, are not aware of their rights and responsibilities under the Fair Housing Act. Education and outreach is needed.

Disability and access findings:

- A lack of affordable, integrated housing for individuals who need supportive services is a significant barrier to fair housing choice for residents with disabilities statewide and was identified as a serious issue in each region of the state.

- Similarly, a lack of housing available for persons with disabilities transitioning out of institutions and nursing homes was the 12th most serious contributing factor to fair housing issues statewide and is a more pressing issue outside of the Twin Cities.

- Lack of public transportation limits housing choice and access to opportunity for residents with disabilities living in communities with no, infrequent or solely regional transportation services.

- Affordable and accessible housing for residents with disabilities should have greater visibility within Minnesota Housing.

- Requiring residents with disabilities to begin the application process for the Developmental Disability Waiver and other services onsite at county offices places a significant burden on residents with disabilities, particularly those living in greater Minnesota. There may be a need for county staff who administer programs benefitting residents with disabilities to receive training on best practices for successful interactions with residents with intellectual disabilities and mental illness.

Regulatory review findings:

- Annually, about 100 Minnesotans file fair housing complaints. Forty-percent of the complaints allege discrimination on the basis of disability; about one-quarter allege race-based discrimination. Hennepin County had the most complaints filed, followed by Ramsey, Dakota, and Anoka counties. Nearly 75 percent (72-74%) of all complaints were filed in these four counties.

- In 2015, there were 109 hate crimes reported in the state of Minnesota, or 5.95 hate crimes per 100,000 residents—slightly more than the national average of 5.29. About half of hate crimes reported were committed on the basis of race, ethnicity, or ancestry.

- A thorough review of state-level statute regulations and programs related to fair housing (appearing in Appendix A) concluded that that state has a multi-faceted regulatory framework in place that does not appear to create barriers to housing choice. Modest improvements could be made to strengthen state laws.

- The Twin Cities AI Addendum included a comprehensive review of local barriers in the Metro region. The review found that some communities have regulations and practices that could create barriers to housing choice through restrictive definitions of family and housing types, exclusionary zoning practices, and design and construction barriers.

Fair Housing Issues and Contributing Factors

The following fair housing issues were identified through the quantitative analysis in Sections I through V.

Primary fair housing issues. This section presents the fair housing issues identified by stakeholders, residents, and through the analysis of demographic and housing data.

The top issues, according to **stakeholders** who participated in the study, are summarized below. When asked which resident groups these issues mostly affect, stakeholders said: low income families, persons with disabilities, and immigrants/refugees. Many of the fair housing issues are prevalent statewide. Issues that are specific to only some geographic areas are noted as such.

Housing issues

- **Poor condition of housing.** This is a top barrier identified throughout Minnesota, especially in areas with growing employment and housing shortages. Stakeholders in the CDBG non-entitlement cities identified poor condition of affordable housing as the most significant barrier affecting their constituencies.
- **Lack of larger rental units for families.** This issue is perceived as disproportionately affecting large and often immigrant families. This is one of the top ranked barriers by stakeholders in addition to units in poor condition. A related concern is that new developments created through incentive programs fail to increase the stock of family units in the Twin Cities (the perception is that these new developments are mostly studio and 1-bedroom units). Another related concern is that onerous parking restrictions that do not permit visitors and/or do not allow street parking, create challenges for larger families.
- **High barriers to entry for homeownership (downpayment assistance, credit requirements) for lower income and non-white and Hispanic residents**. General lack of knowledge of how to achieve homeownership and manage ownership in poor economic environments (e.g., foreclosure counseling). For some cultural groups, lack of culturally competent lending products. Statewide issues that disproportionately affect households with credit histories and Black/African American, Hispanic, and Native American households, who are more likely to be denied mortgage loan credit.
- **Tenant screening can include onerous "look back" periods for criminal charges or evictions of rental applicants.** Considered to be prevalent statewide.). Expungement of eviction difficult to achieve (state barrier).
- **Landlords requiring incomes that are three times the required rent payment and charging high security deposits and first and last months' rent.** Strict standards for rental applicants in tight markets. Lack of landlords that will accept Section 8. This is most prevalent in areas with very low rental vacancy rates, high growth, and strong employment (Twin Cities and high-growth markets in Southern Minnesota).
- **Redevelopment of naturally occurring affordable housing (NOAH),** is most likely to affect residents who are disproportionately likely to have criminal histories, including Black/African American residents and, to a lesser extent, Native Americans.
- **Perception that affordable housing is located in high poverty, low opportunity areas and that there are concentrations of units that accept Section 8.** Lack of landlords that accept Section 8 in high opportunity communities. This concern is identified mostly for the Twin Cities.
- **Not in my back yard - NIMBYism/neighborhood opposition to housing development in general.**

Housing barriers specific to persons with disabilities

- **Shortage of accessible and available housing options.** For people with disabilities, simply acquiring housing and remaining housed are significant challenges. Wait lists for affordable, accessible housing are "years long" in many rural areas.

- **Shortage of resources to make accessibility improvements.** If a Housing Choice Voucher holder requires a reasonable accommodation, they will often look to the local PHA to help with those improvements. Most local PHAs do not have the resources to assist with the accommodation. There are also not resources to assist non voucher holders in accessibility improvements more broadly.
- **Shortage of workers to help transition into independent living and lack of case managers and home care aids to support independent living, particularly in very rural areas and areas with strong employment growth and housing pressures.** In-person intake for services at County departments can be intimidating to persons with intellectual disabilities or severe mental illness, resulting in otherwise qualified individuals not receiving services. Processes to apply for home health care and other supports are complex and stakeholders believe there are insufficient resources to assist residents with applications. Stakeholders note that there has been progress in adopting processes that respect a person's preferences, but there are insufficient resources to accommodate preferences.

Conversations with a **diverse set of residents** living throughout the state (Worthington, Marshall, Willmar and Bemidji with Anuak, Eritrean, Hispanic, Karen, Oromo, Vietnamese, and Somali residents, residents with disabilities and members of the Red Lake, Leech Lake and White Earth bands of Chippewa Indians) identified the following top concerns. These concerns are particular to areas outside of the Twin Cities, where the engagement occurred.

- **Poor housing condition**, particularly homes that are owned by outside investors and rented to vulnerable populations (undocumented, new immigrants). This was also raised as a top issue in the Twin Cities in the AI Addendum.
- **Limited knowledge and/or access to resources to help communities quickly respond to housing shortages and needs** (e.g., rapid employment growth, limited housing for special needs populations who may be moving from institutional settings, face a critical housing need). This was primarily identified as an issue for growing areas outside of the Twin Cities.
- **Lack of understanding by local officials about how land use and zoning decisions can create barriers to housing choice**; prevalence of a "charity" model of delivering housing and services. Primarily an issue for areas outside of the Twin Cities, including exurbs of the Twin Cities.
- **General ignorance of fair housing laws in rural and semirural areas and the need to increase understanding of such laws and capacity for education and outreach.** This is mostly identified as an issue in rural areas and small town in the state.

The **quantitative analyses** conducted for the AI—which examined segregation and integration, areas of concentrated poverty, equal access to quality educational environments, employment opportunities, transportation, and healthy communities—found the following fair housing concerns:

- **Lack of economic opportunity in high poverty areas that are also racially and ethnicity diverse areas.** The vast majority of these areas are in the Twin Cities region; others are on Native American reservations. Residents living in these areas face challenges in accessing

economic opportunity because of many factors including isolation (very rural areas), drug and alcohol addiction (particularly in the Headwaters Region) and language barriers (both in spoken and written languages). Adult illiteracy among the refugee population in greater Minnesota poses a significant barrier to accessing opportunity, from being unable to pass a driver's license exam to promotional opportunities in the workplace.

- **High and moderate segregation, as measured by the Dissimilarity Index (DI).** The DI is moderate to high in Cass (high), Becker, Beltrami, Hennepin, Kandiyohi, Nobles, Ramsey, and Todd Counties (moderate). Becker, Kandiyohi, and Nobles County are also areas with the largest rates of denials for minority loan applicants seeking home loans, which may exacerbate segregation.

- **Large differences in homeownership among White residents and households of color or Hispanic Ethnicity.** The Twin Cities, in particular, has one of the largest gaps in the country.

- **Gap in mortgage loan applications and approvals for minority applicants** and challenges with lending on Tribal land due to lack of fee (v. trust) land. Statewide, non-white, Hispanic applicants face denial disparities when compared to white applicants: 17 percentage points (African Americans), 16 percentage points (American Indian), and 7 percentage points (Hispanic) and these gaps persist even after adjusting for income. The gap is largest for home improvement loans and refinances, suggesting that minority borrowers have less equity (and, consequently, less wealth building potential) in their homes and/or carry higher debt. This makes them more vulnerable to the economic effects of market downturns. Geographically, the largest differences in denials between minority and White, non-Hispanic applicants exist in Becker, Carlton, Kandiyohi, Nobles, and Polk Counties. Carlton and Nobles Counties have some of the highest denial rates in the state overall, for both minority and non-minority applicants.

Goals and Action Steps

This AI does not exist in a vacuum. The State of Minnesota AI intersects the AI plans developed by other participating jurisdictions in the State, including the Twin Cities Regional AI and recently adopted Addendum. The AI also intersects with many other state and local initiatives related to housing and equity. At the time of writing this plan, work on the Governor's Housing Task Force has only recently begun and results and recommendations are expected in later 2018. Minnesota's Olmstead Plan has work plan items to increase housing opportunities of choice for persons with disabilities. The Heading Home Minnesota Plan to Prevent and End Homelessness includes several elements that also intersect with this fair housing plan. In addition, the State of Minnesota has several councils pertaining to racial and ethnic groups, including the Council on Asian Pacific Minnesotans, the Council for Minnesotans of African Heritage, Minnesota Council on Latino Affairs, and the Minnesota Indian Affairs Council. The goals and action items proposed in this plan are considered in the context of these other initiatives and a primary overarching goal is to commit to a joint effort with these initiatives to address opportunity gaps.

The fair housing goals described in the Section VI are designed to overcome one or more contributing factors and related fair housing issues from the perspective of the state of Minnesota, in particular for Minnesota Housing, DEED, and DHS. The 13 fair housing issues are grouped within four goal areas:

Goal 1. Address disproportionate housing needs.

Goal 2. Address housing segregation and increase access to opportunity.

Goal 3. Expand access to housing for persons with disabilities

Goal 4. Address limited knowledge of fair housing laws through education, outreach, and developing tools and resources.

In this summary document, specific action items identified to address fair housing challenges are on the following pages.

Fair Housing Challenge	*Draft Action Items*	*Time Frame*	*Responsible Parties*
Goal 1. **Address disproportionate housing needs.** For the following fair housing challenges identified through this AI, identify programmatic funding or collaborative responses that can support efforts to increase housing opportunities through expanded or streamlined existing funding resources and through collaboration with a variety of partners to provide services and information and identify other resources.			
a. Rental housing in poor condition	• Continue and consider expanding programs to support small rental developments (5-50 units): o Continue Publicly Owned Housing Program (POHP), evaluate and consider ways to support smaller PHAs through technical assistance to build capacity. o Continue to utilize CDBG funding to support small rental rehabilitation in nonentitlement communities. o Evaluate potential increase in Rental Rehabilitation Deferred Loan (RRDL) Program and consider expanding to support developments in urban/suburban areas.	2018-2021 (eval. 19-20)	Minnesota Housing DEED (CDBG)
	• Investigate resources for quick response fund for life/safety concerns. o Continue and consider expansion of resources for developments currently in Minnesota Housing's portfolio. o Evaluate feasibility for establishing a receivership revolving loan fund under state statute 504B.451.	2019-2021	Minnesota Housing
	• Continue support for HOME Line as a hotline for tenants' rights.	2018-2021	Minnesota Housing
	• Continue to track and evaluate results of rental inspections on Minnesota Housing financed rental properties, consider ways to standardize evaluating different inspection types across programs.	2018-2021 (eval. 20-21)	Minnesota Housing
b. Insufficient housing for large families	• For rental development resources: o Continue to provide points for large family housing in selection criteria of Minnesota Housing funding resources, including through the Low Income Housing Tax Credit Qualified Allocation Plan.	2018-2021	Minnesota Housing
	• For homeownership activities: o Continue to support the enhanced financial capacity program in reaching large immigrant families. o Continue the priority for large family housing in the Impact Fund. o Continue to provide priorities for down payment assistance to large families. o For these programs, evaluate how the priority reaches large families.	2018-2021 (eval. 20-21)	Minnesota Housing
	• Explore with our partners the feasibility of creating a capital program for small scale rental housing development in rural communities with significant rental housing needs that are currently unable to access development resources.	2019-2020	Minnesota Housing

Fair Housing Challenge	*Draft Action Items*	*Time Frame*	*Responsible Parties*
c. Redevelopment displacing current renters of Naturally Occurring Affordable Housing (NOAH)	• Continue support of the NOAH Impact Fund and partner with the Greater Minnesota Housing Fund to evaluate the effectiveness of the fund.	2018-2021 (eval. 18-20)	Minnesota Housing
	• Collaborate with Fannie Mae and Freddie Mac (the GSEs) in considering products and solutions to support NOAH as identified in the GSE's Duty to Serve plans.	2018-2020	Minnesota Housing & Partners
	• Monitor state legislation regarding right of first refusal and opportunity to purchase measures for manufactured home parks (tenant purchase rights) and consider the next steps for Minnesota Housing related to the preservation of manufactured home parks to address critical infrastructure issues that limit preservation opportunities, or offset/replace opportunities that are no longer available.	2018-2021 (next steps 20-21)	Minnesota Housing
	• Create informational materials to provide to communities and other stakeholders regarding the Low Income Rental Classification (LIRC) program.	2019-2020	Minnesota Housing
	• *(as in 1a)* Evaluate potential increase in RRDL and consider expanding to support developments in urban/suburban areas.	2019-2020	Minnesota Housing
d. Homeownership and mortgage lending gaps	• Enhance and continue partnerships to remove barriers to homeownership and reduce the lending gaps between households of color or Hispanic Ethnicity and white non-Hispanic households. o Continue supporting and strengthening the Homeownership Opportunity Alliance.	2018-2021	Minnesota Housing with Homeownership Opportunity Alliance
	• Identify homeownership education activities occurring in the market and evaluate program activities: o Expand and enhance the Homebuyer Education, Counseling, and Training (HECAT) program at Minnesota Housing, including adding financial wellness to the services under the program. o Continue Minnesota Housing's homeownership capacity program. o Through capacity building and technical assistance, support partners in working on initiatives to help households save for down payments using tools such as individual development accounts (IDAs). o Explore ways to deploy resources such as down payment assistance (DPA) through the Impact Fund to serve lending products for interest adverse populations.	2018-2021 2020-2021	Minnesota Housing Minnesota Housing with partners
	• Identify and address gaps in lending market: o Conduct gaps analysis on homeownership counseling in Greater Minnesota and provide technical assistance resources to increase access to homeownership counseling for renters of color or Hispanic ethnicity. o Continue, through intentional program design and business development activities of Minnesota Housing mortgage programs, to ensure households of color and Hispanic ethnicity have meaningful access to homeownership opportunities. o Develop or identify resources to connect potential homebuyers with barriers to homeownership opportunities.	2018-2019 2018-2021 2019-2021	Minnesota Housing with partners

Fair Housing Challenge	*Draft Action Items*	*Time Frame*	*Responsible Parties*
d. Homeownership and mortgage lending gaps *(continued)*	• Partner with Tribal Nations to consider strategies to increase homeownership for American Indian households both on and off tribal lands. o Work with tribes on the feasibility of eventual tenant ownership for the eligible tax credit properties. o Conduct mortgage lending session at bi-annual Indian Housing conference. o Evaluate any loan products developed by the GSEs (Fannie Mae and Freddie Mac) for tribal lending as a result of their Duty to Serve Underserved Markets Plans.	2019-2021 2019-2021 2018-2020	Minnesota Housing with partners, including Tribal Nations and the GSEs
e. Very high standards for rentals (3x income, high security deposits, no past record of credit problems or criminal activity)	• If found effective, seek additional resources to expand the Landlord Risk Mitigation Fund program to help address housing needs of persons with criminal records, substance abuse challenges and other barriers.	Evaluation 2019-2020	Minnesota Housing
	• Monitor any proposed regulatory changes that would remove evictions and unlawful detainers from a renters' court record with a favorable court ruling, identify implications for projects financed by Minnesota Housing.	2018-2021	Minnesota Housing
	• Monitor local ordinances such as nuisance laws, "crime free" housing ordinances, and source of income protections.	2019-2020	Minnesota Housing with local partners
	• Regularly provide informational materials on best practices related to tenant selection plans to owners and manager of properties of Minnesota Housing financed rental developments.	2018-2021	Minnesota Housing
f. Affordable housing and landlords accepting housing choice vouchers only located in higher poverty areas	• Continue to prohibit properties with funding through Minnesota Housing from refusing to lease to a tenant based on the status of the tenant as a voucher-holder or recipient of similar rental assistance.	2018-2020	Minnesota Housing
	• Work with Local Housing Authorities to identify and address barriers to project basing Section 8 housing choice vouchers and utilizing housing choice vouchers in lower poverty areas.	2019-2021	Minnesota Housing with Housing Authorities
	• Continue incentives in the state of Minnesota's Low Income Housing Tax Credit Qualified Allocation Plan to develop in high opportunity areas including access to quality schools, transportation, and higher income communities.	2018-2021	Minnesota Housing

Fair Housing Challenge	*Draft Action Items*	*Time Frame*	*Responsible Parties*
Goal 2. **Address housing segregation and increase access to opportunity.** For the following fair housing challenges, identify strategic and collaborative approaches to consider both place based solutions and mobility solutions to provide households access to opportunity.			
a. Non-white and Hispanic residents are disproportionately segregated into some, often high poverty neighborhoods	• Support efforts to review where investments in creation, preservation, and rehabilitation of affordable housing is occurring relative to areas of concentrated poverty and economic opportunity to encourage a full range of housing choices. (For example, helping to keep HousingLink's Low Income Housing Tax Credit development database current to report distributions).	2018-2021	Minnesota Housing with partners including Housing Link
	• *(as in 1f.)* Continue incentives in the state of Minnesota's Low Income Housing Tax Credit Qualified Allocation Plan to develop in high opportunity area areas including access to quality schools, employment, transportation, and higher income communities.	2018-2021	Minnesota Housing
b. Challenges in accessing housing in concentrated areas of wealth or other opportunities	• Evaluate and continue solutions that mitigate barriers to developing housing in areas of wealth or other opportunities. (For example, address barrier of NIMBYism). o Evaluate institutional barriers to funding housing in high opportunity areas by conducting focus groups with local partners. o Provide financial support to efforts to educate communities about the importance of affordable housing. o Support efforts to continue implementation of recommendations by the Minnesota Challenge to Lower the Cost of Affordable Housing to address the state and local regulatory drivers.	2019-2020 2018-2021 2018-2021	Minnesota Housing with partners
	• Monitor any proposed regulatory changes regarding source of income protections; track results of current efforts by the city of Minneapolis.	2018-2021	Minnesota Housing with local partners
c. Challenges accessing economic and other opportunities	• Review and update state language access plans to promote access to state programs for persons with Limited English Proficiency (LEP).	2019-2020	Minnesota Housing DEED, DHS
	• Collaborate with partners at the state and regional level to evaluate ways to address community disinvestment and economic isolation.	2018-2021	Minnesota Housing with partners
	• Promote contracting opportunities for women and minority business entities in all programs.	2018-2021	Minnesota Housing DEED, DHS
	• Continue to support the preservation of affordable housing opportunities as a strategy for community investment.	2018-2021	Minnesota Housing

Fair Housing Challenge	*Draft Action Items*	*Time Frame*	*Responsible Parties*
Goal 3. **Expand access to housing for persons with disabilities.** For the following fair housing challenges, identify collaborative and programmatic funding responses to rehabilitate and create new accessible affordable housing options, support accessibility improvements in single units, and help people with disabilities transition into independent living settings.			
a. Shortage of affordable, accessible housing	• Conduct gaps analysis of accessible housing opportunities for persons with disabilities in Minnesota, through surveys and data evaluation, leveraging HousingLink's work. Utilize data collected by DHS Aging and Disabilities Divisions though the long term services and supports biennial gaps analysis. Identify how Minnesota Housing and other state housing resources are serving persons with disabilities.	2020-2021	Minnesota Housing DHS
	• Evaluate and enhance existing funding resources to provide preference in housing developments for persons with disabilities: o Continue to provide preference points in the Low Income Housing Tax Credit Qualified Allocation Plan and other competitive capital funding resources for developments with units set aside for persons with disabilities. Evaluate how scoring for this preference influences developments being selected. Ensure that selected developers have knowledge of the Home and Community Based Settings Rule and work to ensure that people in properties will be able to access these services. o When appropriate, ensure that all CDBG rental rehabilitation include accessibility improvements. o Promote accessibility improvements through Rental Rehabilitation Deferred Loan Program and continue to provide preference for accessibility improvements as part of the Publicly Owned Housing Program. o Continue strong rental housing design and constructions standards pertaining to accessibility for all Minnesota Housing financed developments.	2018-2021	Minnesota Housing DEED
	• *(As in 1e).* If found effective, seek additional resources to expand the Landlord Risk Mitigation Fund program.	Evaluation 2019-2020	Minnesota Housing
b. Shortage of resources to make accessibility improvements	• Provide education and outreach of existing homeownership programs to make accessibility improvements: o Streamline Minnesota Housing's Rehab Loan Program to make program more accessible to lenders, and promote to seniors and persons with disabilities. o Evaluate Impact Fund projects specifically related to accessibility improvements (such as the ramps program). Continue to offer priority points for household targeting of underserved populations (including persons with disabilities), and priority points for universal design and accessibility features. o Continue to promote Minnesota Housing's Home Improvement Fix up Fund for persons with disabilities which offer more flexibility in program requirements. o Continue to provide priorities for down payment assistance to households that include a person with disabilities.	2018-2019 2020-2021 2018-2021	Minnesota Housing

Fair Housing Challenge	*Draft Action Items*	*Time Frame*	*Responsible Parties*
b. Shortage of resources to make accessibility improvements *(continued)*	• Evaluate resources to make accessibility improvements on a single rental unit: o For developments not covered by Section 504, evaluate use of existing Minnesota Housing asset management funds to help projects in the agency's portfolio address needs related to accessibility, and identify gaps. o Investigate strategies to find or develop other resources to make accessibility improvements on individual units.	2019-2020 2020-2021	Minnesota Housing
c. Shortage of resources to transition into independent living settings	• Collaborate with housing and supports activities in the state's Olmstead Plan and initiatives that increase the number of people with disabilities who live in the most integrated housing of their choice.	2018-2021	Minnesota Housing with Olmstead Implementation Office
	• Minnesota Housing will continue to provide rental assistance to persons with serious mental illness, and evaluate program effectiveness.	2018-2021	Minnesota Housing
	• Minnesota Housing and DHS will continue implementation of the Section 811 rental assistance pilot, partner with HUD in program evaluation, and if found effective, consider other funding sources available for similar program should no further federal assistance become available.	2018-2021	Minnesota Housing, DHS
	• Leverage Minnesota Housing and DHS relationship to explore more streamlined connections between housing and support services. o Promote efforts of Minnesota's Medical Assistance (MA) Waiver program to allow housing supports to be billed to Medicaid (DHS) and ensure Medicaid Waivered services remain available to individuals living in developments financed by Minnesota Housing. o Support HousingLink's efforts to educate owners and tenants on fair housing issues, including reasonable accommodation. • Develop housing planning tools on HB101.org to help persons with disabilities make informed choices about their housing options.	2018-2021	Minnesota Housing, DHS

Fair Housing Challenge	*Draft Action Items*	*Time Frame*	*Responsible Parties*
Goal 4. **Address limited knowledge of fair housing laws through education, outreach, and developing tools and resources.**			
a. Limited knowledge of fair housing laws and resources	• Support Housing Link's efforts to maintain and promote the FairHousingMN.org website and online tool to develop Affirmative Fair Housing Marketing Plans.	2018-2021	Minnesota Housing
	• Develop a Reasonable Accommodation resource on HB101.org to educate persons with disabilities and support professionals about Reasonable Accommodations.	2018-2021	DHS
	• Expand education and oversight of Minnesota Housing financed and federally assisted rental developments with regards to Affirmative Fair Housing Marketing Plans.	2018-2019	Minnesota Housing
	• Expand educational efforts to local government officials in rural areas about housing condition challenges and the important of enforcing housing condition standards.	2020-2021	Minnesota Housing with partners
	• Work with Minnesota Department of Human Rights, Minnesota NAHRO, Minnesota Multi Housing Association and similar organizations to provide education regarding housing discrimination laws through their annual conferences.	2018-2021	Minnesota Housing with partners
	• Continue to support educational opportunities and outreach efforts with suburban community elected and appointed officials to understand the important and effectively plan for a full range of housing choices.	2018-2021	Minnesota Housing with partners
	• Distribute fair housing educational materials at annual conferences, public venues, and other opportunities.	2018-2021	Minnesota Housing DEED, DHS
	• Each State CDBG Grantee must complete at least one fair housing activity each year.	2018-2021	DEED

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MINNESOTA HOUSING

Board Agenda Item: 8.B
Date: 2/22/2018

Item: 2nd quarter FY 2018 Financial Reporting Package

Staff Contact(s):
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Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☐ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:
Staff will review 2nd quarter fiscal year 2018 financial results, using the new financial reporting package.

Fiscal Impact:
None

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Financial Dashboard
- Selected Financial Statements
- 2nd Quarter Fiscal Year 2018 Operating Results, Noteworthy Items

BALANCE SHEET
Quarterly Financial Dashboard - Selected Reporting
As of December 31, 2017 - ($ million)

	Quarter End	Prior Quarter End	Change from Prior Quarter	Year Ago	Change From Year Ago
CONSOLIDATED					
Total Assets	**3,772.3**	**3,656.6**	**115.7**	**3,588.0**	**184.3**
Loans, net	1,038.6	1,050.1	(11.5)	1,145.1	(106.5)
Other investments and cash	659.9	709.6	(49.7)	783.3	(123.4)
Total Liabilities	**2,780.9**	**2,648.4**	**132.5**	**2,562.4**	**218.5**
Net Position					
restricted by Resolution	373.5	376.2	(2.7)	355.0	18.5
restricted by Covenant	470.0	472.4	(2.4)	480.0	(10.0)
restricted by Law	179.5	193.8	(14.3)	175.1	4.4
other	4.1	3.3	0.8	2.5	1.6
Total Net Position	**1,027.1**	**1,045.7**	**(18.6)**	**1,012.6**	**14.5**
CONSOLIDATED EXCLUDING APPROPRIATED					
Total Assets	**3,572.9**	**3,453.1**	**119.8**	**3,382.5**	**190.4**
Net Position	**847.6**	**851.9**	**(4.3)**	**807.6**	**40.0**
SUSTAINABLE CORE					
Total Assets	**3,476.4**	**3,357.7**	**118.7**	**3,298.0**	**178.4**
Program Securities	2,051.9	1,876.5	175.4	1,636.1	415.8
Loans, net	937.8	954.2	(16.4)	1,057.1	(119.3)
Other investments & cash	466.1	507.6	(41.5)	581.6	(115.5)
Total Liabilities	**2,771.0**	**2,651.6**	**119.4**	**2,556.1**	**214.9**
Bonds payable, net	2,571.9	2,465.5	106.4	2,414.0	157.9
Net Position	**741.0**	**743.6**	**(2.6)**	**728.8**	**12.2**

STATEMENT OF OPERATIONS
Quarterly Financial Dashboard - Selected Reporting
As of December 31, 2017 - ($ million)

	This Quarter	Prior Quarter	Change from Prior Quarter	FYTD	Last Year FYTD	Change
CONSOLIDATED						
Revenues	82.4	166.2	(83.8)	248.6	199.4	49.2
Expenses	101.0	102.7	(1.7)	203.7	185.2	18.5
Net	**(18.6)**	**63.5**	**(82.1)**	**44.9**	**14.2**	**30.7**
SUSTAINABLE CORE						
Interest revenue	29.9	29.5	0.4	59.4	58.0	1.4
Other revenue	10.6	9.6	1.0	20.2	19.9	0.3
Unrealized gain (loss)	(9.6)	10.5	(20.1)	0.9	(35.7)	36.6
TOTAL REVENUE	**30.9**	**49.6**	**(18.7)**	**80.5**	**42.2**	**38.3**
Interest Expense	15.1	14.3	0.8	29.4	32.0	(2.6)
Operating Expenses(1)	8.9	6.4	2.5	15.3	14.0	1.3
Other Expenses	9.5	11.1	(1.6)	20.6	14.9	5.7
TOTAL EXPENSE	**33.5**	**31.8**	**1.7**	**65.3**	**60.9**	**4.4**
Revenue over Expense	**(2.6)**	**17.8**	**(20.4)**	**15.2**	**(18.7)**	**33.9**
Net Interest Income	**14.8**	**15.2**	**(0.4)**	**30.0**	**26.0**	**4.0**
Annualized Net Interest Margin	*1.73%*	*1.81%*		*1.79%*	*1.59%*	

(1) Salaries, benefits and other general operating
(2)Annualized Net Interest Income/Average assets for period

Minnesota Housing Finance Agency
Fund Financial Statements
Statement of Net Position (in thousands) - UNAUDITED
Proprietary Funds
As of December 31, 2017 (with comparative totals as of December 31, 2016)

		Bond Funds					Appropriated Funds			
	General Reserve	Rental Housing	Resi-dential Housing Finance	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES℠	State Appro-priated	Federal Appro-priated	Total as of December 31, 2017	Total as of December 31, 2016
Assets										
Cash and cash equivalents	65,560	$ 60,782	$ 169,888	$ 39,152	$ 1,435	$ -	$ 117,950	$ 6,483	$ 461,250	$ 563,329
Investments-program mortgage-backed securities	-	-	669,268	1,382,608	-	-	-	-	2,051,876	1,636,139
Investment securities-other	19,967	1,803	124,896	-	-	19,653	27,876	4,546	198,741	220,043
Loans receivable, net	-	126,340	856,757	-	14,037	-	41,490	-	1,038,624	1,145,056
Interest receivable on loans and program mortgage-backed securities	-	585	6,072	4,140	52	-	23	-	10,872	10,781
Interest receivable on investments	117	62	674	26	1	51	278	11	1,220	1,034
FHA/VA insurance claims, net	-	-	1,814	-	-	-	-	-	1,814	3,149
Real estate owned, net	-	-	1,708	-	-	-	-	-	1,708	4,352
Capital assets, net	4,052	-	-	-	-	-	-	-	4,052	2,456
Other assets	1,050	2	319	14	-	-	400	374	2,159	1,695
Total assets	90,746	189,574	1,831,396	1,425,940	15,525	19,704	188,017	11,414	3,772,316	3,588,034
Deferred Outflows of Resources										
Deferred loss on refunding	-	-	111	-	-	-	-	-	111	169
Deferred loss on interest rate swap agreements	-	-	3,728	-	-	-	-	-	3,728	8,526
Deferred pension expense	53,275	-	-	-	-	-	-	-	53,275	2,980
Total deferred outflows of resources	53,275	-	3,839	-	-	-	-	-	57,114	11,675
Total assets and deferred outflows of resources	$ 144,021	$ 189,574	$ 1,835,235	$ 1,425,940	$ 15,525	$ 19,704	$ 188,017	$ 11,414	$ 3,829,430	$ 3,599,709
Liabilities										
Bonds payable, net	$ -	$ 38,500	$ 1,146,004	$ 1,354,224	$ 13,840	$ 19,306	$ -	$ -	$ 2,571,874	$ 2,413,978
Interest payable	-	473	16,551	5,998	35	51	-	-	23,108	25,328
Interest rate swap agreements	-	-	3,728	-	-	-	-	-	3,728	8,526
Net pension liability	76,077	-	-	-	-	-	-	-	76,077	8,979
Accounts payable and other liabilities	4,093	10,354	7,144	71	-	-	-	-	21,662	11,953
Interfund payable (receivable)	(19,027)	-	18,148	-	-	-	498	381	-	-
Funds held for others	63,819	-	1,250	-	-	347	18,997	2	84,415	93,650
Total liabilities	124,962	49,327	1,192,825	1,360,293	13,875	19,704	19,495	383	2,780,864	2,562,414
Deferred Inflows of Resources										
Deferred gain on interest rate swap agreements	-	-	-	-	-	-	-	-	-	-
Deferred revenue-service release fee	-	-	9,510	6,435	-	-	-	-	15,945	13,390
Deferred pension credit	5,554	-	-	-	-	-	-	-	5,554	11,327
Total deferred inflows of resources	5,554	-	9,510	6,435	-	-	-	-	21,499	24,717
Total liabilities and deferred inflows of resources	$ 130,516	$ 49,327	$ 1,202,335	$ 1,366,728	$ 13,875	$ 19,704	$ 19,495	$ 383	$ 2,802,363	$ 2,587,131
Commitments and contingencies										
Net Position										
Restricted by bond resolution	-	140,247	172,352	59,212	1,650	-	-	-	373,461	355,038
Restricted by covenant	9,453	-	460,548	-	-	-	-	-	470,001	479,984
Restricted by law	-	-	-	-	-	-	168,522	11,031	179,553	175,100
Invested in capital assets	4,052	-	-	-	-	-	-	-	4,052	2,456
Total net position	13,505	140,247	632,900	59,212	1,650	-	168,522	11,031	1,027,067	1,012,578
Total liabilities, deferred inflows of resources, and net position	$ 144,021	$ 189,574	$ 1,835,235	$ 1,425,940	$ 15,525	$ 19,704	$ 188,017	$ 11,414	$ 3,829,430	$ 3,599,709
	-	-	-	-	-	-	-	-	-	-

This information on the funds of the Agency for the six- month period ended December 31, 2017 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the six-month period ended December 31, 2017 , subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2017 and for the fiscal year then ended.

UNAUDITED

See accompanying notes to financial statements.

Minnesota Housing Finance Agency
Fund Financial Statements
Statement of Net Position (in thousands) - UNAUDITED
Proprietary Funds
As of December 31, 2017 (with comparative totals as of December 31, 2016)

		Bond Funds					Appropriated Funds			
	General Reserve	Rental Housing	Resi-dential Housing Finance	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES℠	State Appro-priated	Federal Appro-priated	Total as of December 31, 2017	Total as of December 31, 2016
Assets										
Cash and cash equivalents	65,560	$ 60,782	$ 169,888	$ 39,152	$ 1,435	$ -	$ 117,950	$ 6,483	$ 461,250	$ 563,329
Investments-program mortgage-backed securities	-	-	669,268	1,382,608	-	-	-	-	2,051,876	1,636,139
Investment securities-other	19,967	1,803	124,896	-	-	19,653	27,876	4,546	198,741	220,043
Loans receivable, net	-	126,340	856,757	-	14,037	-	41,490	-	1,038,624	1,145,056
Interest receivable on loans and program mortgage-backed securities	-	585	6,072	4,140	52	-	23	-	10,872	10,781
Interest receivable on investments	117	62	674	26	1	51	278	11	1,220	1,034
FHA/VA insurance claims, net	-	-	1,814	-	-	-	-	-	1,814	3,149
Real estate owned, net	-	-	1,708	-	-	-	-	-	1,708	4,352
Capital assets, net	4,052	-	-	-	-	-	-	-	4,052	2,456
Other assets	1,050	2	319	14	-	-	400	374	2,159	1,695
Total assets	90,746	189,574	1,831,396	1,425,940	15,525	19,704	188,017	11,414	3,772,316	3,588,034
Deferred Outflows of Resources										
Deferred loss on refunding	-	-	111	-	-	-	-	-	111	169
Deferred loss on interest rate swap agreements	-	-	3,728	-	-	-	-	-	3,728	8,526
Deferred pension expense	53,275	-	-	-	-	-	-	-	53,275	2,980
Total deferred outflows of resources	53,275	-	3,839	-	-	-	-	-	57,114	11,675
Total assets and deferred outflows of resources	$ 144,021	$ 189,574	$ 1,835,235	$ 1,425,940	$ 15,525	$ 19,704	$ 188,017	$ 11,414	$ 3,829,430	$ 3,599,709
Liabilities										
Bonds payable, net	$ -	$ 38,500	$ 1,146,004	$ 1,354,224	$ 13,840	$ 19,306	$ -	$ -	$ 2,571,874	$ 2,413,978
Interest payable	-	473	16,551	5,998	35	51	-	-	23,108	25,328
Interest rate swap agreements	-	-	3,728	-	-	-	-	-	3,728	8,526
Net pension liability	76,077	-	-	-	-	-	-	-	76,077	8,979
Accounts payable and other liabilities	4,093	10,354	7,144	71	-	-	-	-	21,662	11,953
Interfund payable (receivable)	(19,027)	-	18,148	-	-	-	498	381	-	-
Funds held for others	63,819	-	1,250	-	-	347	18,997	2	84,415	93,650
Total liabilities	124,962	49,327	1,192,825	1,360,293	13,875	19,704	19,495	383	2,780,864	2,562,414
Deferred Inflows of Resources										
Deferred gain on interest rate swap agreements	-	-	-	-	-	-	-	-	-	-
Deferred revenue-service release fee	-	-	9,510	6,435	-	-	-	-	15,945	13,390
Deferred pension credit	5,554	-	-	-	-	-	-	-	5,554	11,327
Total deferred inflows of resources	5,554	-	9,510	6,435	-	-	-	-	21,499	24,717
Total liabilities and deferred inflows of resources	$ 130,516	$ 49,327	$ 1,202,335	$ 1,366,728	$ 13,875	$ 19,704	$ 19,495	$ 383	$ 2,802,363	$ 2,587,131
Commitments and contingencies										
Net Position										
Restricted by bond resolution	-	140,247	172,352	59,212	1,650	-	-	-	373,461	355,038
Restricted by covenant	9,453	-	460,548	-	-	-	-	-	470,001	479,984
Restricted by law	-	-	-	-	-	-	168,522	11,031	179,553	175,100
Invested in capital assets	4,052	-	-	-	-	-	-	-	4,052	2,456
Total net position	13,505	140,247	632,900	59,212	1,650	-	168,522	11,031	1,027,067	1,012,578
Total liabilities, deferred inflows of resources, and net position	$ 144,021	$ 189,574	$ 1,835,235	$ 1,425,940	$ 15,525	$ 19,704	$ 188,017	$ 11,414	$ 3,829,430	$ 3,599,709
	-	-	-	-	-	-	-	-	-	-

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UNAUDITED

See accompanying notes to financial statements.

Minnesota Housing Finance Agency
Supplementary Information(Unaudited)
Statement of Net Position (in thousands)
General Reserve & Bond Funds
As of December 31, 2017 (with comparative totals for December 31, 2016)

	General Reserve	Bond Funds: Rental Housing	Bond Funds: Residential Housing Finance Bonds	Bond Funds: Residential Housing Finance Pool 2	Bond Funds: Homeownership Finance Bonds	Bond Funds: Multifamily Housing Bonds	Bond Funds: HOMES[SM]	General Reserve & Bond Funds Excluding Pool 3 Total As Of December 31, 2017	General Reserve & Bond Funds Excluding Pool 3 Total As Of December 31, 2016	Residential Housing Finance Pool 3 Total As Of December 31, 2017	General Reserve & Bond Funds Total As Of December 31, 2017	General Reserve & Bond Funds Total As Of December 31, 2016
Assets												
Cash and cash equivalents	$ 65,560	$ 60,782	137,816	$ 26,757	$ 39,152	$ 1,435	$ -	$ 331,502	$ 431,583	$ 5,315	$ 336,817	$ 432,618
Investments-program mortgage-backed securities	-	-	669,268	-	1,382,608	-	-	2,051,876	1,636,139	-	2,051,876	1,636,139
Investment securities-other	19,967	1,803	22,910	70,244	-	-	19,653	134,577	150,499	31,742	166,319	187,426
Loans receivable, net	-	126,340	499,906	297,513	-	14,037	-	937,796	1,057,085	59,338	997,134	1,103,615
Interest receivable on loans and program mortgage-backed securities	-	585	4,711	1,315	4,140	52	-	10,803	10,672	46	10,849	10,738
Interest receivable on investments	117	62	377	224	26	1	51	858	731	73	931	807
FHA/VA insurance claims, net	-	-	1,814	-	-	-	-	1,814	3,149	-	1,814	3,149
Real estate owned, net	-	-	1,730	(22)	-	-	-	1,708	4,352	-	1,708	4,352
Capital assets, net	4,052	-	-	-	-	-	-	4,052	2,456	-	4,052	2,456
Other assets	1,050	2	17	301	14	-	-	1,384	1,295	1	1,385	1,295
Total assets	90,746	189,574	1,338,549	396,332	1,425,940	15,525	19,704	3,476,370	3,297,961	96,515	3,572,885	3,382,595
Deferred Outflows of Resources												
Deferred loss on refunding	-	-	111	-	-	-	-	111	169	-	111	169
Deferred loss on interest rate swap agreements	-	-	3,728	-	-	-	-	3,728	8,526	-	3,728	8,526
Deferred pension expense	53,275	-	-	-	-	-	-	53,275	2,980	-	53,275	2,980
Total deferred outflows of resources	53,275	-	3,839	-	-	-	-	57,114	11,675	-	57,114	11,675
Total assets and deferred outflows of resources	$ 144,021	$ 189,574	$ 1,342,388	$ 396,332	$ 1,425,940	$ 15,525	$ 19,704	$ 3,533,484	$ 3,309,636	$ 96,515	$ 3,629,999	$ 3,394,270
Liabilities												
Bonds payable, net	$ -	$ 38,500	$ 1,145,904	$ 100	$ 1,354,224	$ 13,840	$ 19,306	$ 2,571,874	$ 2,413,978	$ -	$ 2,571,874	$ 2,413,978
Interest payable	-	473	16,542	9	5,998	35	51	23,108	25,328	-	23,108	25,328
Interest rate swap agreements	-	-	3,728	-	-	-	-	3,728	8,526	-	3,728	8,526
Net pension liability	76,077	-	-	-	-	-	-	76,077	8,979	-	76,077	8,979
Accounts payable and other liabilities	4,093	10,354	474	6,669	71	-	-	21,661	11,824	1	21,662	11,825
Interfund payable (receivable)	(19,027)	-	-	28,174	-	-	-	9,147	23,617	(10,026)	(879)	(410)
Funds held for others	63,819	-	-	1,250	-	-	347	65,416	63,849	-	65,416	63,849
Total liabilities	124,962	49,327	1,166,648	36,202	1,360,293	13,875	19,704	2,771,011	2,556,101	(10,025)	2,760,986	2,532,075
Deferred Inflows of Resources												
Deferred gain on interest rate swap agreements	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue-service release fee	-	-	3,388	6,122	6,435	-	-	15,945	13,390	-	15,945	13,390
Deferred pension credit	5,554	-	-	-	-	-	-	5,554	11,327	-	5,554	11,327
Total deferred inflows of resources	5,554	-	3,388	6,122	6,435	-	-	21,499	24,717	-	21,499	24,717
Total liabilities and deferred inflows of resources	$ 130,516	$ 49,327	$ 1,170,036	$ 42,324	$ 1,366,728	$ 13,875	$ 19,704	$ 2,792,510	$ 2,580,818	$ (10,025)	$ 2,782,485	$ 2,556,792
Commitments and contingencies												
Net Position												
Restricted by bond resolution	-	140,247	172,352	-	59,212	1,650	-	373,461	355,038	-	373,461	355,038
Restricted by covenant	9,453	-	-	354,008	-	-	-	363,461	371,324	106,540	470,001	479,984
Restricted by law	-	-	-	-	-	-	-	-	-	-	-	-
Invested in capital assets	4,052	-	-	-	-	-	-	4,052	2,456	-	4,052	2,456
Total net position	13,505	140,247	172,352	354,008	59,212	1,650	-	740,974	728,818	106,540	847,514	837,478
Total liabilities, deferred inflows, and net position	$ 144,021	$ 189,574	$ 1,342,388	$ 396,332	$ 1,425,940	$ 15,525	$ 19,704	$ 3,533,484	$ 3,309,636	$ 96,515	$ 3,629,999	$ 3,394,270
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-			-	-	-			-		

This information on the funds of the Agency for the six-month period ended December 31, 2017 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the six-month period ended December 31, 2017, subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2017 and for the fiscal year then ended.

UNAUDITED

Minnesota Housing Finance Agency
Supplementary Information (Unaudited)
Statement of Revenues, Expenses and Changes in Net Position (in thousands)
General Reserve & Bond Funds
Six Months Ended December 31, 2017 (with comparative totals for the six months ended December 31, 2016)

		Bond Funds										
			Residential Housing Finance									
	General Reserve	Rental Housing	Bonds	Pool 2	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES℠	General Reserve & Bond Funds Excluding Pool 3 Total for Six Month Ended December 31, 2017	General Reserve & Bond Funds Excluding Pool 3 Total for Six Month Ended December 31, 2016	Residential Housing Finance Pool 3 Total for Six Month Ended December 31, 2017	General Reserve & Bond Funds Total for Six Month Ended December 31, 2017	General Reserve & Bond Funds Total for Six Month Ended December 31, 2016
Revenues												
Interest earned on loans	$ -	3,402	$ 14,161	$ 8,132	$ -	$ 310	$ -	$ 26,005	$ 30,630	$ 118	26,123	$ 30,716
Interest earned on investments-program mortgage-backed securities	-	-	7,502	-	20,980	-	-	28,482	23,976	-	28,482	23,976
Interest earned on investments-other	173	286	1,024	3,004	127	6	314	4,934	3,416	411	5,345	3,822
Net G/L on Sale of MBS Held for Sale/HOMES℠ Certificate	-	-	-	1,184	-	-	-	1,184	1,601	-	1,184	1,601
Appropriations received	-	-	-	-	-	-	-	-	-	-	-	-
Administrative reimbursement	12,124	-	-	-	-	-	-	12,124	11,288	-	12,124	11,288
Fees earned and other income	5,331	110	225	757	445	-	-	6,868	7,025	55	6,923	7,034
Unrealized gains (losses) on Investments	-	(12)	(387)	7,926	(6,600)	-	-	927	(35,745)	(214)	713	(36,484)
Total revenues	17,628	3,786	22,525	21,003	14,952	316	314	80,524	42,191	370	80,894	41,953
Expenses												
Interest	-	591	9,783	685	17,793	209	314	29,375	32,048	-	29,375	32,048
Financing, net	-	-	4,556	8	3,368	-	-	7,932	3,269	-	7,932	3,269
Loan administration and trustee fees	-	69	980	537	242	1	-	1,829	1,945	7	1,836	1,952
Administrative reimbursement	-	556	3,702	1,765	3,659	47	-	9,729	9,854	656	10,385	10,481
Salaries and benefits	13,019	-	-	-	-	-	-	13,019	12,428	-	13,019	12,428
Other general operating	2,075	2	16	179	15	-	-	2,287	1,526	1,243	3,530	3,794
Appropriations disbursed	-	-	-	-	-	-	-	-	-	-	-	-
Reduction in carrying value of certain low interest			-	-	-	-	-	-	-	-		-
rate deferred loans	-	-	-	23	-	-	-	23	(43)	1,753	1,776	2,876
Provision for loan losses	-	(114)	653	650	-	-	-	1,189	(120)	266	1,455	(1)
Total expenses	15,094	1,104	19,690	3,847	25,077	257	314	65,383	60,907	3,925	69,308	66,847
	2,534	2,682	2,835	17,156	(10,125)	59	-	15,141	(18,716)	(3,555)	11,586	(24,894)
Other changes												
Non-operating transfer of assets between funds	(2,745)	41	3,733	(14,882)	13,853	-	-	-	-	-	-	-
Change in net position	(211)	2,723	6,568	2,274	3,728	59	-	15,141	(18,716)	(3,555)	11,586	(24,894)
Net Position												
Total net position, beginning of period	13,716	137,524	165,784	351,734	55,484	1,591	-	725,833	747,534	110,095	835,928	862,372
Total net position, end of period	$ 13,505	$ 140,247	$ 172,352	$ 354,008	$ 59,212	$ 1,650	$ -	$ 740,974	$ 728,818	$ 106,540	$ 847,514	$ 837,478
	-	-			-	-	-			-		

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Total net position, beginning of period adjusted to GASB 68.

UNAUDITED

Minnesota Housing Finance Agency
FY 2018 2nd Quarter Financial Results
Noteworthy Items

Operating Results – Fiscal Year to Date 2018 compared to Fiscal Year to Date 2017

The Net Interest Margin increased by $4.0 million for the period, going from 1.59% to 1.79%. Overall, interest revenue grew slightly, thought the mix has changed:

- Interest income on loans is decreasing due to SF loan run off.
- Interest income on MBS is increasing as we add these assets to our balance sheet.
- Rates have ticked up slightly resulting in a slight increase in investment income-other.

Interest expense decreased due to our practice of redeeming higher rate outstanding bonds as soon as practical.

Other non-interest revenue was stable; unrealized gain/loss on our MBS securities remains volatile, shown by the $20 million negative swing between the 1st and 2nd quarters of FY 2018.

Operational and other expenses increased slightly, due primarily to an increase in net financing expense.

Balance Sheet – 12/31/17 compared to 12/31/16

Single family loans continue to run off as all new production is securitized into Mortgage Backed Securities (MBS).

Our MBS portfolio continues to increase for the same reason noted above.

Bonds payable increased by 157.9 million due to strong net homeownership production.

MINNESOTA HOUSING

Board Agenda Item: 8.C
Date: 2/22/2018

Item: 2018 Affordable Housing Plan and 2016-19 Strategic Plan: First Quarter Progress Report

Staff Contact(s):
John Patterson, 651.296.0763, john.patterson@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:
Staff has attached for your review and discussion the first quarter progress report for the 2018 Affordable Housing Plan and the 2016-19 Strategic Plan.

Fiscal Impact:
None

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- 2018 Affordable Housing Plan and 2016-19 Strategic Plan: First Quarter Progress Report

2018 Affordable Housing Plan and 2016-19 Strategic Plan First Quarter Progress Report

(October 1, 2017 – September 30, 2018)

February 15, 2019

Overview

Overall, program activity and production is on track with our original forecasts after the first quarter. The only area where actual activity is substantially different than expectations is home mortgage lending:

- Under the 2017 AHP, we committed $670 million to finance 4,037 home mortgages.
- For the 2018 AHP, we originally forecasted 3,663 mortgages with $630 million, anticipating that rising prices and interest rates, along with a limited supply of affordable homes, would start to slow production.
- After the first quarter, we reached 29% of the lending volume that we had forecasted for the year, with the peak home-buying season of spring and summer still ahead of us. If current lending patterns continue, we could approach 5,000 mortgages and $850 million of lending for the year. It still early in the program year, and rising prices and interest rates and other factors may still slow lending.

All our other programs are generally performing as expected.

Tables 1 through 3 present key program activity through the first quarter and are followed by notes that provide details and discussion for each line item in the tables. For programs that have activity throughout the year, we generally reach about 25% of the year-end forecast after the first quarter. However, some programs have already had their once-a-year RFP and will not see an increase in production.

Table 1: Production (Units with Funding Commitments) and Programmatic Measures

Quarter 1 of 2018 AHP (25% through AHP)

	Original AHP Forecast	Actual For Year	Portion of AHP Forecast Completed
Single Family Production – Homes			
1. Home First Mortgages (Net Commitments)	3,663	1,062	29%
2. Other Homeownership Opportunities*	277	257	93%
3. Owner-Occupied Home Improvement/Rehabilitation	1,362	382	28%
4. Total	5,302	1,701	32%
Homebuyer Education, Counseling and Training - Households			
5. Homebuyer Education*	16,776	3,992	24%
Multifamily Production – Rental Units			
6. New Rental Construction	997	855	86%
7. Rental Rehabilitation	3,076	811	26%
8. Asset Management	364	0	0%
9. Total	4,437	1,666	38%
Rental Assistance and Operating Subsidies - Households			
10. State Funded Rental Assistance*	2,915	2,158	74%
11. Operating Subsidies*	1,501	375	25%
12. Section 8 Contracts	30,300	29,177	96%
13. Total	34,716	31,710	91%
Homeless Prevention			
14. Family Homeless Prevention and Assistance Program (FHPAP)* & Housing Opportunities for Persons with AIDS (HOPWA)	7,299	1,862	26%
Build Sustainable Housing			
15. Percentage of New Construction or Rehabilitation Units that Meet Standard of Green Communities Certification or B3:			
a. Single Family	50%	76%	**
b. Multifamily	95%	100%	**
Increase Homeownership for Households of Color			
16. Percentage of First-Time Homebuyer Mortgages Going to Households of Color or Hispanic Ethnicity	35%	36%	**

* Funds for Habitat for Humanity, homebuyer education, state funded rent assistance, operating subsidies, and FHPAP are committed by the Board in July-September, at the end of an AHP. Thus, funds committed under the 2017 AHP (in July-September 2017) fund program activity in 2018 (October 1, 2017 to September 30, 2018). To reflect 2018 program activity for these programs, this table shows the households supported in 2018 with 2017 AHP funds. For all other programs, the table shows the households and housing units supported by funds provided in the 2018 AHP.

** Not Applicable.

Table 2: Distribution of Resources

Quarter 1 of 2018 AHP (25% through AHP)

	AHP Forecast	Actual for Year
17. Percentage of Originally Budgeted Funds that are Committed Under the AHP	>95% by end of the year	38%

Table 3: Management of Loan Assets

Quarter 1 of 2018 AHP (25% through AHP)

	AHP Forecast/ Benchmark	Actual
18. Share of Home Mortgages Purchased in Previous 24 Months that are 30+ Days Past Due or In Foreclosure (12/31/17)	4.72%*	3.67%**
19. Percentage of Multifamily Developments with Amortizing Loan on Watch List	Under 10%	9.60%
20. Percentage of Outstanding Multifamily Loan Balances on Watch List	Under 10%	5.60%

* This is a benchmark, rather than a forecast, and it is based on the performance of other housing finance agencies from across the country that have their mortgages serviced by US Bank.
**The information presented is based on MBS loans purchased in the previous 24 months. As such, the information is not directly relevant to the security of any bonds of the Agency and should not be relied upon for that purpose. The Agency publishes separate disclosure reports for each of its bond resolutions.

Discussion of Items in the Table

- **Line 1:** Home mortgage lending continues to be very strong. We originally forecasted financing 3,663 mortgages with $630 million of funding, and we are already at 29% of this goal after the first quarter and have not reached the prime home buying season of the spring and summer. If current production patterns continue, homeownership lending could approach $850 million and 5,000 mortgages. However, it is still early in the program year, and rising home prices and interest rates and other factors could start to slow lending. Nevertheless, it is likely that staff will come to the Board later in the year for program funding increases and/or program adjustments.

- **Line 2:** Production under other homeownership opportunities is performing as expected. The primary program under this activity is single-family development and acquisition/rehabilitation through the Community Homeownership Impact Fund, which has already selected its projects under the once-a-year RFP and reached its production forecast. The other program is our Habitat for Humanity Initiative, which should finance loans throughout the year, increasing production.

- **Line 3:** Overall, production for owner-occupied home improvement and rehabilitation is generally on track. Strong owner-occupied rehabilitation under the Impact Fund offset slow lending under the Fix-Up Fund and Rehabilitation Loan Programs, which did not reach 25% of the year-end goal after the first quarter; however, production for those two programs typically increases later in the year.

- **Line 4:** Overall, home buying and improvement activities are performing better than expected.

- **Line 5:** Homebuyer education is on track, and activity should increase with the upcoming home-buying season.

- **Line 6**: Rental new construction is performing as expected, reaching 86% of the year-end goal after making selections under the annual consolidated RFP. Lending should increase a little as we finance additional developments through our year-round pipeline process and select developments through the RFP for the Greater Minnesota Workforce Housing program.

- **Line 7:** Rental rehabilitation activity is also track, reaching 26% of the year-end forecast. Although we have already made selections under the annual consolidated RFP, we still have RFPs for the Publicly-Owned Housing Program (POHP), which supports a lot of units, and the Rental Rehabilitation Deferred Loan (RRDL) program. If selections under those RFPs occur as expected, we should reach our production forecast.

- **Line 8:** There has been no production under Asset Management. We have reoriented this program to focus on shorter-term and immediate needs of the properties in our portfolio, and we are directing properties to the RFP process for longer-term and permanent needs. By targeting the program to shorter-term and immediate needs, forecasting the amount and timing of program demand is more uncertain.

- **Line 9:** Overall, rental production is on track.

- **Line 10:** The number of households assisted by our rent assistance programs (Bridges and Housing Trust Fund) reached 74% of the year-end forecast. Most of the households that received assistance during the first quarter will continue to receive it throughout the year, but the number of assisted households will increase a little as some households leave the program and their vouchers turnover to new households. In a typical year, the turnover rate is 10% to 15%, which would increase the number of assisted household at year end to 85% to 90% of the year-end forecast. In addition, we are still in the process of launching a new rent assistance pilot for students experiencing homelessness called Homework Starts with Home.

- **Line 11:** Operating subsidies were right on track at 25% of the forecast.

- **Line 12:** The administration of Section 8 contracts is performing as expected. This is a very stable program with consistent funding and households served.

- **Line 13:** Overall, rent assistance and operating subsidy activity (federal and state) is performing as expected.

- **Line 14:** Homeless prevention activity is very close to the forecast at the first quarter mark.

- **Line 15:** The majority of our development and rehabilitation production meets sustainable design criteria.

  On the single-family side, all of the homes receiving funds under the Community Homeownership Impact Fund for new construction or acquisition-rehabilitation meet the standard. However, the Fix-Up home improvement program is market driven, and borrowers are not required to follow sustainable design criteria in their home improvement efforts. Thus, the single-family percentage is below 100%.

  Typically, the multifamily percentage is close to 100%. In a given year, a few projects may have circumstances that make them exempt from the sustainable design criteria.

- **Line 16:** We continue to effectively serve communities of color or Hispanic ethnicity through homeownership. We estimate that 25% to 30% of renter households that are income eligible for our first mortgages are of color or Hispanic ethnicity. Through the first quarter, we are meeting our goal of 35% of mortgages going to households of color or Hispanic ethnicity.

- **Line 17:** Through the first quarter, we have committed 38% of the funds originally budgeted in the 2018 AHP. Many of our programs operate on a pipeline basis throughout the year, meaning we should be at about 25% for those programs after the first quarter. However, we have completed two of our largest RFPs (the multifamily Consolidated RFP and the Impact Fund RFP), which raises the percentage above 25%.

- **Lines 18:** Our 30+ day delinquency rate for home mortgages purchased in the last 24 months (including loans in foreclosure) was 3.67% in September 2017, which is better than our "peer" benchmark of 4.72%. This data comes from US Bank, which services loans in mortgage backed securities (MBS) for us and many other housing finance agencies.

  The information is based on MBS loans purchased in the previous 24 months. As such, the information is not directly relevant to the security of any of our bonds and should not be relied upon for that purpose. We publish separate disclosure reports for each of our bond resolutions.

- **Line 19-20**: We are meeting our goal for minimizing the number and share of loans on its multifamily watch list.

MINNESOTA HOUSING

Board Agenda Item: 9.A
Date: 2/22/2018

Item: Semi-annual Variable Rate Debt and Swap Performance Review as of January 1, 2018.

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us
Terry Schwartz, 651.296.2404, terry.schwarz@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☐ Discussion
- ☒ Information

Summary of Request:
The Agency's board-approved Debt Management Policy calls for the ongoing review and management of swap transactions including regular reporting to the board. This reporting is accomplished through the Semi-annual Variable Rate Debt and Swap Performance Report.

Fiscal Impact:
None.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Report Highlights
- Report: Semi-annual Variable Rate Debt and Swap Performance Report as of January 1, 2018

- All of the Agency's swap contracts were evaluated and determined to be effective hedges, at this point in time, under the accounting guidance provided by GASB 53.

- Basis Risk: During the period June, 2017 to January, 2018 the variable interest received on swaps and the variable interest paid on variable rate bonds performed with the anticipated correlation.

- Staff continues to expect that, over time, the two rates will track each other as originally anticipated.

- Counterparty/Termination Risk: The market value of swaps, which the Agency would owe to the counterparties only if the swaps were terminated, decreased from $7.3 million on July 1, 2017 to $5.2 million on January 1, 2018. While the market value of a swap is a means to quantify current termination risk, it is not a suitable measure to evaluate the original decision to enter into the swap contract. Swap contracts' market values will evaporate as they approach their maturity date. The Agency does not intend to prematurely terminate any of the swap contracts, barring termination events.

- Liquidity Risk: The short-term credit ratings of all the Agency's liquidity providers were unchanged from July 1, 2017 to January 1, 2018.

- Long-term Debt, Fixed vs. Variable graph: Total outstanding variable rate debt decreased slightly to 8% of total long-term debt at January 1, 2018.

- During the six months from July 1, 2017 to January 1, 2018 the 2008C swap was terminated, and the 2017F swap was added.

MINNESOTA HOUSING

Semi-annual Variable-Rate Debt and Swap Performance Report

January 1, 2018

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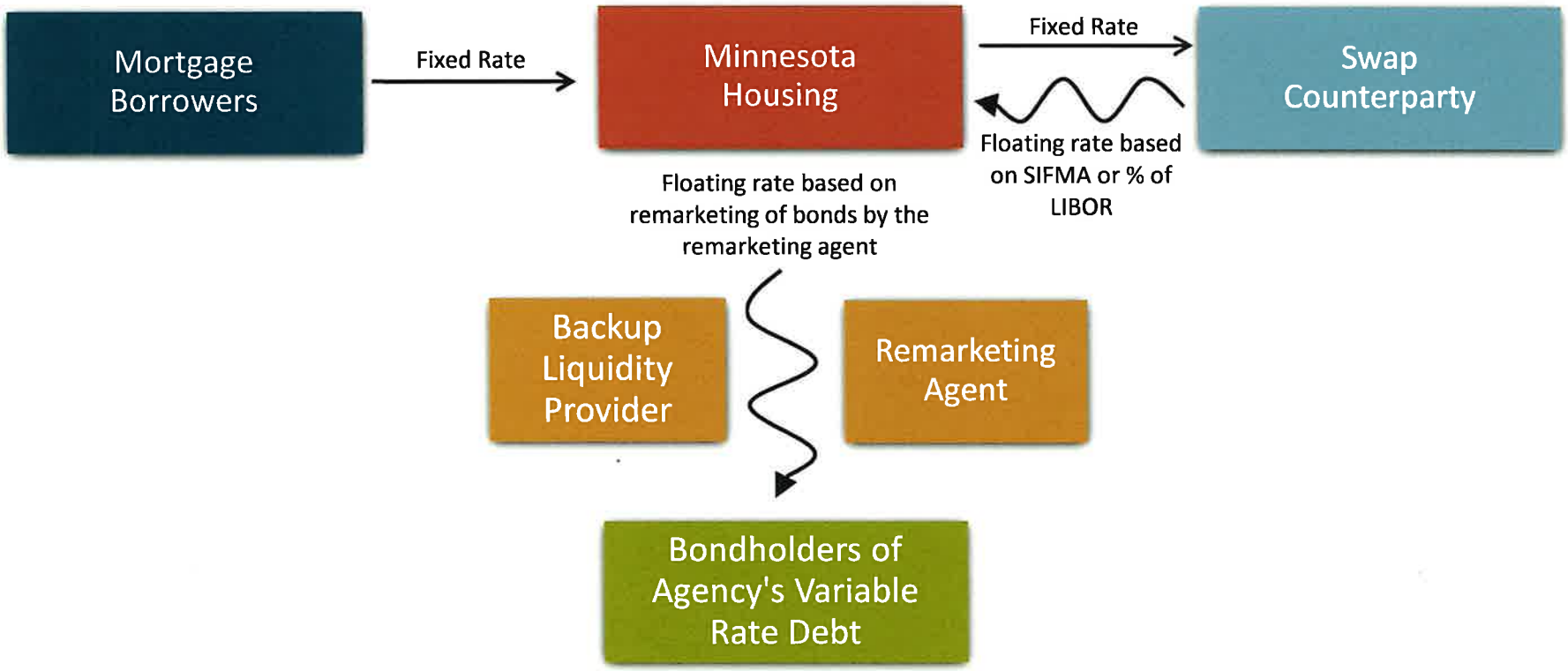
7	Liquidity Renewal Risk
8	Minnesota Housing Total Long Term Debt: Fixed vs. Variable: Graph
9	Annual Debt Issuance: Fixed vs. Variable: Graph
10	Glossary of Terms

Floating-to-Fixed Interest Rate Swap Structure



Overview of Swaps

January 1, 2018

Bond Series	Effective Date	Original Notional Amount of Swap	Notional Amount Outstanding	Counterparty	Floating Rate Received
RHFB 2003 B	7/23/2003	$ 25,000,000	$ 4,755,000	The Bank of New York Mellon	65% of LIBOR + 23 basis points
RHFB 2003 J	10/15/2003	25,000,000	5,365,000	The Bank of New York Mellon	65% of LIBOR + 23 basis points
RHFB 2009 C	2/12/2009	40,000,000	40,000,000	Royal Bank of Canada	64% of LIBOR + 30 basis points
RHFB 2015 D	8/11/2015	18,225,000	18,225,000	Royal Bank of Canada	67% of LIBOR
RHFB 2015 G	12/8/2015	35,000,000	35,000,000	Royal Bank of Canada	67% of LIBOR
RHFB 2016 F	12/22/2016	50,000,000	50,000,000	Royal Bank of Canada	67% of LIBOR
RHFB 2017 C*	1/1/2019	40,000,000	-	Wells Fargo	67% of LIBOR
RHFB 2017 F	12/21/2017	40,000,000	40,000,000	Wells Fargo	67% of LIBOR
	Totals	**$ 273,225,000**	**$ 193,345,000**		

* This Forward Starting Swap will replace 2009 C on January 1, 2019.

Basis Risk

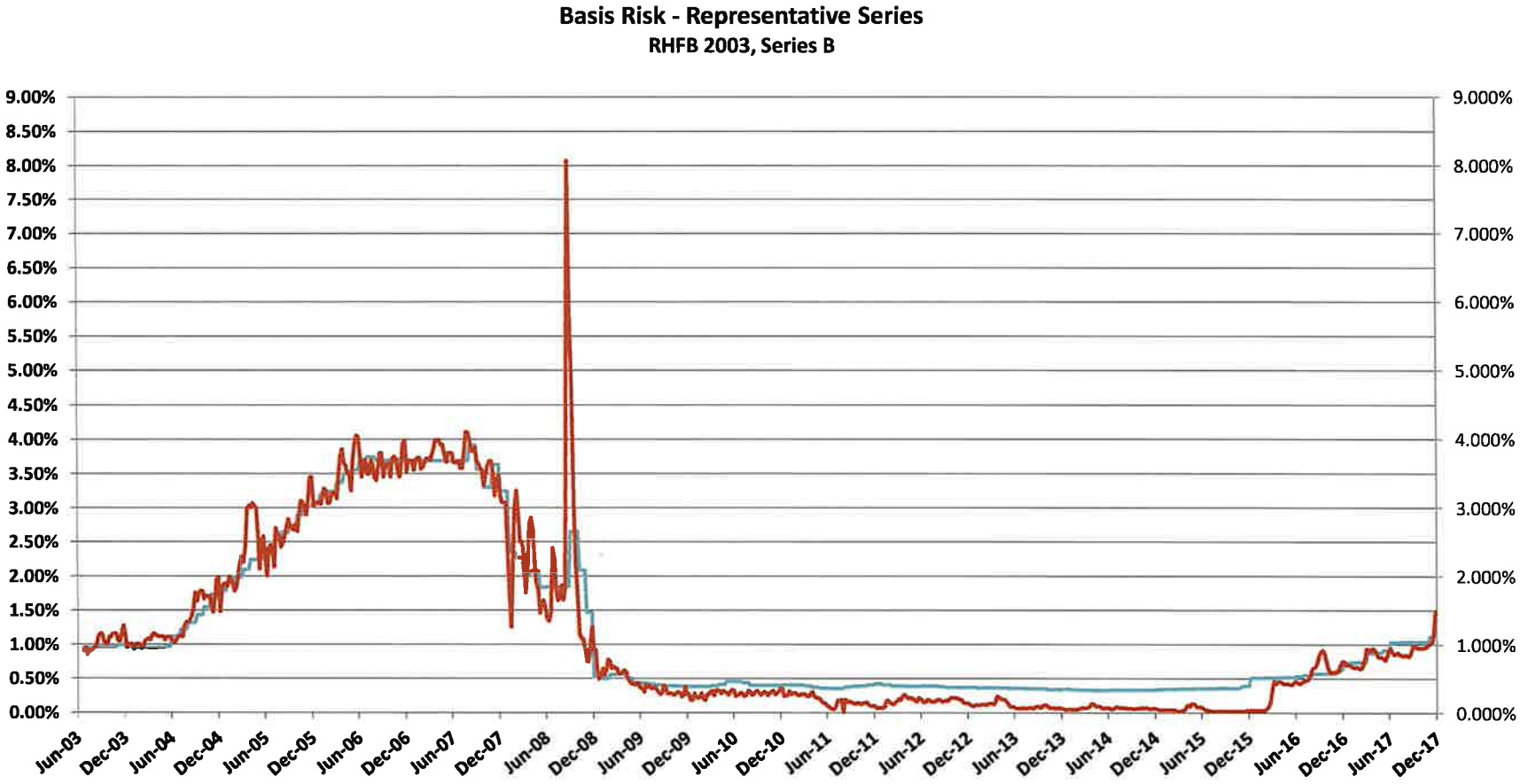
January 1, 2018

Bond Series	Effective Date	VRDO's and Swaps Outstanding	Net Variable Interest (Paid) Received Basis Risk (cumulative)	Contractual Swap Fixed Rate	Effective Swap Fixed Rate	Effective Rate As a Percentage of Swap Fixed Rate
RHFB 2003 B	7/23/2003	$ 4,755,000	$ 233,966	3.532%	3.455%	97.81%
RHFB 2003 J	10/15/2003	5,365,000	168,589	4.183%	4.118%	98.44%
RHFB 2009 C	2/12/2009	40,000,000 [2]	1,022,521 [3]	4.215%	3.877%	91.99%
RHFB 2015 D	8/11/2015	18,225,000	(35,652)	2.343%	2.425%	103.50%
RHFB 2015 G	12/8/2015	35,000,000	(59,570)	1.953%	2.035%	104.22%
RHFB 2016 F	12/22/2016	50,000,000	(70,905)	2.175%	2.313%	106.64%
RHFB 2017 C	1/1/2019	-	-	2.180%	N/A	N/A
RHFB 2017 F	12/21/2017	40,000,000	(4,445)	2.261%	2.661%	117.70%
	Totals	**$ 193,345,000**	**$ 1,254,504** [1]			

[1]The cumulative net of total variable interest paid on all outstanding VRDO's ($9,597,380) and all variable interest received on the outstanding swaps $10,851,884, a net receivable of $1,254,504.

[2]The variable rate debt outstanding was optionally redeemed on July 19, 2017. Swap payments received after July 19, 2017 are allocable to RHFB 2017 C.

[3]Includes variable interest paid on RHFB 2017C and RHFB 2009C.


Basis Risk - Representative Series
RHFB 2003, Series B
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Counterparty/Termination Risk

January 1, 2018

Related Bond Series	Counterparty	Short-term Credit rating[1]	Long-term Credit Rating of Provider at Swap Inception[1]	Long-term Credit rating[1]	Long-term Credit Outlook[1]	Notional Amount Outstanding	Swap Maturity	Swap Average life at 100% PSA (years)	Swap Fixed Rate	Fair Value[2] as of 12/31/2017
RHFB 2003 B	The Bank of New York Mellon	P-1/A-1+	Aa1/AA+	Aa2/AA-	Stable/Stable	$ 4,755,000	1/1/2033	21	3.532%	$ (456,028)
RHFB 2003 J	The Bank of New York Mellon	P-1/A-1+	Aa1/AA+	Aa2/AA-	Stable/Stable	5,365,000	1/1/2029	14.3	4.183%	(730,469)
	Total The Bank of New York Mellon					**10,120,000**				**(1,186,497)**
RHFB 2009 C/2017 C	Royal Bank of Canada	P-1/A-1+	Aaa/AA-	A1/AA-	Negative/Negative	40,000,000	7/1/2036	18.9	4.215%	(1,716,621)
RHFB 2015 D	Royal Bank of Canada	P-1/A-1+	Aaa/AA-	A1/AA-	Negative/Negative	18,225,000	1/1/2046	27.4	2.343%	(242,439)
RHFB 2015 G	Royal Bank of Canada	P-1/A-1+	Aa3/AA-	A1/AA-	Negative/Negative	35,000,000	1/1/2034	15.7	1.953%	(146,944)
RHFB 2016 F	Royal Bank of Canada	P-1/A-1+	Aa1/AA+	A1/AA-	Negative/Negative	50,000,000	1/1/2041	19.2	2.175%	(1,183,111)
	Total Royal Bank of Canada					**143,225,000**				**(3,289,115)**
RHFB 2017C	Wells Fargo Bank	P-1/A-1+	Aa2/AA-	Aa2/AA-	Stable/Negative	0 [3]	1/1/2038	16.8	2.180%	(269,181)
RHFB 2017F	Wells Fargo Bank	P-1/A-1+	Aa2/AA-	Aa2/AA-	Stable/Negative	40,000,000	1/1/2041	19.7	2.261%	(453,955)
	Total Wells Fargo					**$ 40,000,000**				**(723,136)**
	Total All Swaps					**$ 193,345,000**				**$ (5,198,748)**

[1]Moody's/Standard & Poors

[2]A positive fair value represents money due the Agency from the Counterparty upon termination. A negative number represents money payable by the Agency upon termination. Valuations are provided by BLXSwap.

[3]RHFB 2017C notional amount outstanding becomes effective January 1, 2019.

Liquidity Risk

January 1, 2018

Bond Series	Current Liquidity Provider	Remarketing Agent	Short-term Credit Rating	Long-term Credit Rating	Long-term Credit Outlook	VRDO's Outstanding	VRDO Maturity	Liquidity Facility Maturity	Liquidity Fee	Original Liquidity Fee
RHFB 2003 B	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	A1/AA-	Negative/Negative	$ 4,755,000	1/1/2033	7/16/2018	0.500%	0.300%
RHFB 2003 J	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	A1/AA-	Negative/Negative	5,365,000	7/1/2033	7/16/2018	0.500%	0.300%
RHFB 2015 D	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	A1/AA-	Negative/Negative	18,225,000	1/1/2046	8/11/2022	0.650%	0.650%
RHFB 2015 G	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	A1/AA-	Negative/Negative	35,000,000	1/1/2034	1/2/2023	0.650%	0.650%
RHFB 2017 F	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	A1/AA-	Negative/Negative	40,000,000	1/1/2041	1/2/2023	0.400%	0.400%
	Royal Bank of Canada subtotal					**103,345,000**				
RHFB 2016 F	FHLB - Des Moines[1]	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Stable/Stable	50,000,000	1/1/2041	1/2/2024	0.550%	0.550%
RHFB 2017 C	FHLB - Des Moines[1]	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Stable/Stable	40,000,000	1/1/2038	7/19/2024	0.60%	0.60%
	FHLB - Des Moines subtotal					**90,000,000**				
	Total All Liquidity Providers					**$ 193,345,000**				

[1]Federal Home Loan Bank of Des Moines

Liquidity Renewal Requirements

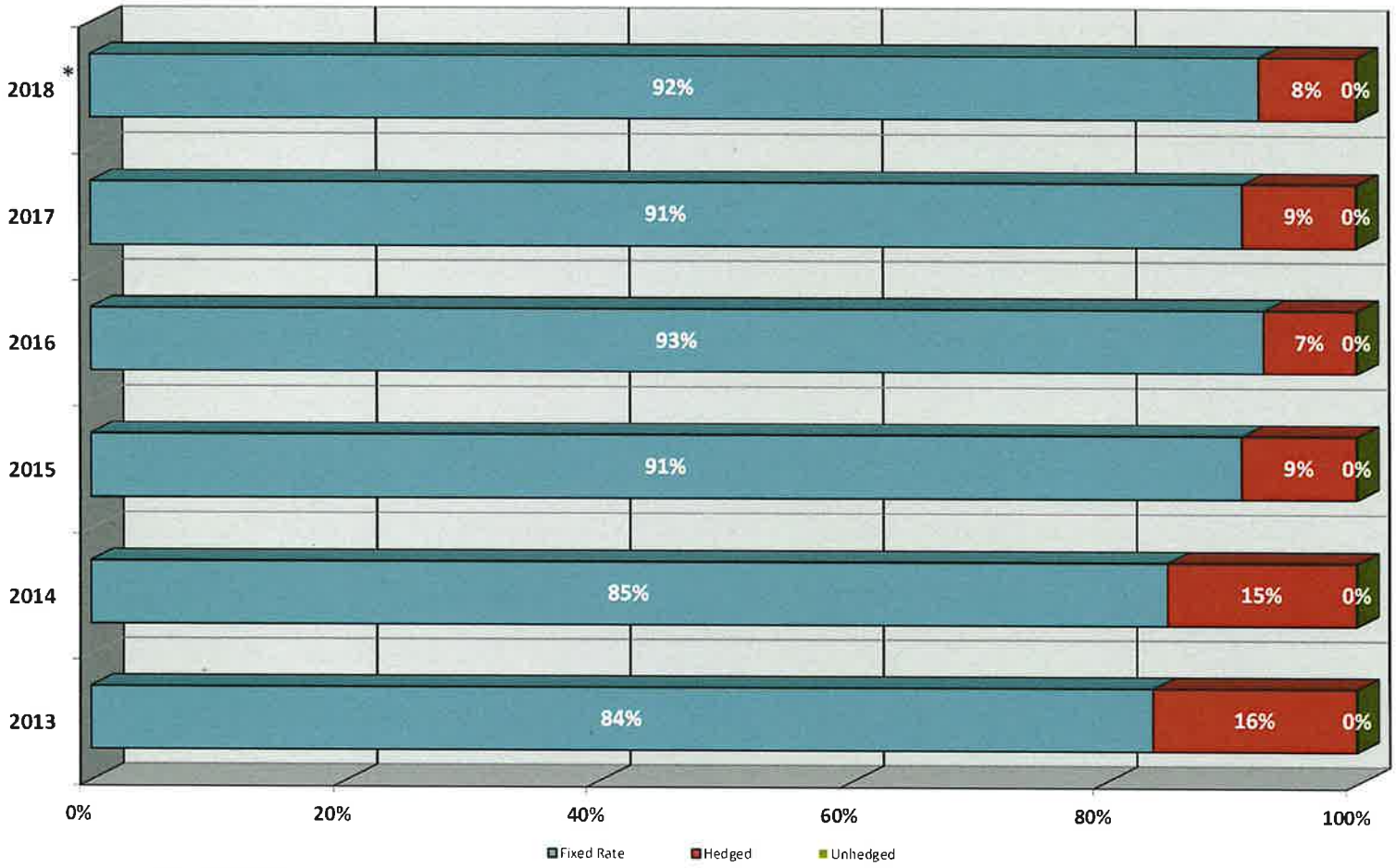
January 1, 2018

Issue	Liquidity Provider	Final Swap Maturity	Full Optional Termination Date	Liquidity Expiration Date	Original Notional Amount	Outstanding Notional Amount as of 01/01/2018	Scheduled Notional Amount Outstanding at Liquidity Expiration	Minimum Notional Amount Outstanding at Liquidity Expiration	Swap Counterparty
2003 B	Royal Bank of Canada	1/1/2033	1/1/2022	7/16/2018	25,000,000	4,755,000	4,755,000	4,545,000	BNY[1]
2003 J	Royal Bank of Canada	1/1/2029	1/1/2023	7/16/2018	25,000,000	5,365,000	5,240,000	5,240,000	BNY[1]
2015 D	Royal Bank of Canada	1/1/2046	7/1/2022	8/11/2022	18,225,000	18,225,000	18,225,000	-	RBC[2]
2015 G	Royal Bank of Canada	1/1/2034	1/1/2023	1/2/2023	35,000,000	35,000,000	35,000,000	-	RBC[2]
2017 F	Royal Bank of Canada	1/1/2041	1/1/2023	1/2/2023	40,000,000	40,000,000	40,000,000	-	WF[4]
	Royal Bank of Canada subtotal				143,225,000	103,345,000	103,220,000	9,785,000	
2016 F	FHLB - Des Moines[3]	1/1/2041	1/1/2024	1/2/2024	50,000,000	50,000,000	50,000,000	-	RBC[2]
2017 C	FHLB - Des Moines[3]	1/1/2038	1/1/2024	7/19/2024	40,000,000	40,000,000	40,000,000	-	WF[4]
	FHLB - Des Moines subtotal				90,000,000	90,000,000	90,000,000	-	
	Total All Liquidity Providers				233,225,000	193,345,000	193,220,000	9,785,000	

[1]The Bank of New York Mellon [2]Royal Bank of Canada [3]Federal Home Loan Bank of Des Moines [4]Wells Fargo

Total Long Term Debt: Fixed vs. Variable

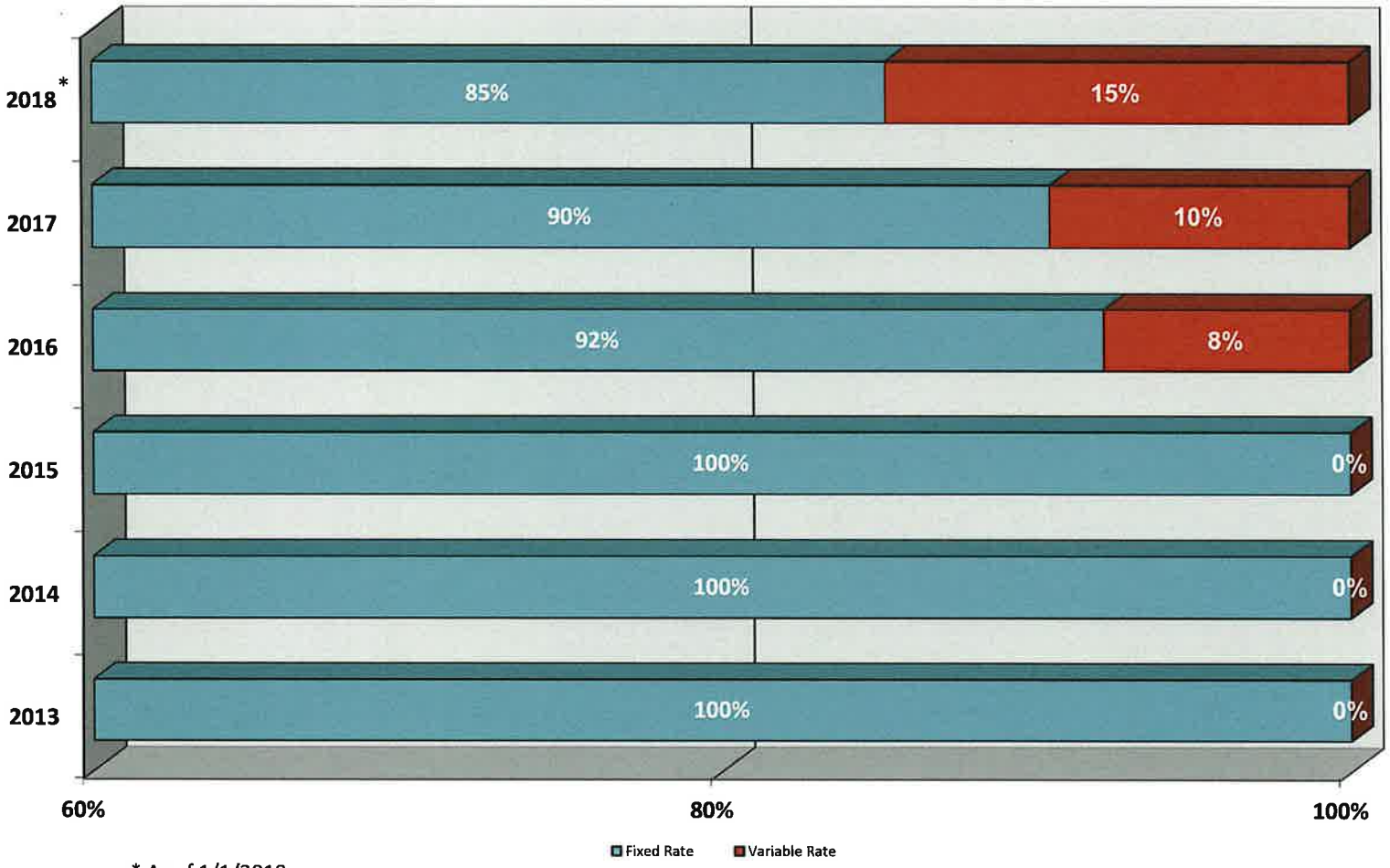
Fiscal Year Ending June 30



* As of 1/1/2018

Annual Long Term Debt Issuance: Fixed vs. Variable

Fiscal Year Ending June 30



* As of 1/1/2018

Glossary of Terms

The following are explanations of certain terms used in this presentation:

Amortization Risk
Minnesota Housing is subject to amortization risk on its hedged VRDOs because the prepayments from mortgage loans securing the bonds may cause the outstanding principal amount of bonds to decline faster than the nominal amount of the swap. To manage amortization risk, termination options have been structured into its outstanding swaps to enable Minnesota Housing in certain circumstances to reduce the nominal amounts of the swaps to correspond to the outstanding principal amount of the bonds hedged by the swap. Additionally, Minnesota Housing may terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Basis Risk
Basis risk refers to a mismatch between the floating interest rate received from the swap counterparty and the interest actually paid on the related series of Minnesota Housing's variable rate bonds. Under its outstanding swaps, Minnesota Housing pays a fixed interest rate and in return receives a floating variable rate based on LIBOR or the SIFMA Municipal Swap index, plus a specified spread if the swap relates to tax-exempt bonds. Minnesota Housing's bonds hedged by its swaps bear interest at a variable rate that is reset weekly, based on market conditions. Minnesota Housing's risk is that the variable interest payments received from the counterparty will be less than the variable interest payments actually paid on the bonds. This mismatch between the actual bond interest rate and the swap floating interest rate would cause additional interest expense to Minnesota Housing. A mismatch could occur for various reasons, including an increased supply of tax-exempt bonds, deterioration of the credit quality of Minnesota Housing or the liquidity facility provider, or a reduction of federal income tax rates for corporations and individuals. Basis risk varies over time due to inter-market conditions. Tax risk is a form of basis risk.

Counterparty Risk
Counterparty risk is the risk that the swap counterparty will not perform pursuant to the swap contract's terms, either in making regular payments or termination payments. Under a fixed payor swap, for example, if the counterparty defaults, Minnesota Housing could be exposed to unhedged variable rate bonds. The creditworthiness of the counterparty is indicated by its senior unsecured long-term credit rating. The outstanding swap agreements contain varying collateral requirements based on the respective parties' credit ratings and the fair value of the swaps to mitigate potential credit risk exposure.

LIBOR
London Interbank Offered Rate.

Glossary of Terms (continued)

Liquidity Risk
Issuers of VRDOs face liquidity risk due to the ability of holders of the bonds to tender them for purchase upon short notice. The bonds are to be remarketed by a remarketing agent appointed by the issuer, but if the remarketing were to fail, the liquidity facility provider providing liquidity support to cover tenders would be required to purchase the bonds. In such event, the bonds, known as "bank bonds," would bear interest at a higher "bank rate" and be subject to principal amortization over a much shorter period than their stated terms. The bank rate typically floats at a few percentage points higher than the prime rate. Because of turmoil in the financial markets, substantially fewer financial institutions are providing liquidity facilities and at a substantially higher cost. Consequently, at the expiration of a liquidity facility, Minnesota Housing may have difficulty obtaining a replacement liquidity facility or may have to pay substantially higher fees.

SIFMA
Securities Industry and Financial Markets Association.

Tax Risk
All issuers who issue tax-exempt variable rate debt inherently accept risk arising from changes in marginal federal income tax rates. For variable rate tax-exempt bonds hedged with LIBOR-based swaps, basis risk may be realized if changes in the federal tax code alter the historical relationship between taxable and tax-exempt short-term rates on which the swap was structured.

Termination Risk
Termination risk is the risk that the swap may be terminated as a result of any of events specified in the swap, which may include a ratings downgrade for Minnesota Housing or its counterparties, covenant violation by either party, bankruptcy of either party, swap payment default by either party, events of default under the bond resolution and certain specified termination events.

Upon a termination of the swap at fair value, a termination payment may be due by one party to the other based upon the fair value of the swap at the time (even if the payment is owed to the defaulting party). The potential termination risks to Minnesota Housing are
the liability for a termination payment to the counterparty or the inability to replace the swap with favorable financial terms, in which event the variable rate bonds would no longer be hedged. Under its outstanding swaps, Minnesota Housing has the ability in certain circumstances to terminate the swap in whole or in part at par, rather than at fair value, in order to mitigate amortization risk.

VDROs
Variable Rate Demand Obligations ("VDROs") are floating rate bonds that have a stated long-term maturity but bear interest at a short-term rate that is reset periodically (generally weekly). The holder of the bonds has the option to tender the bonds for purchase upon short notice (generally seven days). If the bonds cannot be remarketed by the remarketing agent, the liquidity facility provider (and not the issuer) is obligated to purchase the bonds.

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MINNESOTA HOUSING

Board Agenda Item: 9.B
Date: 2/22/2018

Item: Draft Annual Action Plan for FFY 2018 and Consolidated Plan Substantial Amendment

Staff Contact(s):
Jessica Deegan, 651.297.3120, jessica.deegan@state.mn.us

Request Type:

☐ Approval
☐ Motion
☐ Resolution

☒ No Action Needed
☐ Discussion
☒ Information

Summary of Request:
The State of Minnesota's draft Annual Action Plan (AAP) for Federal Fiscal Year 2018 and Substantial Amendment to the 2017-2021 Consolidated is out for public comment through March 2. The attached executive summary and selected sections of the plan provide details of the annual goals and objectives for the agency's HOME Investment Partnerships, National Housing Trust Fund, and Housing Opportunities for Persons with AIDS programs. Staff will seek approval of a final plan at the March 2018 board meeting.

Fiscal Impact:
The plan includes estimates for FFY 2018 allocations and available funds: $6,850,300 for HOME, $3,120,000 for NHTF, and $172,000 for HOPWA.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Draft AAP Executive Summary, Goals and Objectives, and Substantial Amendment

Background

Minnesota Housing, along with the Department of Employment and Economic Development and Department of Human Services, has developed its Annual Action Plan for Federal Fiscal Year (FFY) 2018, and includes a Substantial Amendment to the 2017-2021 Consolidated Plan. The Consolidated Plan and Annual Action Plans within it provide details of the State's plan for funds received through the US Department of Housing and Urban Development's Community Planning and Development Division, including HOME Investment Partnerships, Housing Opportunities for Persons with AIDS, and the National Housing Trust Fund as received by Minnesota Housing. These plans are required in order to receive these funds.

Minnesota Housing expects to receive $5,850,300 in allocation from the HOME program and anticipates an additional $1,000,000 in program income from that program to be utilized in FFY 2018. We expect $3,120,000 in National Housing Trust Fund, and $172,000 for the HOPWA programs. Until a final FFY 2018 budget is passed in congress, we will not know final funding amounts. These figures are based on current status in House and Senate appropriations bills.

We anticipate constructing or rehabilitating 200 units of affordable rental housing with these funds. The HOME program will serve low and moderate income renters while the National Housing Trust Fund will serve, as required, to serve extremely low income renters (with incomes less than 30 percent of area median income). HOME and NHTF will be available through the agency's annual RFP this spring. In addition to capital financing, the NHTF program may also be used for a small portion of operating cost assistance (as up to 30% of the grant may be used in that manner). Both HOME and NHTF are available state wide.

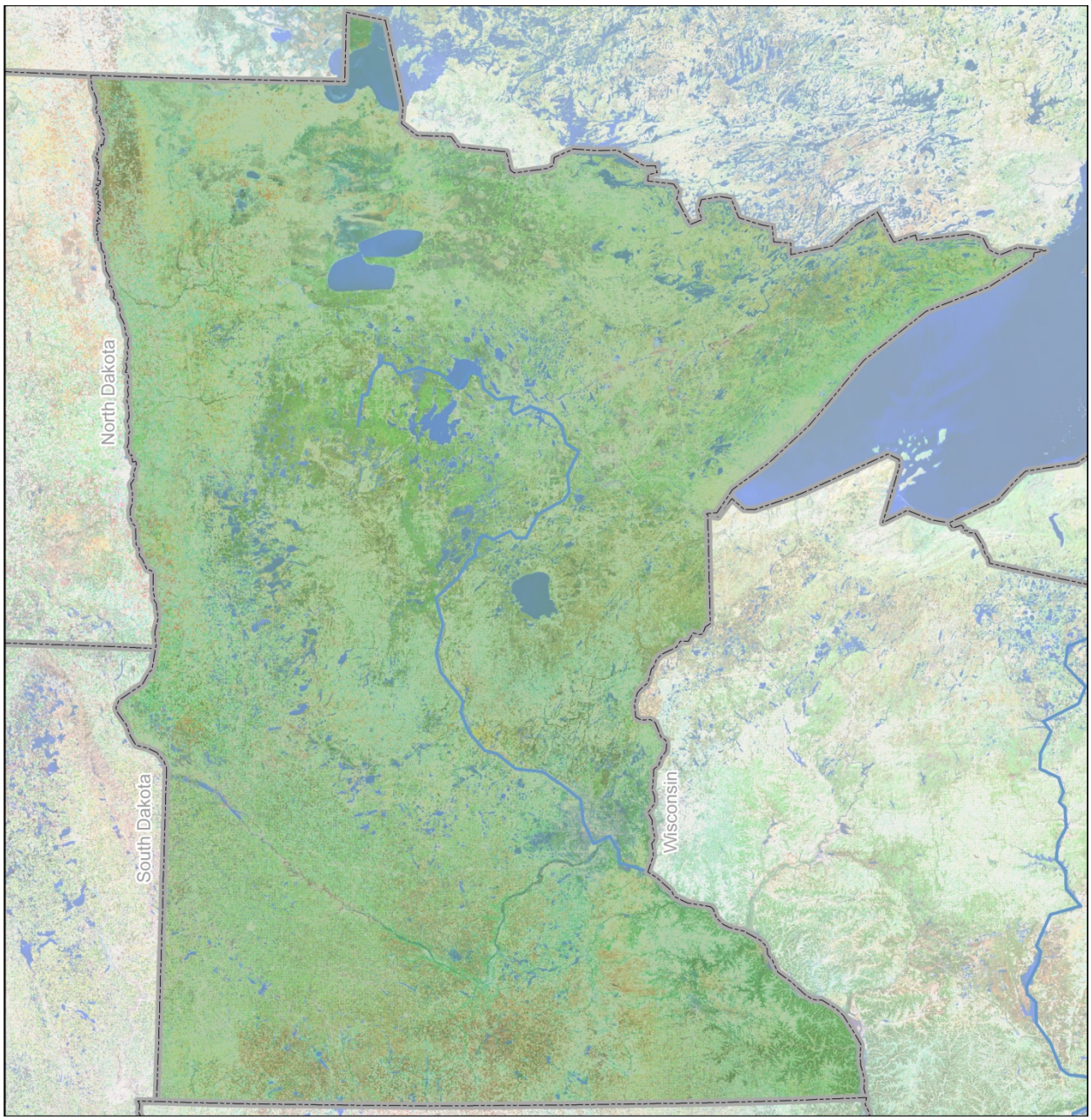
For HOPWA, we anticipate serving 180 persons, partnering with the Minnesota AIDS Project to administer short term rent, mortgage, and utility assistance in Greater Minnesota.

As for the Substantial Amendment to the 2017-2021 Consolidated Plan, Minnesota Housing is required to complete a substantial amendment if program design changes substantially. In this case, priority needs were amended to include high priority homeless and persons with disabilities as priority populations. These priority areas are consistent with agency priority areas in the RFP and Affordable Housing Plan.

This draft AAP was completed and put forth for a public comment period beginning 1/31 that will run through 3/2. A public hearing is scheduled for 2/20 at 4:00 PM at Rondo Library in St. Paul. The full document can be found at www.mnhousing.gov > Policy & Research > Plans for Federal Funds. Please note that the public comment period is running concurrent with the draft Analysis of Impediments to Fair Housing plan.

Staff will seek approval for a final AAP and Substantial Amendment to the Consolidated Plan after the public comment period and prior to submission to HUD.

MINNESOTA ANNUAL ACTION PLAN FOR HOUSING AND COMMUNITY DEVELOPMENT 2018



Executive Summary and Selected Sections for Minnesota Housing Board Meeting 2/22

DRAFT: January 19, 2018

Executive Summary

AP-05 Executive Summary - 24 CFR 91.200(c), 91.220(b)

1. Introduction

Since the U.S. Department of Housing and Urban Development (HUD) has required consolidating the planning, application, reporting, and citizen participation processes for the formula grant programs: Community Development Block Grants (CDBG), Home Investment Partnerships (HOME), National Housing Trust Fund (NHTF), Emergency Solutions Grants (ESG), and Housing Opportunities for Persons with AIDS (HOPWA). The new single-planning process, termed the Consolidated Plan for Housing and Community Development, was intended to more comprehensively fulfill three basic goals: to offer decent housing, to provide a suitable living environment, and to expand economic opportunities. According to HUD, the Consolidated Plan is designed to be a collaborative process whereby a community establishes a unified vision for housing and community development actions. It offers entitlement communities the opportunity to shape these housing and community development programs into effective, coordinated housing and community development strategies. It also allows for strategic planning and citizen participation to occur in a comprehensive context, thereby reducing duplication of effort. As the lead agency for the Consolidated Plan for the State of Minnesota, the Minnesota Department of Employment and Economic Development (DEED), in coordination with the Minnesota Housing Finance Agency (Minnesota Housing), and the Department of Human Services (DHS), hereby follows HUD's guidelines for citizen and community involvement. Furthermore, these agencies are responsible for overseeing these citizen participation requirements, those that accompany the Consolidated Plan and the CDBG, HOME, HOPWA, NHTF, and ESG programs, as well as those that complement the DEED planning processes already at work in the state.

2. Summarize the objectives and outcomes identified in the Plan

This could be a restatement of items or a table listed elsewhere in the plan or a reference to another location. It may also contain any essential items from the housing and homeless needs assessment, the housing market analysis or the strategic plan.

The strategies of the programs administered by the DEED, Minnesota Housing, and DHS are to provide decent housing, a suitable living environment, and expanded economic opportunities for the state's low- and moderate-income residents. The agencies strive to accomplish these strategies by maximizing and effectively utilizing all available funding resources to conduct housing and community development activities that will serve the economically disadvantaged residents of the state. By addressing needs and creating opportunities at the individual and local government levels, the agencies hope to improve the quality of life for all residents of the state. These strategies are further explained as follows:

- Providing decent housing requires helping homeless persons obtain appropriate housing and assisting those at risk of homelessness, preserving the affordable housing stock, increasing availability of permanent housing that is affordable to low- and moderate-income persons without discrimination, and increasing the supply of supportive housing.
- Providing a suitable living environment entails improving the safety and livability of neighborhoods, increasing access to quality facilities and services, and reducing the isolation of income groups within an area through integration of low-income housing opportunities.
- Expanding economic opportunities involves creating jobs that are accessible to low and moderate income persons, making mortgage financing available for low- and moderate-income persons at reasonable rates, providing access to credit for development activities that promote long-term economic and social viability of the community, and empowering low-income persons to achieve.

3. Evaluation of past performance

This is an evaluation of past performance that helped lead the grantee to choose its goals or projects.

The State's evaluation of its past performance has been completed in a thorough Consolidated Annual Performance and Evaluation Report (CAPER). This document states the objectives and outcomes identified in the State's last Plan for 2017-2021 Consolidated Plan and includes an evaluation of past performance through measurable goals and objectives compared to actual performance. The past year Consolidated Plan and CAPER can be found at:
http://mn.gov/deed/government/financialassistance/community-funding/small-cities.jsp and
http://www.mnhousing.gov

4. Summary of Citizen Participation Process and consultation process

Summary from citizen participation section of plan.

As part of the consolidated planning process, the lead agency must consult with a wide variety of organizations in order to gain understanding of the housing and community development stage. This Consolidated Plan represents a collective effort from a broad array of entities in Minnesota including private, non-profit and public organizations, non-entitled communities, county governments, Continuum of Care organizations, and various other state agencies. The public participation process included focus groups, outreach committees, public input sessions, and a Housing and Community Development Needs Surveys. Public comment narratives will be attached once received as an appendix in Citizens Participation Comments.

5. Summary of public comments

This could be a brief narrative summary or reference an attached document from the Citizen Participation section of the Con Plan.

6. Summary of comments or views not accepted and the reasons for not accepting them

7. Summary

The 2018 Action Plan has the following goals. These goals will use HOME, ESG, HOPWA, NHTF and CDBG funds.

- Provide Decent Affordable Housing – DEED
  Fund housing rehabilitation activities for low to moderate income homeowner and rental households through CDBG funds, DEED

- Enhance Affordable Housing Opportunities - Minnesota Housing
  Fund housing activities for low-to-moderate income households, including rehabilitation and new construction of rental housing using HOME and NHTF funds.

- Promote Economic Development - DEED
  Encourage robust economic growth through the development and retention of businesses and jobs throughout the State

- Facilitate Housing and Service for the Homeless - Minnesota Housing and Department of Human Services
  Provide funds for service providers to meet the various housing and service needs of the homeless population in Minnesota

- Provide Funds for Special-Needs Housing and Services - Minnesota Housing
  Continue to fund programs that provide housing and services to special needs populations, including those with HIV/AIDS

- Address Public Facility and Infrastructure Needs - DEED
  Address community needs through improvements to public facilities and infrastructure

Annual Goals and Objectives

AP-20 Annual Goals and Objectives – 91.320(c)(3)&(e)

Goals Summary Information

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
1	Provide Decent Affordable housing-DEED	2017	2021		Non-Entitlement	Low-Moderate Income Renter/Owner Situations	CDBG: $9,562,500	Rental units rehabilitated: 100 Household Housing Unit Homeowner Housing Rehabilitated: 300 Household Housing Unit
2	Enhance Affordable Housing Opportunities-MH	2017	2021	Affordable Housing	Statewide	Low-Moderate Income Renter/Owner Situations	HOME: $6,850,300 HTF: $3,120,000	Rental units constructed: 100 Household Housing Unit Rental units rehabilitated: 100 Household Housing Unit
3	Promote Economic Development	2017	2021	Non-Housing Community Development	Non-Entitlement	Economic Opportunities	CDBG: $1,312,500	Facade treatment/business building rehabilitation: 75 Business Jobs created/retained: 30 Jobs Businesses assisted: 5 Businesses Assisted

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
4	Facilitate Housing and Service for the Homeless	2017	2021	Homeless	Statewide	Homelessness	ESG: $2,060,135	Tenant-based rental assistance / Rapid Rehousing: 381 Households Assisted Homeless Person Overnight Shelter: 10252 Persons Assisted Homelessness Prevention: 91 Persons Assisted
5	Provide Funds for Special-Needs Housing & Services	2017	2021	Non-Homeless Special Needs	Statewide	Human Services	HOPWA: $172,000	Homelessness Prevention: 180 Persons Assisted
6	Address Public Facility-Infrastructure Needs-DEED	2017	2021	Non-Housing Community Development	Non-Entitlement	Public Facilities and Infrastructure	CDBG: $4,125,033	Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit: 440 Persons Assisted Public Facility or Infrastructure Activities for Low/Moderate Income Housing Benefit: 700 Households Assisted

Table 6 – Goals Summary

Goal Descriptions

1	**Goal Name**	Provide Decent Affordable housing-DEED
	Goal Description	

2	**Goal Name**	Enhance Affordable Housing Opportunities-MH
	Goal Description	*Fund housing activities for low-to-moderate income renter households, including rehabilitation and new construction. HOME resources will be used to assist rental units for low-to-moderate income households, while National Housing Trust Fund (NHTF) resources will be used to assist rental units for extremely low income households.*
3	**Goal Name**	Promote Economic Development
	Goal Description	*Encourage robust economic growth through the development and retention of businesses and jobs throughout the State. $1,312,500 in CDBG funds and $2,483,306 in CDBG-ED funds will be used.*
4	**Goal Name**	Facilitate Housing and Service for the Homeless
	Goal Description	*Provide funds for service providers to meet the various housing and service needs of the homeless population in Minnesota. For Goal Outcome Indicator #13 (Homeless Person Overnight Shelter) the projected number of persons served includes all programs using ESG and ESG-match funds.*
5	**Goal Name**	Provide Funds for Special-Needs Housing & Services
	Goal Description	*Continue to fund programs that provide housing and services to special needs populations, including those with HIV/AIDS*
6	**Goal Name**	Address Public Facility- Infrastructure Needs-DEED
	Goal Description	*Address community needs through improvements to public facilities and infrastructure*

AP-25 Allocation Priorities – 91.320(d)

Introduction:

The following section describes the allocation priorities for FY 2017.

Funding Allocation Priorities

	Provide Decent Affordable housing-DEED (%)	Enhance Affordable Housing Opportunities-MH (%)	Promote Economic Development (%)	Facilitate Housing and Service for the Homeless (%)	Provide Funds for Special-Needs Housing & Services (%)	Address Public Facility-Infrastructure Needs-DEED (%)	Total (%)
CDBG	64	0	9	0	0	27	**100**
HOME	0	100	0	0	0	0	**100**
HOPWA	0	0	0	0	100	0	**100**
ESG	0	0	0	92	8	0	**100**

Table 7 – Funding Allocation Priorities

Reason for Allocation Priorities

Percentages include administration costs. Allocation priorities are based on needs in market study, needs assessment and public input.

CDBG: CDBG spending will be split between affordable housing, economic development and public facilities and infrastructure. These spending priorities have been established through the planning process of where the most need is, as well as the capacity to make an impact on those in need in the State of Minnesota. The amount spent on each category is determined both by past performance and the current ability to meet housing and community development needs in the State. Economic Development funds will be utilized to support the Minnesota Investment Fund Program by providing gap financing to businesses creating jobs that benefit LMI workers.

HOPWA: Federal regulations dictate both the geography in which HOPWA funds may be used and the beneficiaries. Because only 15% of persons living with HIV/AIDS live in counties outside the seven-county Twin Cities metropolitan area and most are already housed, preventing homelessness is a more cost-effective approach than housing development or tenant-based rent assistance.

NHTF: National Housing Trust Funds will be directed towards efforts to enhance affordable housing opportunities through new construction and rehabilitation.

HOME: Many federally assisted and naturally affordable housing developments need rehabilitation to preserve their federal rent subsidy or affordability of their units. There is a growing need for affordable rental housing. All of the HOME funds will be directed toward enhancing the affordable housing opportunities for low to moderate income households throughout the State.

ESG: The total funds for ESG will be spent on services and housing, including homelessness prevention and emergency shelter, for homeless households and households at-risk of homelessness in the State.

How will the proposed distribution of funds will address the priority needs and specific objectives described in the Consolidated Plan?

For CDBG, the distribution of funds address the high needs of low to moderate income households, economic opportunities, and public facilities and infrastructure.

For HOME and NHTF, the Consolidated Plan ranks the low to moderate income households as a high need. There is a high need for rental and owner rehabilitation. Funds will be targeted to projects that will serve low to moderate income households in the State.

Minnesota uses its HOPWA resources to maintain persons with HIV/AIDS in their current housing by providing emergency assistance because that is the most pressing need identified for this population.

As outlined in the Consolidated Plan, ESG funds will be used to meet the priority needs of providing emergency shelter, prevention and rapid re-housing to persons at-risk of, and experiencing, homelessness.

Affordable Housing

AP-55 Affordable Housing – 24 CFR 91.320(g)

Introduction:

The term affordable housing that is used in 24 CFR 92.252, 92.254, 93.302, and 93.304 includes several elements that are not requirements of ESG, HOPWA and CDBG. Therefore, the only units that receive federal assistance that can be assured of meeting the standard of "affordable housing" and are described here are HOME and NHTF units.

One Year Goals for the Number of Households to be Supported	
Homeless	0
Non-Homeless	200
Special-Needs	0
Total	200

Table 11 - One Year Goals for Affordable Housing by Support Requirement

One Year Goals for the Number of Households Supported Through	
Rental Assistance	0
The Production of New Units	100
Rehab of Existing Units	100
Acquisition of Existing Units	0
Total	200

Table 12 - One Year Goals for Affordable Housing by Support Type

Discussion:

For NHTF, the goal is to assist construction or rehabilitation of up to 22 units of rental housing and provide up to 12 units with operating subsidies.

Operating subsidies assume providing assistance for up to fifteen years of the thirty year affordability period. The number may be greater if it is found that less than fifteen years of subsidy is necessary, or less if eligible applications are not received and operating funds are not committed to projects.

Minnesota Housing intends to use operating subsidies only with other NHTF units constructed or rehabilitated.

At an anticipated average per unit capital cost of $98,000 for supportive housing, Minnesota Housing anticipates completing at least 22 units of housing that is affordable to extremely low income families. Based on Minnesota Housing's experience of providing operating assistance through the State's housing trust fund for supportive housing, Minnesota Housing expects average annual operating cost assistance

to be $2,700, which will provide operating assistance for up to 12 NHTF units for 15 years. For HOME, the goal is to assist construction or rehabilitation of approximately 150 units, with average assistance of $50,000 per unit.

With HOME and NHTF combined, it is anticipated the state will support development or rehabilitation of 200 units of housing with FY 18 resources.

Strategic Plan

2018 Substantial Amendment

Amendment Made to SP-25 Priority Needs

Priority needs for item 6, "Low-Moderate Income Renter Households", were amended to include high priority homeless and persons with disabilities as priority populations to allow for limitation to or preference of these populations in HOME and NHTF activities, provided these limitations or preferences do not violate nondiscrimination requirements.

SP-25 is attached in full, indicating the changed language from the current approved Consolidated Plan in red.

SP-25 Priority Needs – 91.315(a)(2)

Priority Needs

Table 1 – Priority Needs Summary

1	**Priority Need Name**	Homelessness
	Priority Level	High
	Population	Rural Chronic Homelessness Individuals Families with Children Mentally Ill Chronic Substance Abuse veterans Persons with HIV/AIDS Victims of Domestic Violence Unaccompanied Youth
	Geographic Areas Affected	Statewide
	Associated Goals	Facilitate Housing and Service for the Homeless
	Description	Homelessness continues to be a high priority throughout the State
	Basis for Relative Priority	This priority was established using the Needs Assessment, survey, public and stakeholder input.
2	**Priority Need Name**	Low-Moderate Income Renter/Owner Situations
	Priority Level	High

	Population	Extremely Low Low Moderate Large Families Families with Children Elderly Public Housing Residents
	Geographic Areas Affected	Non-Entitlement
	Associated Goals	Provide Decent Affordable housing-DEED
	Description	Fund housing rehabilitation activities for Low-Moderate income renter and owner households are a high priority in the state due to the level of cost burdens and other housing needs for these households. DEED.
	Basis for Relative Priority	This priority needs was established through the Needs Assessment, survey, public and stakeholder input.
3	**Priority Need Name**	Economic Opportunities
	Priority Level	High
	Population	Non-housing Community Development
	Geographic Areas Affected	Statewide
	Associated Goals	Promote Economic Development
	Description	Economic Opportunities continue to be a high priority for the State to encourage continued economic growth.
	Basis for Relative Priority	This priority was established using the Market Analysis, surveys, public and stakeholder input.

4	**Priority Need Name**	Public Facilities and Infrastructure
	Priority Level	High
	Population	Non-housing Community Development
	Geographic Areas Affected	Statewide
	Associated Goals	Address Public Facility- Infrastructure Needs-DEED
	Description	There are many community needs throughout the State that can be met through public facilities and infrastructure. This continues to be a high level need for the State.
	Basis for Relative Priority	This priority was established through the Needs Assessment, Market Analysis , surveys, and public and stakeholder input.
5	**Priority Need Name**	Human Services
	Priority Level	High
	Population	Elderly Frail Elderly Persons with Mental Disabilities Persons with Physical Disabilities Persons with Developmental Disabilities Persons with Alcohol or Other Addictions Persons with HIV/AIDS and their Families Victims of Domestic Violence
	Geographic Areas Affected	Statewide
	Associated Goals	Provide Funds for Special-Needs Housing & Services
	Description	Special Needs populations continue to have a variety of unmet needs. Human services continue to be a high priority in the State.

	Basis for Relative Priority	This priority was established through the Needs Assessment, surveys, and public and stakeholder input.
6	**Priority Need Name**	Low-Moderate Income Renter Households
	Priority Level	High
	Population	Extremely Low Low Moderate Chronic Homelessness Homeless Individuals Homeless Families with Children Persons with Mental Disabilities Persons with Physical Disabilities Persons with Developmental Disabilities Persons with Alcohol or Other Addictions
	Geographic Areas Affected	Statewide
	Associated Goals	Enhance Affordable Housing Opportunities- Minnesota Housing

	Description	Extremely Low, Low and Moderate income renter households are a high priority in the state due to the level of cost burdens and other housing needs for these households. Minnesota Housing funds such housing activities for low to moderate income rental households, including renovation and new construction. Within the income priority, Minnesota Housing also considers special needs populations as a priority in the state, and will allow, when appropriate, a limitation or preference to those populations. Two special needs populations allowed with regards to HOME and National Housing Trust Fund funding are permanent supportive housing for "High Priority Homeless" and people with disabilities. High Priority Homeless means (i) households experiencing long-term homeless; (ii) households at significant risk of experiencing long-term homelessness; or (iii) households priorities for permanent supportive housing by the Coordinated Entry System adopted by the local continuums of care. For persons with disabilities, the limitation or preference will be limited to the population of families (including individuals) that significantly interfere with their ability to obtain and maintain housing. In accordance with regulatory requirements of HOME and the National Housing Trust Fund, any limitation or preference will not violate nondiscrimination requirements.
	Basis for Relative Priority	This priority needs was established through the Needs Assessment, survey, public and stakeholder input.

Narrative (Optional)

#2 need is to be used for DEED priorities. #6 is to be used for Minnesota Housing priorities.

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Board Agenda Item: 10.A
Date: 2/22/2018

Item: Report on Commissioner's Evaluation

Staff Contact(s):
Mary Tingerthal, 651.296.5738, mary.tingerthal@state.mn.us

Request Type:

☐ Approval
☐ Motion
☐ Resolution

☒ No Action Needed
☒ Discussion
☐ Information

Summary of Request:
The board will discuss the Commissioner's performance during the preceding year. This portion of the meeting will be closed pursuant to Minnesota Statutes Section 13D.05.

Fiscal Impact:
None.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Materials will be distributed at the meeting