MINNESOTA HOUSING

MEETINGS SCHEDULED FOR OCTOBER

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

THURSDAY, OCTOBER 17, 2019

Regular Board Meeting
1:00 p.m.

Lake Superior Conference Room- Fourth Floor

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, October 17, 2019.

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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AGENDA
Minnesota Housing Board Meeting
Thursday October 17, 2019
1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval**
   A. Minutes, Regular Meeting of September 26, 2019
   B. Vice Chair Selection
5. **Reports**
   A. **Chair**
   B. **Commissioner**
   C. **Committee**
6. **Consent Agenda**
   A. Selection and Commitment, Low and Moderate Income Rental Program (LMIR) and Flexible Financing for Capital Costs (FFCC)
      - Northcrest Townhomes, D2793, Mora;
   B. Funding Modification, Publicly Owned Housing Program (POHP)
      - Oak Court Apartments, D7770, Crookston;
7. **Action Items**
   A. Proposed State of Minnesota Housing Tax Credit 2021 Qualified Allocation Plan (QAP) and the 2021 HTC Program Procedural Manual, Including Discussion of Public Comments
   B. Approval, 2020-23 Strategic Plan
   C. Approval, 2020-21 Affordable Housing Plan
   D. Approval, Updated Delegation of Authority Request
   E. Resolution Authorizing Amendments to Minnesota Housing Finance Agency Direct Purchase Revolving Line of Credit Notes
8. **Discussion Items**
   None.
9. **Information Items**
   None.
10. **Other Business**
    None.
11. **Adjournment**

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DRAFT Minutes
Minnesota Housing Board Meeting
Thursday September 26, 2019
1:00 p.m.

1. **Call to Order.**
   After honoring the extraordinary service of long-time board member Joe Johnson and welcoming new board members, Nawal Noor and Chief Executive Melanie Benjamin, Chair DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance Agency at 1:05 p.m.
2. **Roll Call.**
   Members Present: Julie Blaha, Terri Thao, Stephanie Klinzing, John DeCramer, Craig Klausing Nawal Noor and Melanie Benjamin.
   Minnesota Housing Staff present: Tal Anderson**,** Noemi Arocho**,** Kevin Carpenter, Jimena Dake, Jessica Deegan, Rachel Franco, Anne Heitlinger, Jennifer Ho, Hannah Jirak, Kasey Kier, Tresa Larkin, Debbi Larson, Song Lee, Nira Ly, Eric Mattson, Leighann McKenzie, Jodi Nelson, Michael Nguyen, John Patterson, Tony Peleska, Devon Pohlman, Paula Rindels, Rachel Robinson, Dani Salus, David Schluchter, Terry Schwartz, Anne Smetak, Kim Stuart, Jodell Swenson, Susan Thompson, Mike Thone, Sarah Woodward, and Kristy Zack.
   Others present: Ramona Advani, Office of the Minnesota State Auditor; Chip Halbach, Dominium; Anne Mavity, Minnesota Housing Partnership; Paula Prahl, Dominium.
3. **Agenda Review**
   None.
4. **Approval of Minutes**
   A. **Regular Meeting of August 29, 2019**
   Motion: Terri Thao moved to approve the August 29, 2019 minutes. Seconded by Craig Klausing. Motion carries 7-0.
5. **Reports**
   A. **Chair**
   Chair DeCramer shared that due to Joe Johnson's resignation, the board needs to elect a new Vice Chair. If you have interest in the position, let him know prior to the October 17 board meeting. The board will elect a new Vice Chair at the October 17 meeting.
   B. **Commissioner**
   Commissioner Ho shared the following with the board:
   - Jill Mazullo will join the Agency on October 2 as Director of Communications.
   - Welcome to new board members
   - Working on Qualified Allocation Plan, Strategic Plan
   - Working with internal team on what it means to "go big" and how the Servant Leadership Team can support the team with this work.
   - Policy proposals with the Governor's office going into the 2020 Legislative Session.
   - Hunger and Homelessness Awareness Panel presentation prior to the October 17 board meeting.
   - Meetings with tenant organizers, AARP MN, new Commissioner of Department of Human Services, Itasca Housing Group, Grand Opening of 14th Street Flats in Willmar, and visited with CLUES and African Development Center, toured housing on the Leech Lake reservation with housing and government relations staff and attended the Minnesota Indian Affairs Council meeting.

   New Employee Introductions:
   - Jodell Swenson introduced Hannah Jirak, HR Specialist, Human Resources Division.

- Marcia Kaasa introduced Carol Wohlk, Business Systems and Process Support Specialist, Single Family Division.
- Anne Heitlinger introduced Sarah Woodward, Underwriter, Multifamily Division.
- Tony Peleska introduced Michael Nguyen, Help Desk Support Team, BTS Division.
- Cathy tenBroeke introduced Margaret King, Regional Manager, Unsheltered Homelessness, Office to End and Prevent Homelessness.

C. **Committee**

The Program Committee met prior to the board meeting to review the Agency's response to the Public Comments about the 2020-23 Strategic Plan and the 2020-21 Affordable Housing Plan. Chair DeCramer thanked all who submitted comments. Chair DeCramer mentioned that the FY2019 Annual Financial Report was available to the board members at their seats, and is available on our website.

6. Consent Agenda

A. Grant and Loan Contract Modification, Impact Fund, Headwaters Housing Development Corporation

B. Grant and Loan Contract Modification, Impact Fund, Habitat for Humanity Twin Cities

C. Rental Rehab Deferred Loan – Administrator Agreement Extension Request

D. Resolution Correction, Workforce Housing Development Program Funding Modification, City of Pelican Rapids

Terri Thao asked for clarification on Consent Agenda Item D. Staff provided clarification.

Motion: Terri Thao moved to approve the Consent Agenda Items. Seconded by Stephanie Klinzing. Motion carries 7-0.

7. Action Items

None.

8. Discussion Items

A. **Drafts of the 2020-23 Strategic Plan and 2020-21 Affordable Housing Plan**

John Patterson reviewed the drafts of the 2020-23 Strategic Plan and 2020-21 Affordable Housing Plan.

9. Information Items

A. Housing Infrastructure Bonds, 2019 Series ABCD

B. Residential Housing Finance Bonds, 2019 Series EFGH

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:38 p.m.

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John DeCramer, Chair

MINNESOTA HOUSING

Board Agenda Item: 6.A
Date: 10/17/2019

Item: Selection and Commitment, Low and Moderate Income Rental Program (LMIR) and Flexible Financing for Capital Costs (FFCC)
- Northcrest Townhomes, D2793, Mora

Staff Contact(s):
Caryn Polito, 651.297.3123, caryn.polito@state.mn.us

Request Type:

☒ Approval
- ☐ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Agency staff completed the underwriting and technical review of the proposed development and recommends the development for selection and funding. Agency staff also recommends adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in an amount not to exceed $765,000 and a deferred funding commitment in the amount of $199,000 under the Flexible Financing for Capital Costs (FFCC) program.

Fiscal Impact:
LMIR loans are funded from Housing Investment Fund Pool 2 resources, and as such, Minnesota Housing will earn interest income on the loan without incurring financing expenses. Additionally, this loan will generate fee income. The FFCC loan is financed out of Pool 3, and earns no interest for the Agency.

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
- Development Summary
- Resolution
- Resolution Attachment

Background:
Northcrest Townhomes is an existing tax credit development located in Mora. The property has a total of 24 units consisting of two- and three-bedroom townhomes in two buildings. The property was built in 2002.

This transaction is the refinance of a non-Agency first mortgage with a new HUD risk-share LMIR loan. The new LMIR loan will pay off the existing first mortgage with Community Investment Fund. The transaction will lower the interest rate from 7.56 percent to 3.82 percent.

The project is being selected for a Flexible Financing for Capital Costs (FFCC) program deferred loan as part of this transaction. The existing Minnesota Housing Affordable Rental Investment Fund (ARIF) program deferred loan will be extended to be coterminous with the new first mortgage.

The refinance will allow the property to complete several capital improvements within the next twelve months. The replacement reserves will cover capital improvements that will be needed over the next ten years.

DEVELOPMENT SUMMARY

				D#:	2793
Name:	Northcrest Townhomes			App#:	M18088
Address:	501 9th Street				
City:	Mora	County:	Kanabec	Region:	Central

MORTGAGOR:

Ownership Entity:	Northcrest Townhomes of Mora Limited Partnership
General Partner/Principals:	Northcrest Townhomes, LLC, whose managing member is Central Minnesota Housing Partnership, Inc.

DEVELOPMENT TEAM:

Attorney:	Rinke Noonan, Ltd., St. Cloud
Management Company:	Central Minnesota Housing Partnership, Inc., St. Cloud

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$765,000	LMIR First Mortgage	
	Funding Source:	Housing Invest Fund (Pool 2)
	Interest Rate:	3.82%
	MIP Rate:	0.125%
	Term (Years):	35
	Amortization (Years):	35
$199,000	Flexible Financing Cap Costs	
	Funding Source:	Hsg Affordability Fund (Pool 3)
	Interest Rate:	0.00%
	Term (Years):	35

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY
2BR	12	1,134	$ 753	$ 815	$ 30,120
3BR	7	1,279	$ 847	$ 941	$ 33,880
3BR	2	1,398	$ 847	$ 941	$ 33,880
3BR	2	1,502	$ 847	$ 941	$ 33,880
3BR	1	1,279	$ 847	$ 1,129	$ 33,880
TOTAL	**24**				

Rent and Income Limits:
Under the LMIR loan, 10 units will be restricted to 60% MTSP rent limits and incomes, up to six units may have unrestricted incomes and eight units will be income restricted at 100% of the greater of statewide median or area median. The property is also currently restricted under the tax credit land use restrictive agreement (LURA) which expires in 2032, as well as by an existing deferred loan.

Population Served:
Refer to chart above for rent and income restrictions.

Project Feasibility:
Development financing includes the $765,000 LMIR loan and $199,000 FFCC loan. Other sources include existing reserves totaling approximately $76,000. The existing Agency Affordable Rental Investment Fund (ARIF) deferred loan will be extended to be coterminous with the new first mortgage. This will also extend the rent and income restrictions; 23 units are restricted to rents at 30% of 50% of statewide median income and incomes are restricted to 80% of statewide median income.

Development Team Capacity:
Affiliates of Central Minnesota Housing Partnership, Inc. (CMHP) are the existing property owner and management company. There is no change in ownership or management company with this transaction. The owner and management company have the capacity to continue to manage the property successfully.

Physical and Technical Review:
The limited scope rehabilitation includes approximately $500,000 in capital improvements including site work, interior unit repairs and exterior building repairs.

Blumentals / Architecture performed a capital needs assessment, and the owner will complete all necessary improvements within 12 months of closing on the new LMIR loan.

Market Feasibility:
The property is located one mile north of downtown Mora, just off Highway 65. Northcrest Townhomes will continue to provide quality rental housing that is affordable with larger size units suitable for families.

The historical vacancy of the property has averaged 7 percent over the last three years. The loan is underwritten with a 7 percent vacancy rate.

DEVELOPMENT COST SUMMARY (estimated):	**Total**		**Per Unit**
Total Development Cost	$ 1,040,017		$ 43,334
Acquisition or Refinance Cost	$ 303,000		$ 12,625
Gross Construction Cost	$ 502,583		$ 20,941
Soft Costs (excluding Reserves)	$ 62,434		$ 2,601
Non-mortgageable Costs	$ 0		$ 0
Reserves	$ 172,000		$ 7,167
Total LMIR Mortgage	$ 765,000		$ 31,875
Agency Deferred Loan Sources			
Flexible Financing Cap Costs	$ 199,000		$ 8,292
Total Agency Sources	$ 964,000		$ 40,167
Total Loan-to-Cost Ratio		93%	
Other Non-agency Sources			
Replacement and Operating Reserves	$ 76,017		$ 3,167
Total Non-agency Sources	$ 76,017		$ 3,167

Agenda Item: 6.A
Resolution

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 19-xx

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM
AND FLEXIBLE FINANCING FOR CAPITAL COSTS (FFCC) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development:	Northcrest Townhomes
Sponsors:	Central Minnesota Housing Partnership, Inc.
Guarantors:	Central Minnesota Housing Partnership, Inc.
Location of Development:	Mora
Number of Units:	24
Amount of Development Cost:	$1,040,017
Amount of LMIR Mortgage:	$765,000
Amount of FFCC Loan:	$199,000

WHEREAS, Agency staff has determined that such applicant is an eligible sponsor under the Agency's rules; that such permanent mortgage loan is not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the financing of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, Agency staff has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Minnesota Housing Board hereby authorizes Agency staff to issue a commitment to provide permanent mortgage loans to said applicant from the Housing Investment Fund (Pool 2 under the LMIR Program) and the Housing Affordability Fund (Pool 3 under the FFCC Program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed $765,000; and

2. The interest rate on the permanent LMIR loan shall be 3.82 percent per annum (subject to change, as set forth in the attached Agency term letter dated August 28, 2019), plus 0.125 percent per

annum HUD Risk-share Mortgage Insurance Premium, with monthly payments based on a 35 year amortization; and

3. The term of the permanent LMIR loan shall be 35 years; and

4. The amount of the FFCC deferred loan shall be $199,000; and

5. Repayment of the FFCC loan shall be deferred, with interest up to 2 percent, and the loan term shall be co-terminus with the LMIR loan; and

6. The loan closing shall occur on or before February 28, 2020; and

7. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The commissioner is authorized to approve non-material modifications to those terms; and

8. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and

9. Central Minnesota Housing Partnership, Inc. shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

10. The sponsor, the mortgagor and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loan, to the security therefore, to the the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 17th day of October 2019

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CHAIRMAN

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MINNESOTA HOUSING

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August 28, 2019

Deanna Hemmesch
Central Minnesota Housing Partnership, Inc.
37 28th Avenue North, Suite 102
St. Cloud, MN 56303

RE: Term Letter
Northcrest Townhomes, Mora
D2793, M18088

Dear Ms. Hemmesch:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence, satisfactory loan documentation, and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: Northcrest Townhomes of Mora Limited Partnership

General Partner(s) Northcrest Townhomes, LLC

Managing Member(s): Central Minnesota Housing Partnership, Inc.

Development Description/Purpose: Refinance and limited rehabilitation of a 24-unit affordable development located in Mora, Minnesota

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk Share)	Flexible Financing for Capital Costs (FFCC)
Loan Amount	$765,000	$199,000
Interest Rate	* 3.82%	0%
Mortgage Insurance Premium (%)	0.125% *(First year premium is paid in advance)*	Not applicable
Term	35	35
Amortization/Repayment	35	Deferred lump sum payment due in 35 years.
Prepayment Provision	No prepayment first 10 years	Prepay at any time without

	from date of the Note.	penalty.
Nonrecourse or Recourse	Nonrecourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	End Loan	End Loan
Lien Priority	First	Third

*Subject to change. Loan closing must occur by February 28, 2020 for the quoted interest rate to be valid; interest rate may be subject to adjustment after this date at Minnesota Housing's sole discretion.

Origination Fee: LMIR HUD Risk Share Loan: $25,000 (payable at loan closing)

Inspection Fee: Not applicable

Guaranty/Guarantor(s): Operations Guaranty to be provided by: Central Minnesota Housing Partnership, Inc.

Operating Deficit Reserve Account: Not applicable

Operating Cost Reserve Account: Not applicable

Rehab Escrow Account: Capitalized rehab escrow account in the amount of $502,583 funded at closing.

Replacement Reserve Account: Capitalized replacement reserve in the amount of $172,000 funded at loan closing. In addition, a replacement reserve will be required in the amount of $450/unit/annum. The monthly replacement reserve will be $900. The replacement reserve will be held by Minnesota Housing.

Escrows: Real estate tax escrow and property insurance escrow to be established at time of permanent loan closing and held by Minnesota Housing.

Collateral/Security: Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

HAP or other Subsidy Agreement: Not applicable

Rent and Income Requirements: **LMIR Program**

- 10 units with rents and incomes at or below 60% MTSP.
- Up to 6 units may have unrestricted incomes.
- 8 units with incomes at or below 100% of the greater of area or statewide median income.
- The balance of units with rents at Minnesota Housing determined market.

	Commitment to 35 years of affordability from the date of loan closing. The restrictions under the ARIF loan program will be extended to be coterminous with the new first mortgage.
Other Occupancy Requirements:	Not applicable
Closing Costs:	Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.
Expiration Date:	The Terms will expire six months from the date of this letter.
Additional Terms:	Not applicable
Other Conditions:	Approval is contingent upon the Agency-ordered appraisal having a value of not less than $879,310.
Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Allison Ehlert at allison.ehlert@state.mn.us on or before September 11, 2019.

If you have any questions related to this letter, please contact Caryn Polito at 651-297-3123 or by e-mail at caryn.polito@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

NORTHCREST TOWNHOMES OF MORA LIMITED PARTNERSHIP

By: Northcrest Townhomes, LLC

Its: General Manager

Date Accepted: 8/29/2019

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MINNESOTA HOUSING

Board Agenda Item: 6.B.
Date: 10/17/2019

Item: Funding Modification, Publicly Owned Housing Program (POHP) - Oak Court Apartments, Crookston, D7770

Staff Contact(s):

Irene Ruiz-Briseno, 651.296.3837, irene.ruiz-briseno@state.mn.us
David Schluchter, 651.296.8161, david.schluchter@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:

Staff requests the board adoption of a resolution authorizing a modification to increase the Publicly Owned Housing Program (POHP) loan commitment from $1,267,504 to $1,758,512 for Oak Court Apartments (D7770)

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
- Resolution

Background:
On April 26, 2018, Minnesota Housing board members selected the development, Oak Court Apartments, for a $1,267,504 Publicly Owned Housing Program (POHP) loan financed by General Obligation (GO) Bond proceeds as part of the 2017 POHP RFP selections.

The 2017 POHP application process involved a concept-based project proposal, which included preliminary cost estimates that staff understood were likely to change as projects go through further processing. When funding recommendations were made, not all of the available POHP funds were awarded, leaving sufficient funds in anticipation of funding modifications due to potential variances in preliminary cost estimates provided by applicants.

The following chart summarizes changes in the composition of the proposal since the selection:

Description	Selection	Current	Variance
Total Development Cost	$ 1,540,004	$ 2,100,512	$ 560,508
Agency Sources – POHP	$ 1,267,504	$ 1,758,512	$ 491,008
Non-agency Sources – Crookston EDA	$ 272,500	$ 342,000	$ 69,500
Total Sources	$ 1,540,004	$ 2,100,512	$ 560,508

The project includes comprehensive replacement of the building's original, 47-year-old plumbing along with Section 504 accessibility compliance improvements. The project was competitively bid, with three bidders responding, but all bids came in higher than anticipated. The total development costs have increased by $560,508. The proposed modification increases the POHP loan commitment from $1,267,504 to $1,758,512. The remainder of the increase will be funded by additional funds from the Crookston EDA.

The proposed funding modification results in a 38.75 percent increase of the originally committed POHP loan amount. Deferred loan funding modifications that equal or exceed 15 percent of the originally committed loan amount require board approval.

HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 19-xx
Modifying Resolution No. MHFA 18-006

RESOLUTION APPROVING MORTGAGE COMMITMENT MODIFICATION
PUBLICLY OWNED HOUSING PROGRAM (POHP)

WHEREAS, the Minnesota Housing Finance Agency Board ("Board"), at its April 26, 2018 meeting, previously authorized a commitment for the development hereinafter named by its Resolution 18-006; and

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby increases the funding commitment on the development noted below and hereby confirms the renewal of said commitment, subject to any revisions noted:

1. Oak Court Apartments, D7770, M20072: The amount of the Publicly Owned Housing Program funding commitment shall be increased from $1,267,504 to $1,758,512;

2. All other provisions of Resolution 18-006 remain unchanged.

Adopted this 17th day of October 2019

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CHAIRMAN

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MINNESOTA HOUSING

Board Agenda Item: 7.A
Date: 10/17/2019

Item: Proposed State of Minnesota Housing Tax Credit (HTC) 2021 Qualified Allocation Plan (QAP) and the 2021 HTC Program Procedural Manual, Including Discussion of Public Comments

Staff Contact(s):
Devon Pohlman, 651.296.8255, devon.pohlman@state.mn.us
James Lehnhoff, 651.296.3028, james.lehnhoff@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☐ Resolution	☐ Information

Summary of Request:
Staff requests approval of the 2021 Housing Tax Credit (HTC) Qualified Allocation Plan (QAP), Housing Tax Credit (HTC) Procedural Manual, and Self Scoring Worksheets (SSW).

Fiscal Impact:
The HTC Program is a federal program and is not funded from state appropriations. It will not have any direct fiscal impact on the agency'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
  - Suballocator Participation
  - Timeline 2021 HTC Program Schedule

- Summary of Proposed Content Changes
  - 2021 QAP Summary of Proposed Content Changes
  - 2021 QAP Additional Proposed Changes Resulting from Public Comments

- 2021 HTC Documents (updated 9.25.19)
  - State of Minnesota 2021 QAP
  - 2021 HTC Program Procedural Manual
  - 2021 HTC Program Self-scoring Worksheets for each of the following:
    - HTC projects submitted in a Competitive Funding Round
    - 4% HTC Only

- Public comments
  - Initial Proposed 2021 QAP Public Comments (July 25, 2019 – August 26, 2019)
  - Final Proposed 2021 QAP Public Comments (September 25, 2019 – October 4, 2019)

- Methodologies
  - Access to Higher Performing Schools
  - Economic Integration
  - Cost Containment
  - Location Efficiency (updated 9.25.2019)
  - Rural/Tribal Designated Areas
  - Qualified Census Tracts (QCTs), Tribal Equivalent Areas
  - Workforce Housing Communities
  - Continuum of Care (CoC) Priorities

All additional pages must contain a right aligned header in the upper right corner that includes the agenda number and the name of the attachment. This header appears on this page.

Do not change the margins on your report. Improperly sized margins will result in content being cut off when three-hole punched or page numbers overwriting text.

Avoid using landscape page orientation whenever possible.

The board packet will be paginated as a whole after it is assembled. Do not include page numbers in your board report.

Use section breaks in your report – not page breaks and not carriage returns. There is a section break in this document. Avoid deleting that break or you will not have the correct page 2 headers. Using the show/hide feature (Ctrl + Shift + *) may help you avoid deleting that break.

Select all the text on this page and change the color to black when you are finished.

Color should be used only to enhance the reader's comprehension of the information.

Numbers in tables should be presented in accounting format, with dollar symbols aligned on the left and numbers aligned to the right. Below is how tables should be formatted. You can use the format painter to copy the number format to your own table. There is a tab between the dollar symbol and the numbers. To enter the tab in a table, hold down the Ctrl key and then press the tab key.

Column One	**Column Two**	**Column Three**
This is text	This is text	$ 1,000,000
This is text	This is text	$ 983,000
This is text	This is text	$ 500

- Final Proposed 2021 QAP Public Comments (September 25, 2019 – October 4, 2019)

- Methodologies
    - Access to Higher Performing Schools
    - Economic Integration
    - Cost Containment
    - Location Efficiency (updated 9.25.2019)
    - Rural/Tribal Designated Areas
    - Qualified Census Tracts (QCTs), Tribal Equivalent Areas
    - Workforce Housing Communities
    - Continuum of Care (CoC) Priorities

BACKGROUND
The Federal Tax Reform Act of 1986 allowed for the creation of the Housing Tax Credit (HTC) Program for qualified residential rental properties. The HTC Program is the principal federal subsidy contained within the 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 the distribution of the tax credits within their jurisdiction. The QAP is subject to modification or amendment to help ensure the provisions conform to the changing requirements of the IRC, applicable state statute, the changing environment and to best promote Minnesota Housing's strategic priorities.

Minnesota Housing's HTC Program administration uses the following documents: a QAP (described above), a procedural manual that includes detailed definitions and procedures related to the implementation of the QAP, and two self-scoring worksheets that assign points for how well a project meets the funding priorities of Minnesota Housing's HTC Program for HTCs allocated through the Consolidated RFP as a 9% HTC project or a dual application structured with 4% HTCs. Points are also assigned for 4% HTC Only pipeline applications for tax credit projects financed by tax-exempt, volume-limited bonds from Minnesota Management and Budget (MMB). The HTC Program is generally reviewed and revised each year to remain aligned with Internal Revenue Code (IRC) requirements as well as Minnesota Housing's strategic priorities.

Copies of the proposed 2021 QAP, Procedural Manual and SSWs are available on the agency's website at ww.mnhousing.gov (Home -> Multifamily Rental Partners -> Apply for Funding -> Tax Credits -> 2021 Program Procedural Manual and Documents).

The proposed changes to the 2021 HTC Program in the form of a redline version of the Self-scoring Worksheets were approved for release for public comment by the board at its July 25, 2019 meeting. On August 5, 2019, Minnesota Housing published a notice soliciting public comment on the proposed changes. A summary of the proposed changes was made available to the public in advance of the August 19, 2019 public hearing. No members of the general public attended the hearing, and written comments were submitted from twenty-one organizations (attachment 1).

Comments were reviewed by agency staff and leadership. Based on a review of the comments, additional proposed changes were made to the Self-scoring Worksheets and the HTC Program Procedural Manual and re-released to the public on September 25, 2019. A final public hearing was held on October 3, 2019. One person attended the public hearing with five comments submitted by the October 4, 2019 public comment deadline (attachment 2).

The only revisions staff will make after board approval will pertain to formatting, spelling, grammar or other readability purposes. The 2021 QAP will then be submitted to the governor's office for final approval.

SUBALLOCATOR PARTICIPATION
Minneapolis, St. Paul, Dakota County, Washington County, Duluth, St. Cloud and Rochester are tax credit suballocators in the state of Minnesota. For the 2019 program year, the cities of Duluth, St. Cloud and Rochester entered into Joint Powers Agreements under which Minnesota Housing agreed to perform

certain allocation and compliance functions on behalf of the suballocating agency. Suballocators make an annual determination to participate in a Joint Powers Agreement which is typically executed prior to the release of the Consolidated RFP.

TIMELINE:

2021 HTC PROGRAM SCHEDULE

October 17, 2019	Minnesota Housing board asked to approve final 2021 QAP, HTC Program Manual, and Self-scoring Worksheets
April 2, 2020 (tentative date)	Publish Consolidated RFP for HTC 2021 Rounds 1 and 2
June 4, 2020 (tentative date)	HTC 2021 Round 1 and 2020 MF Consolidated RFP application deadline
November 19, 2020 (tentative date)	Minnesota Housing board asked to approve HTC 2021 Round 1 selection recommendations
January 29, 2021 (tentative date)	HTC 2021 Round 2 application deadline
April 22, 2021 (tentative date)	Minnesota Housing board asked to approve 2021 HTC Round 2 selection recommendations

Summary of Proposed Revisions to the 2021 Housing Tax Credit (HTC) Program, the Qualified Allocation Plan (QAP), the HTC Program Procedural Manual and Discussion of Public Comments

Minnesota Housing proposed seven types of policy changes with the release of the QAP on July 25, 2019 followed by a thirty-day public comment period. The recommended changes, summarized in attachment 3, emphasize continued eligibility and streamlining enhancements to the QAP.

As a result of the review of public comments from 22 organizations or individuals (attachment 1) and various engagement discussions with stakeholders, Minnesota Housing provided a second public comment period to allow opportunity for input on five additional proposed changes to the final proposed 2021 QAP summarized below:

1. Under the **Serves Lowest Income Tenants/Rent Reduction** scoring criterion, staff propose to eliminate the requirement to hold rents at 50% of MTSP for ten years and require 50% of MTSP rents for the duration of the LURA. This change is intended to support longer-term, more affordable rents and is consistent with Minnesota Housing's underwriting standards.

2. The **Areas of Opportunity** selection criterion is redefined as "Increasing Geographic Choice."

3. Under the **Location Efficiency** scoring criterion, developments now have an opportunity to achieve "Walkability" points without needing to meet "Access to Transit" points.

4. Under the **Building Characteristics** selection criterion, additional points are available for projects that meet specified optional Green Communities criteria.

5. For the **State Designated Basis Boost**, projects that meet the tribal strategic priority threshold are now eligible, in addition to supportive housing and preservation developments.

A discussion of public comments follows.

Public Comments Related to the Initial Proposed 2021 QAP Changes

<u>Comments in Support of Initial Proposed Changes</u>

Minnesota Housing received several comments in support of the agency's initial proposed 2021 QAP changes. Support was noted for the following initial proposed changes, including recommendations to:

- Continue application streamlining efforts by eliminating the requirement for preservation projects to submit a pre-application
- Create additional pointing incentives for non-capital contributions to projects in recognition of the value of such contributions from governmental units, philanthropic sources, local employers or others
- Increase the point value of minority- and women-owned business enterprise points
- Change the requirement for dial-a-ride response time to incorporate more flexibility in the location efficiency scoring criteria

Comments and Themes Prioritized for 2022 QAP Engagement Plan

A number of public comments encouraged the agency to undertake a more significant review of the policy goals of the QAP and how those could further affordable housing policy objectives. Minnesota Housing is committed to sustained stakeholder engagement and is working closely with communities most impacted by the need for housing that is affordable. The 2022 QAP Engagement Plan will be developed in early 2020 with input from the community and subsequently initiated shortly thereafter. Based on the policy themes from public comments already received, the 2022 QAP is anticipated to include community discussions such as:

- Committing to diversity, equity and inclusion throughout the engagement and implementation process
- Prioritizing resources to communities throughout Minnesota that are most impacted by the need for rental housing that is affordable
- Creating more units with deeply targeted and affordable rents to households at 30% of MTSP
- Continued stewardship of project costs while advancing innovative and sustainable development practices, including renewable energy and healthy building materials
- Implementing longer-term affordably for all projects
- Streamlining the process and reducing complexity
- Broadening and deepening commitment to minority- and women-owned enterprises

Several commenters urged the agency to **reassess and define the definition of housing for people with greatest needs by further emphasizing creating housing for people with incomes at or below 30% of area median income (AMI)**. Commenters shared that public subsidies are best used to serve households at or below this income tier noting that this is how we can best address the housing needs of Minnesotans who face the largest barriers, have the fewest choices, and are at the lowest incomes. There was also recognition that promoting deeper affordability will increase development cost gaps, thereby requiring additional public subsidies.

Several commenters also asked the agency to **recognize the significant needs of low-income, 30% of AMI households who do not have a need for supportive housing services** but have a dire need for affordable housing.

One strategy to increase and encourage deeper affordability within HTC projects is to **advance opportunities to secure rental assistance**. We incentivize rental assistance as a scoring criterion in the QAP and we have seen an increase in projects obtaining rental assistance in the past several years through the use of project-based vouchers (PBVs), housing choice vouchers (HCVs) and Housing Support. We recognize that this takes coordination and partnership at a local level, and that federal rental assistance administrators have regulations they must adhere to. Minnesota Housing seeks to clarify that developers and administrators of PBVs and HCVs must follow federal guidelines related to rental assistance. Specifically, we will clarify the following in our Scoring Guide for the 2020 RFP/2021 HTC Round 1:

- Developers cannot request a commitment of PBVs from public housing authorities/housing and redevelopment authorities/community development authorities if they have not been selected through a competitive process.
- Administrators of PBVs must follow federal regulations and have undergone a competitive selection of the project for the vouchers prior to commitment.

Given the significance of the HTC Program as a public resource, and the priority within the tax code for **longer-term affordability**, Minnesota Housing was asked to consider several different ways to enhance affordability under the program structure. Staff recommends an additional change to the 2021 QAP so that projects that elect points for 50% of MTSP rent levels continue to rent at 50% of MTSP for the duration of the LURA, which is consistent with Minnesota Housing underwriting practices. The agency was also asked to create an incentive for 50 years affordability, or longer, which staff propose to consider as part of the 2022 QAP Engagement Plan.

A number of commenters requested that the agency **reassess its cost containment strategy**. Several comments focused on the tension around accountability for incentivizing lower up-front project costs, while recognizing long-term life-cycle cost benefits. Specific examples, including benefits related to solar energy, were cited as a barrier under the current containment model. Other concerns were noted about how the current cost containment methodology impacts certain Greater Minnesota communities with unique topographic or soil conditions that may lead to higher costs. Other comments encouraged Minnesota Housing to **reevaluate overall incentives for energy efficient and healthy housing**. Staff are recommending an immediate change to points for the 2021 QAP for projects that pursue higher level achievement within the Enterprise Green Communities framework, and we are committed to continued discussion around both topics as part of 2022 QAP planning.

There were some initial proposed changes that elicited conflicting comments and opinions from the public. One of the most prominent areas relates to issues of geography. Several commenters supported Minnesota Housing's recommended **additional points for Qualified Census Tracts (QCTs)/Tribal Equivalent Areas**, recognizing that many of these areas have experienced significant disinvestment over long periods of time. In some markets, QCTs/Tribal Equivalent Areas may be susceptible to increasing market pressures and gentrification where investing in affordable housing helps to maintain and preserve housing opportunities for long-time residents. In other cases, QCTs/Tribal Equivalent Areas may struggle to attract investment necessary to meet affordable housing needs of local residents. Staff acknowledge that different market conditions exist for QCTs/Tribal Equivalent Areas and recommend an increase in points (three total) to such areas.

Minnesota Housing received several comments outlining **considerable discussion about the role of geographic-based incentives**. As part of the final 2021 recommended changes to the QAP, staff recommends taking immediate action to address concerns expressly related to the term "Areas of Opportunity" by redefining this selection criterion as "Increasing Geographic Choice." This more appropriate definition, combined with an overall increase in total QCT points, is intended to better recognize the need for housing that is affordable in areas that have experienced disinvestment as well as in areas that may lack opportunities for housing that is affordable. Staff also recommend a change to the Walkability scoring criteria, which previously was only available for projects that also achieved Access to Transit points. There may be cases where a project does not qualify for Access to Transit points, but it is still in a walkable location. Lastly, staff recommend including projects that meet the tribal strategic priority strategic threshold, as defined in the self-scoring worksheet, as eligible for the 30 percent State Designated Basis Boost, recognizing the unique financial feasibility needs of such projects.

Other comments related to geographic-based incentives included items such as:

> A commenter noted that awarding points to projects in high performing school areas and limiting points awarded to projects in QCTs makes it extremely difficult for certain communities to compete for resources, despite demonstrated need for more safe, healthy and affordable housing.

- Two comments requested that the agency better differentiate geographies within the seven-county metropolitan area, in particular differences and needs between rural and exurban communities.
- Other commenters highlighted the barriers rural communities face (communities with populations of fewer than 10,000 people and not near regional centers) competing under the current QAP and recommended the agency explore the issue further. The barriers cited were complex and varied, including such comments as an inability for smaller communities to provide local funding contributions; obstacles obtaining workforce points because the community may not meet the job growth metric but has high job vacancies; difficulty meeting location efficiency points even though there may be the presence of employer-generated ride services. While the fundamental need for housing that is affordable exists throughout the state, local conditions vary.
- One commenter noted that the use of "Areas of Opportunity" and "Economic Integration" in the QAP's overall pointing framework is problematic at best and creates continued underinvestment of affordable housing resources within core cities with significant populations of communities of color. The commenter implored the agency to discontinue the use of geographic based scoring entirely.

Several commenters supported the increase in **Minority- and Women-owned Business Enterprise (MBE/WBE)** points and encouraged the agency to continue to further and deepen its commitment to MBE/WBE and diversity and inclusion. Some commenters encouraged Minnesota Housing to include the role of a processing agent as eligible for MBE/WBE points, and while staff recognize this important role, the scope of a processing agent's work varies. Minnesota Housing was also asked to allocate points only in cases where there is significant involvement of MBE/WBEs. The agency remains interested in advancing meaningful economic opportunity for MBE/WBEs as direct members of the development team, including as the project sponsor, executive director of a non-profit, general contractor, architect or management agent and will continue to review this as part of the 2022 QAP Engagement Plan. In addition, the agency is interested in exploring meaningful ways to **advance diversity, equity and inclusion** through the HTC Program.

Lastly, several comments encouraged Minnesota Housing to **broaden its engagement work with more inclusive stakeholder involvement as we begin work on the 2022 QAP**. Commenters encouraged more direct interaction with persons with lived experiences as direct stakeholders, more engagement of communities, and more accessible ways to learn about how to help guide and direct the 2022 QAP. Early and active engagement, dialogue and shared learning will be a core component to the 2022 QAP planning, development and implementation process.

Comments Under Review and/or Addressed

In some cases, commenters raised important issues that staff are not recommending changing directly in this QAP but continue to review or address outside of the QAP:

- One commenter requested that overly **stringent tenant selection criterion** be addressed, noting specific experiences and difficulties for vulnerable tenants being unable to access HTC units. Minnesota Housing updated and released new Tenant Selection Plan (TSP) guidance mnhousing.gov -> sites -> multifamily -> Post-Selection -> Management Agents -> Tenant Selection Plans with the 2019 RFP/2020 HTC Round 1, which is required for all projects selected through the Consolidated RFP. TSPs are reviewed by Minnesota Housing staff.

- A commenter encouraged Minnesota Housing to consider various ways to **encourage supportive housing projects**, including creating a specific supportive housing set-aside, ensuring our supportive housing developments maintain a level of quality, and developing a cross-divisional and cross-sector team focused on supportive housing. Minnesota Housing's pointing framework is intentionally designed to support permanent supportive housing projects that meet minimum thresholds, which address service model quality as well as design and building material quality. Housing Infrastructure Bonds (HIBs) are a valuable tool that, when available, create significantly more funding opportunities for such projects than would an HTC set-aside for permanent supportive housing.
- Three commenters shared concerns related the **role of public housing** within the QAP's preservation pointing framework. Public housing capital needs continue to be underfunded by the federal government and there is a significant capital needs backlog. Prior to the advent of HUD's Rental Assistance Demonstration (RAD) Program, combining the use of HTCs with public housing was particularly complex or infeasible in many situations. Minnesota Housing's Publicly Owned Housing Program (POHP) has been a significant contributor to public housing preservation, but bonding amounts to fund POHP have not been consistent across legislative sessions and the program is not compatible with all iterations of public housing and public housing conversions. As a result, public housing operators continue to seek preservation opportunities. While staff are not currently recommending a change to the QAP preservation pointing framework, staff are interested in continuing to work with our partners to look at additional and innovative ways that the agency can fund public housing preservation and RAD conversions.
- One commenter encouraged the agency to facilitate Eventual Tenant Ownership (ETO). The agency is engaged in a number of **efforts to advance homeownership opportunities**, including ongoing commitment to making affordable mortgage programs and downpayment loans available, funding homebuyer education programs, and taking a leadership role in the real estate industry focused on closing the homeownership gap in Minnesota through its work as part of the [Homeownership Opportunity Alliance (www.hocmn.org/homeownershipopportunityalliance/)](http://www.hocmn.org/homeownershipopportunityalliance/). ETO is already part of the QAP; however, the implementation guide for ETO has been identified as needing further review outside of the QAP.
- Two commenters urged Minnesota Housing to address concerns related to **mid-term rent increases.** Recently, we have been made aware of circumstances where property owners have increased tenant rents at HTC developments during the term of a tenant's lease. We acknowledge that this is a concerning practice that can lead to inequitable outcomes for tenants. Staff are researching practices in other states and options to discourage or prohibit this practice.
- There is a request to research the ability to align HTC rent limits with payment standards for tenant-based vouchers. While buildings that use HTCs cannot discriminate against voucher holders, the HTC rents may be higher than the payment standard, thereby limiting access to HTC buildings in certain situations; however, reducing HTC rents to the payment standard across all projects would significantly increase funding gaps and make compliance regulations more complex. The implications and possibilities of this issue require additional research.

Other Public Comment Acknowledgements

One commenter highlighted **cost-related construction concerns** resulting from specific elements within Minnesota Housing's Rental Housing Design/Construction Standards. The agency undertook a comprehensive review of its standards in 2019 and made notable adjustments to policies related to how we would consider requests for design/build for mechanical, electrical and plumbing; roofing requirements; and considerations for a waiver to the windowless bedroom requirement in certain situations. The design standards are intended to enhance the building code through the use of durable materials, standards necessary to meet Fair Housing laws and ones that are appropriate for large families. We will continue to explore the balance between long-term stewardship of state resources and the physical asset with construction costs and the need to produce more housing that is affordable.

One commenter asked which suballocators participate in a Joint Powers Agreement with Minnesota Housing. Under statute 462A.222, certain cities and counties have been designated as suballocators to allocate and monitor HTCs to eligible projects in their cities or counties. The following communities have typically entered into a **Joint Powers Agreement with Minnesota Housing** under which Minnesota Housing performs the HTC allocation and compliance monitoring: the cites of Duluth, Rochester and St. Cloud.

Public Comments Related to the Additional Proposed Changes

Minnesota Housing received five public comments throughout the second public comment period from September 25, 2019 through October 4, 2019 (attachment 2). The comments supported the additional proposed 2021 QAP changes recommended by Minnesota Housing; reiterated some of the initial comments submitted in the first public comment period, which we will continue to review as part of the 2022 QAP Engagement Plan; and in one case recommended clarifying language for the proposed additional Minnesota Overlay to the Enterprise Green Communities Criteria Optional criteria points which we incorporated into the Self-scoring Worksheet.

Acknowledgements

Minnesota Housing recognizes the critical importance of receiving and incorporating public comments into the QAP process. The public commenters have shared their time and expertise to help make this process better. With the multitude of comments and ideas that explore different and sometimes opposite perspectives, this report is unable to capture every item from public comments. For this reason, the comments are attached to this report in their original format. Staff are thankful to all of the contributors for sharing their ideas, concerns and questions.

MINNESOTA HOUSING

2021 Qualified Action Plan (QAP)
Summary of Proposed Changes

Minnesota Housing continues to focus 2021 QAP changes on streamlining enhancements related to Housing Tax Credit (HTC) eligibility and scoring. The proposed changes are described below.

Strategic Priorities, Selection Categories and Selection Criteria

Proposed changes to the selection categories and criteria include:

- **Strategic Priorities.** We recognize the competitive nature of 9% HTC projects and the significance of 4% HTCs for projects financed through the issuance of tax-exempt volume limited bonds. As a result, additional strategic priorities will include:
  - HTC projects that meet the required minimum point threshold of 70 points for 9% projects are deemed to meet a strategic priority.
  - As required by Minn. Stat. § 462A.222, subd. (3)(d), residential rental housing projects financed with an allocation of tax-exempt bonds under chapter 474A are the highest strategic priority, and such developments are therefore not required to meet a separate strategic priority.
- **Rental Assistance.** Currently projects that agree to provide project-based rental assistance are eligible for three difference point categories: first, for having a percentage of units with committed project-based rental assistance; second, for committing to provide the project-based rental assistance for a minimum of 10 years; and third, for further restricting units to households whose incomes do not exceed 30% MTSP income limits for a 10-year period. We have combined the first two point categories into one and increased the total points for that category to advance the policy objective of serving more low-income households in HTC projects for longer durations. A majority of projects with rental assistance have taken additional points to pursue 10-year affordability.
- **Location Efficiency: Rural and Small Urban Areas (population fewer than 50,000).** We propose streamlining this selection criterion as follows:
  - Eliminate the requirement to submit documentation at the time of application that explains why the transit service available in a particular community is a viable transportation option. In the Self-scoring Worksheet, we link to the MnDOT website that lists and provides links to transit service provider information by geographic location. This transit provider resource makes the need for documentation unnecessary, although we are still requiring documentation if the transit service is planned and not yet in operation.
  - The requirement for demand response/dial-a-ride previously mandated no more than a two-hour advance notice. The new requirement for demand response/dial-a-ride allows for same day service availability.
- **Qualified Census Tract/Community Revitalization and Tribal Equivalent Areas.** Points increase from one to three in recognition that communities across Minnesota, including those with higher percentages of households at lower income levels, benefit from HTC investment.

- **<u>Minority-owned/Women-owned Business Enterprise (MBE/WBE).</u>** Points increase from three to four in support of Minnesota Housing's commitment to advancing MBE/WBE participation as a key component of the development process. A project sponsor, executive director of a non-profit, general contractor, architect, or management agent who is a MBE/WBE, as certified by the owner, continue to be eligible for the points.

- **<u>Preservation.</u>** There are two proposed streamlining changes and two proposed policy changes as follows:

  - Eliminate the requirement that preservation projects must submit a pre-application prior to the application deadline for HTC Round 1 or Round 2.

  - Eliminate the requirement that preservation projects must submit a dual application for HTC Rounds 1 and 2 if the development contains 40 or more units.

  - Create two tiers for existing federal assistance:

    - The first tier includes federal 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), Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) or other program that is not scheduled to sunset or expire. Refer to the Self-scoring Worksheet for other eligible properties. The maximum point value is 30.

    - The second tier is updated to reflect projects with existing federal assistance as defined by public housing units (existing or converted under Rental Assistance Demonstration [RAD 1]), HTC units and RD funded units without rental assistance, or existing federal assistance not captured in the first tier. The maximum point value is 6.

  - Critical Affordable Units at Risk of Loss is updated to focus on housing with a current recorded deed restriction limiting rent or income restrictions at or below the greater of 80% of state median income or area median income under another non-federal program, including one funded with state, local or intermediary funds. The maximum point value is 6.

- **<u>Efficient Use of Scarce Resources and Leverage.</u>** Streamlining enhancements are proposed for two scoring criteria: Financial Readiness to Proceed/Leveraged Funds and Other Contributions.

  - <u>Financial Readiness to Proceed/Leveraged Funds.</u> We clarified documentation required for scoring purposes in the Self-scoring Worksheet for syndication proceeds, tax increment financing (TIF), deferred loans, amortizing loans, grants, Historic Tax Credits and general partner commitments. Other, more specific information for these and other sources will continue to be required with the application submission for the feasibility review of the project.

- Other Contributions. We adjusted the point tiers in this category to provide more opportunity to achieve points for non-capital funding contributions and eliminated the identity of interest exclusion that previously treated contributions from any part of the ownership entity as general partner cash, which had been excluded from the calculation with the exception of very specific circumstances.

Feedback and Public Comments

The scope of proposed 2021 QAP changes is limited in anticipation of launching a broader community engagement for the 2022 QAP, which is scheduled to begin in early 2020. Minnesota Housing is committed to sustained engagement with community stakeholders, including people most impacted by affordable housing needs. Recent engagement efforts include our Community Solution events where we listened to and learned from communities across Minnesota to inform our strategic plan. As part of 2022 QAP development, we will further explore topics such as how we achieve more deeply affordable units, longer-term affordability, continued process improvements, and ensuring that affordable housing strategies are influenced by those most in need of affordable housing in Minnesota.

Opportunities for public feedback in regard to the 2021 QAP are currently open and include the options listed below. **The formal comment period begins after Minnesota Housing's July 25, 2019 board meeting, and closes on August 26, 2019 at 5:00 p.m. CDT.** Minnesota Housing will consider all comments received through this deadline. Final action on the 2021 QAP is expected at Minnesota Housing's board meeting on October 31, 2019.

- Formal public comment period: **July 25, 2019 through August 26, 2019 at 5:00 p.m. CDT**
- In-person feedback session at Minnesota Housing: **August 1, 2019**
- Public hearing at Minnesota Housing: **August 19, 2019**
- Comments can be submitted as follows:
  - Email: mn.housing@state.mn.us
  - Telephone: Tamara Wilson at 651.296.4451
  - In writing:

    Minnesota Housing
    Attn: Tamara Wilson
    400 Wabasha Street North, Suite 400
    St. Paul, MN 55102

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2021 Qualified Allocation Plan (QAP) – Additional Proposed Changes Resulting from Public Comments

Additional Proposed 2021 QAP Changes

Minnesota Housing released limited scope 2021 QAP changes, as summarized here, on July 25, 2019. Public comments were accepted through August 26, 2019. Following a review of public comments, Minnesota Housing proposes five additional changes to the 2021 QAP as outlined below:

1. Under the **Serves Lowest Income Tenants/Rent Reduction scoring criterion**, we will eliminate the requirement to hold rents at 50% of MTSP for 10 years and require 50% of MTSP rents for the duration of the LURA. This will ensure longer-term, more affordable rents and is consistent with Minnesota Housing's underwriting standards.
2. The **Areas of Opportunity selection criterion** is redefined as "Increasing Geographic Choice."
3. Under the **Location Efficiency** scoring criterion, developments now have an opportunity to achieve "Walkability" points without needing to meet "Access to Transit" points.
4. Under the **Building Characteristics selection criterion**, additional points are available for projects that meet specified optional Green Communities criteria.
5. For the **State Designated Basis Boost**, developments that meet the tribal strategic priority policy threshold are now eligible, in addition to supportive housing and preservation developments.

2022 Topics, Themes and Engagement Plan

In conjunction with the 2021 QAP review process, Minnesota Housing requested early input in response to key topics of interest for the 2022 QAP, including how we achieve longer-term affordability, deeper rent targeting and a commitment to ensuring that the needs of communities most impacted by affordable housing are addressed. We received feedback on these and other topics, and Minnesota Housing looks forward to developing a 2022 QAP Engagement Plan in the coming months with community stakeholders and those most impacted by the need for housing that is affordable. Based on the feedback received thus far, we expect engagement to focus on topics such as:

- Longer-term affordability
- More deeply targeted and affordable rents
- Prioritizing resources to communities throughout Minnesota that are most impacted by the need for rental housing that is affordable
- Continued stewardship of project costs while advancing innovative and sustainable development practices
- A broadening and deepening commitment to minority- and women-owned enterprises
- A commitment to diversity, equity and inclusion

Updated 2021 QAP Documents

To review the final set of comprehensive, proposed 2021 QAP changes, Minnesota Housing has re-released the proposed 2021 QAP. The initial 2021 proposed changes are reflected in redline, and the updated 2021 proposed changes made subsequent to the release of the initial public comment period are reflected in blueline in the following documents, all of which can be found on our website at www.mnhousing.gov/sites/multifamily/taxcredits:

- Housing Tax Credit 2021 Qualified Allocation Plan
- 2021 Housing Tax Credit Program Procedural Manual
- 2021 Housing Tax Credit Competitive Self-scoring Worksheet
- 2021 4% HTC Only Self-scoring Worksheet

Deadline: Public Hearing and Public Comments

As a result of additional proposed changes to the 2021 QAP, **Minnesota Housing will re-open public comments and host a public hearing prior** to finalizing the 2021 QAP. We encourage targeted comments on the five additional proposed 2021 changes as we finalize the 2021 QAP. We also invite your continued participation in the 2022 QAP as further engagement opportunities are announced.

There are two options to submit final public comments on the 2021 QAP:

1. Minnesota Housing will hold a public hearing to review the final proposed 2021 QAP changes.
   - When: Thursday, October 3, 2019 from 1:30 to 2:30 p.m.
   - Where: Minnesota Housing, 400 Wabasha Street North, Suite 400, St. Paul, MN 55102
2. Comments will be accepted until **12:00 p.m. CDT on Friday, October 4, 2019**:
   - Email: mn.housing@state.mn.us
   - Telephone: Tamara Wilson at 651.296.4451
   - In writing: Minnesota Housing
Attn: Tamara Wilson
400 Wabasha Street North, Suite 400
St. Paul, MN 55102

Thank you for your interest and participation in this important process.

State of Minnesota
Housing Tax Credit
~~2020~~2021 Qualified Allocation Plan (QAP)

Revised ~~05/2018~~ ~~07/2019~~09/2019

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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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 HTC~~tax credit~~s 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**: As set out in Minn. Stat. §473.121, subd. 2, Metropolitan Area means ~~T~~the area over which the Metropolitan Council has jurisdiction, including the counties of Anoka, Carver, Dakota (excluding the citie~~y~~s of Northfield and Cannon Falls), Hennepin (excluding the citie~~y~~s of Hanover and Rockford), 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 Tax Credit (26 USC § 42) as amended.

2.5 **Housing Tax Credit Agency (Allocating Agency)**: Any entity authorized by the state of Minnesota and Section 42 to allocate ~~tax credit~~HTCs 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~~HTC Program Procedural Manual (Manual).

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 credit~~HTCs 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.

3.1 Under Minnesota Statutes § 462A.222, certain cities and counties have been designated as suballocators to allocate and monitor ~~tax credit~~HTCs 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~~ HTC 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~~ HTCs to Minnesota Housing. Minnesota Housing will administer the HTC~~tax credit~~s 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 credit~~HTCs for Greater Minnesota will be 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~~ 2021 QAP to incorporate updated demographic data.[3]

3.4 The distribution of ~~tax credit~~HTCs for the Metropolitan Area will be 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~~ 2021 QAP to incorporate updated demographic data[4].

3.5 As of January ~~2018~~2019, the distribution between the two pools is ~~39~~38% in the Greater Minnesota Pool and ~~61~~62% in the Metropolitan Pool. Minnesota Housing will update the distribution for the ~~2020~~ 2021 QAP based upon updated demographic data in early 2020~~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 credit~~HTCs available in the state's HTC ~~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 proportionally between the two Geographic Pools. 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 HTC~~tax credit~~s 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 HTC~~tax credit~~s 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 HTC~~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 and meet the other requirements in Section 42(h)(5)(C)

Article 5 – Application Rounds

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

Round 1

5.1 **Distribution:** In Round 1, the distribution of ~~credits~~ HTCs 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 $~~350,000~~375,000 of Greater Minnesota HTC ~~tax credit~~ total)

2. Three suballocators eligible to administer ~~credits~~ HTCs 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~~ HTCs 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~~ HTCs to Minnesota Housing (see Article 3).

5.3 **Preservation Ceiling**: In Round 1, Minnesota Housing will establish a preservation ~~award~~ allocation 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~~HTC 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 HTC~~tax credit~~s 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 (LURA)), at least 75 percent of the total HTC~~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~~LURA), at least 75 percent of the total HTC~~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:

Projects that meet a locally identified housing need and that are in short supply in the local housing market, as evidenced by credible data submitted with the application.

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~~LURA), 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~~IRC;

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 HTC~~tax credit~~s 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 HTC~~tax credit~~s 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~~ HTCs are not available. If a waiting list is established and additional ~~credits~~ HTCs later become available, Minnesota Housing will evaluate projects on the waiting list in accordance with the Manual. ~~all applications would be considered at the same time to determine selection.~~ A project on the waiting list that is allocated ~~awarded~~ its ~~credit~~ HTC request through the subsequent year's Round 1 will no longer be eligible to receive ~~credits~~ HTCs 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 HTC~~tax credit~~s from Minnesota Housing or a Suballocator and have an annual HTC~~tax credit~~ shortfall of at least 5 percent, but not more than 33.33 percent of the total qualified annual HTC~~tax credit~~ amount, subject to Minnesota Housing approval, will have priority over other applicants ~~at the start of~~in Round 2 and under the Waiting List. If more than one project qualifies under the supplemental priority, the Agency will evaluate and rank eligible requests according to points claimed in the Self-Scoring Worksheet. ~~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 for HTC Allocation of State Volume Cap

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~~ allocating the ~~credit~~HTCs:

a. At the time of initial application/reservation

b. At the time of commitment to allocate ~~credits~~HTCs/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~~receive 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 HTC~~tax credit~~s.

Article 7 – Additional Administrative Procedures

7.0 For applicants statewide applying for a portion of the state's HTC volume cap, ~~During the allocation year,~~ the per-developer or general partner HTC~~tax credit~~ limit is the greater of: the amount representing 10 percent of the state's per capita volume limit in HTC~~tax credit~~s, 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~~1,300,000 in cumulative HTC~~tax credit~~s ~~awarded~~ allocated 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~~HTCs. 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~~ HTCs to a higher-ranking application but to give the ~~credits~~ HTCs to the next ranking application that can use the balance of the ~~credits~~HTCs.

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 HTC~~tax credit~~s to a project could be detrimental to existing rental property, Minnesota Housing will not issue HTC~~tax credit~~s 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 – Application Process for HTC Awards~~Credits~~ for Buildings Financed by Tax-Exempt Volume Limited Bonds

8.0 Section 42 establishes a separate set of procedures to obtain HTC~~tax credit~~s through the issuance of tax exempt volume limited bonds.[7] Although the HTC~~tax credit~~s are not counted in the HTC~~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~~ award of HTC~~tax credit~~s 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. Some suballocators have entered into a Joint Powers Agreement with Minnesota Housing under which Minnesota Housing will perform the HTC award and compliance monitoring. 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.

For projects to which the Minnesota Housing QAP applies, Minnesota Housing must make a determination that the above requirements are satisfied. After this determination, Minnesota Housing will issue a preliminary determination letter. **Application for this determination must be made to Minnesota Housing at least 30 days 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.**

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

The threshold requirements in Article 5 of the QAP do not apply to projects not receiving HTC~~tax credit~~s counted in the HTC~~tax credit~~ volume cap for the state. The strategic priority policy thresholds in Article 9 do not apply to projects that are not applying for any Minnesota Housing resources other than non-competitive HTC~~tax credit~~s.[8]

In order to receive the preliminary determination described above, the developer must submit to Minnesota Housing all documents required for an application for HTC~~tax credit~~s as established by the Minnesota Housing QAP and ~~Procedural~~ Manual and any additional information requested by the Allocating Agency. These documents are those required for an application for HTC~~tax credit~~s under Chapter 6 and Chapter 7 of the ~~Housing Tax Credit Program Procedural~~ Manual and any additional information required by Minnesota Housing.

[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~~IRC. Residential rental bonds are exempt facility bonds issued pursuant to Section 142(d) of the ~~Internal Revenue Code~~IRC to finance a qualified residential rental project.
[8] As required by Minn. Stat. § 462A.222, subd. (3)(d) residential rental housing projects financed with an allocation of tax-exempt bonds under chapter 474A are the highest strategic priority, and such developments are therefore not required to meet a separate strategic priority threshold.

The developer must also submit to Minnesota Housing the required application fees identified in the QAP/Manual.

b. In addition to complying with the requirements for HTC allocation, Section 42 (m)(2)(D) provides that in order for a project to receive an ~~allocation~~ award of HTC~~tax credit~~s 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~~ HTC 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~~ HTC period.

   For projects to which the Minnesota Housing QAP applies, the determination by the issuer must be made in a manner consistent with Minnesota Housing's 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~~HTC 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~~ HTC ~~allocation~~ award is made, and at the developer's expense by a disinterested party approved by Minnesota Housing.

      This determination must be made **prior to the issuance of the tax exempt volume limited bonds** 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 HTC~~tax credit~~s, the taxpayer/owner must enter into an extended use agreement (~~Declaration of Land Use Restrictive Covenant~~ LURA). Section 42(h)(6)(C)(ii) provides that the ~~credit~~ HTC 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 an application and appropriate fees for Form 8609, meeting the requirements of the QAP/Manual. The developer must also submit to Minnesota Housing any other related fees identified in the QAP/Manual.

Article 9 – Strategic Priority Policy Thresholds

9.0 To be eligible for HTCs~~tax credits, either~~ from the state's HTC~~tax credit~~ volume cap under Minnesota Housing's QAP and non-competitive HTC~~tax credit~~s, except as set out in Article 8, 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 or existing LRT, BRT or commuter rail station.

b. **Greater Minnesota Workforce Housing**: Projects in Greater Minnesota documenting both 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 must 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. **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~~Increasing Geographic Choice category on the Self-Scoring Worksheet.

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

e. **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.

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

h. **Tax-Exempt Bond Allocation:** As required by Minn. Stat. § 462A.222, subd. (3)(d) residential rental housing projects financed with an allocation of tax-exempt bonds under chapter 474A are the highest strategic priority, and such developments are therefore not required to meet a separate strategic priority.

i. **Minimum Point Requirement:** A request for Minnesota Housing administered HTCs from the state's HTC volume cap will be deemed to meet a strategic priority if it demonstrates the project is eligible for not fewer than 70 points, excluding projects funded through the RD/Small Projects set-aside.

Article 10 – Project Scoring

10.0 **Minimum Points Requirement (Competitive Round HTC~~Tax Credit~~s)**: To be eligible for HTC~~tax credit~~s 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~~RD/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. 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. 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 HTC~~tax credit~~s 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 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 All HTC~~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 Guide ~~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~~ HTC period.
11. Any additional records necessary to verify compliance with additional restrictions included in the Carryover Agreement or ~~Declaration~~LURA.

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~~ HTC 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~~IRC; or
   40/60 test under Section 42(g)(1)(B) of the ~~Code~~IRC; or
   Average Income test under Section 42(g)(1)(C) of the IRC.

2. There has been no change in the applicable fraction (as defined in Section 42 (c)(1)(B) of the ~~Code~~IRC) 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~~IRC.

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~~IRC).

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~~IRC) 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~~ IRC 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~~IRC, 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 HTC~~tax credit~~s from years 1987-1989).
14. The owner received its ~~credit~~ HTC 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~~ IRC and its nonprofit entity materially participated in the operation of development within the meaning of Section 469(h) of the ~~Code~~IRC.
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~~ HTC 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~~the number of units required in Treasury Regulations 1.42-5 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~~ HTC 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, pursuant to Treasury Regulations 1.42-5, 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~~LURA. 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~~ HTC 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~~ HTCs 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~~ HTCs on behalf of each city. Minnesota Housing will administer the HTC~~tax credit~~s 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 HTC~~tax credit~~s 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 HTC~~tax credit~~s to Minnesota Housing, along with copies of the HTC~~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 HTC~~tax credit~~s committed or allocated to the project, the HTC~~tax credit~~s must be transferred to Minnesota Housing to be reallocated. If the HTC~~tax credit~~s 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~~ HTCs until no later than the date of application for the Round 2. At that time, any uncommitted ~~credits~~ HTCs must be transferred to Minnesota Housing.

12.4 So that all of a project's HTC~~tax credit~~s are allocated by a single Allocating Agency, Minnesota Housing may apportion additional HTC~~tax credit~~s to a suballocator for a project that has already received a commitment or allocation of HTC~~tax credit~~s from the suballocating agency, if all of the suballocator's HTC~~tax credit~~s have been committed or allocated. These supplemental HTC~~tax credit~~s 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 HTC~~tax credit~~s a suballocator determines the project cannot use or is no longer eligible for all or a portion of the HTC~~tax credit~~s apportioned to the project, the ~~credits~~ HTCs 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 HTC~~tax credit~~s. In instances where both a suballocator and Minnesota Housing have allocated ~~credits~~ HTCs to a project, the Allocating Agency that first allocated HTC~~tax credit~~s to the project will prepare the IRS Form 8609.

12.6 As the primary and lead ~~housing credit~~HTC 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 HTC~~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 HTC~~tax credit~~ application form (Multifamily Workbook) for each development receiving an allocation or award through a reservation, carryover, or issuance of 8609 for HTC~~tax credit~~s issued from volume cap and in connection with 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 HTC~~tax credit~~ projects for the term of the ~~Declaration of Land Use Restrictive Covenants~~LURA, 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 HTC~~tax credit~~s from Minnesota Housing that are apportioned to a suballocating agency must incorporate Minnesota Housing restrictions that are a condition of the HTC~~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 allocated or awarded HTC~~tax credit~~s 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 HTC~~tax credit~~ units

g. Year of allocation or award

h. Amount of HTC~~tax credit~~s allocated or 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~~ HTC allocation or award and compliance monitoring. As a condition of the Joint Powers Agreement, the participating suballocator will transfer its entire annual HTC~~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~~ IRC 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 HTC~~tax credit~~s 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~~IRC. The QAP may be subject to amendment in order to conform to the ~~Code~~ IRC and applicable state statute.

~~2020~~ 2021 Housing Tax Credit Program Procedural Manual

Revised ~~05/2018~~ ~~07/2019~~09/2019

Table of Contents

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 HTCs 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~~IRC) requires that housing credit allocating agencies develop an allocation plan for the distribution of the ~~tax credit~~HTCs within the jurisdiction of the allocating agency (IRS Regulations 1.42-17 Qualified Allocation Plan). This document – the ~~Housing Tax Credit~~HTC Program Procedural Manual (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~~LURA) 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 credit~~HTCs 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 credit~~HTCs. Interested parties should consult with a knowledgeable tax professional prior to entering into any commitment concerning the use and claim of ~~tax credit~~HTCs.

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~~HTC volume cap. Applications for ~~tax credit~~HTCs 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~~HTCs. During Round 1, for-profit applicants must apply directly to the suballocator for an HTC ~~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 credit~~HTCs are returned to Minnesota Housing prior to Round 2.

Round 2 makes available for allocation any ~~tax credit~~HTCs remaining or returned since Round 1. Additionally, Round 2 establishes a waiting list for ~~credits~~ HTCs 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. The Scoring and Deferred Loan Priority Checklist Guide provides additional information on how thresholds, strategic priorities, and selection criteria will apply to scattered site projects.

C. Nonprofit Set-Aside

Federal law requires that 10 percent of the total annual ~~credit~~ HTCs allocated from the state's ~~tax credit~~HTC volume cap be reserved each year exclusively for projects involving ownership by qualified nonprofit organizations which have a 501(c)(3) or (c)(4) status and satisfy the requirements of Section 42(h)(5). 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 own an interest in the project and materially participate in the ownership, development and operation of the low-income project through the term of the ~~Declaration~~LURA.

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 into 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~~ HTCs 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~~LURA
5. The relationship of the principals involved in the formation of the nonprofit organization with for-profit individuals concerning the ~~tax credit~~HTC 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~~IRC in the development and operation of the project throughout the term of the ~~Declaration~~LURA. Minnesota Housing will also look at the nonprofit's involvement in the project-related construction, management, ownership interest, sharing of fees and funding provisions.

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 credit~~HTCs 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~~LURA. 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~~HTC 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 $~~350,000~~375,000 RD/Small Project set-aside for consideration. The ~~tax credit~~HTCs 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~~HTC limit is the greater of: the amount representing 10 percent of the state's per capita volume limit in ~~tax credit~~HTCs 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~~300,000 in cumulative ~~tax credit~~HTCs ~~awarded~~ allocated to any one development.

At the sole discretion of Minnesota Housing, these limits may be waived. Minnesota Housing's 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 credit~~HTCs 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 credit~~HTCs at year-end.
2. Development Limit
    a. Financial Feasibility - The applicant must demonstrate that the ~~tax credit~~HTCs 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 credit~~HTCs 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~~HTC 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 (HTC 20), a transfer of ownership (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

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~~ LURA will have an effect on all individuals/entities ~~from the development and management team~~with an ownership interest 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~~HTC 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~~LURA. Failure to notify the agency will have an effect on all individuals/entities ~~from the development and management team~~with an ownership interest 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)

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~~ may be considered an unacceptable practice and result in negative four points being awarded in all of the applicant's ~~tax credit~~HTC 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~~HTC 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~~HTC application(s) submitted to either of these competitive funding rounds. ~~Tax credit~~HTC developments that exceed the cost containment threshold and were awarded points via the 4% Only ~~allocation~~ award process will receive the penalty on the next 4% Only (42M) ~~tax credit~~HTC 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.

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 or award of the ~~tax credit~~HTCs 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 credit~~HTC projects financed by tax exempt volume limited bonds, owners and managers

Changes to Project
The allocation of ~~tax credit~~HTCs 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 credit~~HTCs 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~~HTC 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 or the carryover or reservation agreement, 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~~ HTCs 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~~HTC 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 credit~~HTC 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~~ may 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 credit~~HTCs, if the applicant or any party with an identity of interest with 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 HTC unit that exceeds the allowable rent limit

    d. HTC unit rented to an ineligible household (i.e., household not properly certified, over income at initial occupancy, or ineligible full time 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 credit~~HTCs, 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~~ may be deemed ineligible to receive an allocation of ~~credits~~HTCs.

H. Minimum Underwriting Standards

A development selected for a reservation or preliminary determination of ~~tax credit~~HTCs 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 HTC~~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 HTC~~tax credit~~ allocation.

I. Identity of Interest and Related Parties

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, or to be a related party to, 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~~ HTC 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~~ HTC amount, Minnesota Housing may not allocate more ~~credit~~ HTCs 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 HTC~~tax credit~~s, 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 HTC~~tax credit~~s needed by the project to fund the GAP over a 10-year period, based on the estimated market value of the HTC~~tax credit~~s.

Based on this evaluation, Minnesota Housing will estimate the amount of ~~credit~~ HTCs 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~~HTCs. The amount of the HTC~~tax credit~~ can change during the process due to variations in cost, mortgage amount, HTC~~tax credit~~ percentage, syndication proceeds, etc.

This analysis to determine the maximum amount of HTC~~tax credit~~s 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 HTC~~tax credit~~ amount to reflect the changes, and the HTC~~tax credit~~ amount may be reduced. HTC~~Tax credit~~ amounts will not automatically be increased above the initial reservation request or allocation amount. Requests for additional HTC~~tax credit~~s for the project must follow the procedures in Chapter 2.L of the Manual and will depend upon the availability of ~~credits~~HTCs.

L. Requests for Additional ~~Credit~~ HTC Amounts

Projects that have had a justifiable increase in eligible basis or previously received a partial allocation may be eligible to apply for supplemental HTC~~tax credit~~ amounts.

For 9% HTC~~tax credit~~ projects to receive a supplemental HTC~~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~~ HTCs requested, an updated and revised Self-Scoring Worksheet-Competitive, 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 HTC~~tax credit~~s for developments initially awarded HTC ~~tax credit~~s from a suballocator or that have an HTC~~tax credit~~ allocation from a prior year. Minnesota Housing permits only one supplemental or additional HTC~~tax credit~~ allocation ~~award~~ for each development. ~~Awards~~ Allocations of additional ~~credits~~ HTCs requested as part of a carryover application are not counted against this limit.

For 4% HTC~~tax credit~~ projects to receive an additional ~~credit~~ HTC amount, the owner must submit an application at the time of the 8609 application.

All applications that are submitted for an additional HTC~~tax credit~~ amount will be subject to the same evaluation process described above, the availability of ~~credits~~HTCs, as well as limitations on the time period for allocation of additional ~~credits~~ HTCs under Section 42.

M. Resubmission Process for Non-Select Projects

In a current allocation year, if a project fails to receive 9% ~~credits~~ HTCs in Round 1, it may be considered for a reservation of HTC~~tax credit~~s 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-Competitive-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

Projects that meet the following criteria may be eligible for~~Federal law permits, but does not require, Minnesota Housing to reserve~~ a greater amount of ~~credits~~ HTCs than the legislated maximum HTC~~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 HTC~~tax credit~~s from the state's HTC~~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~~ HTC~~tax credit~~ developments on a building by building basis to obtain financial feasibility.

   a. Development must meet at least one of the following Strategic Priority Policy Thresholds:

      i. Supportive Housing

      ii. Preservation

      iii. Tribal

   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 HTC~~tax credit~~s 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~~ must 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~~ HTC amounts for each application, staff will make recommendations to Minnesota Housing's board for final approval of the reservation of 9% HTC~~tax credit~~s. 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 HTC~~tax credit~~s 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 HTC~~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 HTC~~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 HTC~~tax credit~~s.

Minnesota Housing maintains the right not to reserve HTC~~tax credit~~s 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 HTC~~tax credit~~s from the state's HTC~~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~~ HTC 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 a~~n 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~~ HTC~~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 an increase in credits due to an IRS formula adjustment, National Pool ~~credits~~ or unused and/or returned ~~credits~~HTCs. A project on the waiting list that is selected for ~~allocated awarded~~ its ~~credit~~ HTC request through the subsequent Round 1 will no longer be eligible to receive ~~credits~~ HTCs through the waiting list and will be removed from the list. Projects determined to meet the supplemental priority in accordance with the QAP will receive priority over other applicants. The waiting list will follow Minnesota Housing's ~~selection point ranking~~order of ranking of competitive HTC points. Generally, projects will be chosen in order; however, depending on IRS rules and requirements, time and funds available, Minnesota Housing reserves the right to make modifications to the waiting list or incorporate HTCs into subsequent rounds.

Projects placed on the waiting list must be fully evaluated for underwriting, market and financial viability prior to receiving consideration for an HTC~~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 HTC~~tax credit~~s 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 HTC~~tax credit~~ year, to receive consideration for an HTC~~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.

In the event Minnesota Housing receives an increase in ~~credits~~HTCs due to an IRS formula adjustment, National Pool, or unused and/or returned HTCs the agency may allocate HTCs for any additional HTC requests based upon the score of the project's allocation request. Generally, projects will be chosen in order; however, depending on IRS rules and requirements, time and funds available, Minnesota Housing reserves the right to incorporate HTCs into subsequent rounds.

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 HTC~~tax credit~~s 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~~ HTCs 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 an HTC~~tax credit~~ development does not intend to obtain a carryover allocation, but instead intends to take a project from ~~credit~~ HTC 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 HTC~~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~~HTCs.

The HTC~~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~~LURA.

Non-compliance with the terms of a reservation/preliminary determination of ~~credits~~ HTCs or a carryover allocation will result in a loss of HTC~~credit~~s.

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 HTC~~tax credit~~ projects developed within Minnesota Housing's jurisdiction, including HTC~~tax credit~~s 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 Guide.

1. All HTC~~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~~occupancy data, 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~~ HTCs were~~as~~ allocated~~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~~ HTC~~Tax Credit~~ Compliance ~~Manual~~Guide. If a property received its ~~credit~~ HTC allocation based on serving specific targeted population(s), ~~the~~ administrative records and/or tenant files must also contain supporting documentation showing that the property and/or 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~~ HTC 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 as required by Treasury Regulations 1.42-5.

4. Minnesota Housing will conduct a ~~compliance~~ similar monitoring 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~~ 30 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~~ 20 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~~n HTC 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~~ HTC~~Tax Credit~~ Compliance ~~Manual~~Guide.

U. Qualified Contract

All properties will be subject to a ~~Declaration of Land Use Restrictive Covenants (Declaration)~~LURA with a term of 30 years or longer. Section 42(h)(6)(E)(i)(II) of the ~~Internal Revenue Code~~IRC created a provision that housing credit agencies respond to the request for presentation of a qualified contract for HTC~~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 HTC~~tax credit~~ rent limits.

Owners of properties that receive 9% ~~credits~~ HTCs are required by Minnesota Housing to waive the right to request a qualified contract for a minimum of 30 years. Some owners of 9% properties have agreed to extend the term of the ~~declaration~~ LURA and waive their right to Qualified Contract up to 40 years.

Owners of properties that receive 4% ~~credits~~ HTCs are required to waive their right to request a qualified contract 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~~ HTCs have agreed to waive their right to Qualified Contract for a longer period and in some cases extend the term of the ~~declaration~~LURA. Owners ~~should~~ must review the respective QAP, development HTC~~tax credit~~ application, carryover agreement, and the ~~Declaration~~ LURA 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~~ must directly contact a member of Minnesota Housing's HTC~~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 HTC~~tax credit~~s.

X. Revisions to the Manual and Allocation Plan

To the extent necessary to facilitate the award of HTC~~tax credit~~s 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~~an HTC 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 HTC~~tax credit~~s 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~~ HTCs having a present value of 70 percent of qualified basis. Traditionally, this has resulted in an HTC~~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~~ HTCs having a present value of 30 percent of qualified basis. Traditionally, this has resulted in ~~a credit~~an HTC 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~~IRC established a temporary minimum ~~credit~~ HTC 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 HTC ~~credit~~ rate.

The Act amended Subparagraph (A) of section 42(b)(2) which established a temporary minimum ~~credit~~ HTC 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 HTC~~tax credit~~ professionals (legal and tax) for guidance with respect to structuring a project to use either the 9 percent or the 4 percent ~~HTCtax 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~~ HTC if the expenditures for each building:

1. Are able to be ~~allocated~~ awarded 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~~ HTC and the rehabilitation expenditures may be eligible for the 70 percent present value ~~credit~~HTC.

D. Existing Buildings

In order for an existing building to qualify for the 30 percent acquisition ~~credit~~ HTC 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 HTC~~tax credit~~ projects applying for a new allocation of acquisition ~~credits~~ HTCs 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~~ may be 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 exempt from tax under Section 103 of the ~~Internal Revenue Code~~IRC, 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~~ HTC 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 HTC~~tax credit~~s 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 HTC~~tax credit~~s and HUD assistance are combined in a single project. Sponsors of projects that combine HUD assistance and HTC~~tax credit~~s 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~~HTC 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~~Minimum Set-Aside Election

Applicants must set aside a minimum number of units that meet both rent and income restrictions to qualify for HTC~~tax credit~~s for each year of the ~~credit~~ HTC period. A project must, for a specific period of time, meet one of the following minimum tests:

1. **20/50 Test (20 percent at 50 percent MTSP)**: 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 (40 percent at 60 percent MTSP)**: 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.
3. **Average Income Test**: To meet the average income test, a minimum of 40 percent of the residential units must be both rent restricted and occupied by individuals whose imputed income average at initial occupancy is at or below the 60 percent MTSP income limits, adjusted for family size. The set-aside allows projects to restrict a percentage of units at higher rent and income levels by agreeing to restrict a percentage of its units at lower rent and income levels. The allowable income and rent limit restrictions are 20 percent, 30 percent, 40 percent, 50 percent, 60 percent, 70 percent and 80 percent of MTSP.

Once made, the choice between the 20 percent at 50 percent, ~~and~~ the 40 percent at 60 percent and Average Income set-asides is irrevocable. All HTC units must comply with the respective minimum set-aside income and rent election. For example, for a 20/50 minimum set-aside, if a building's applicable fraction is 100 percent, all units must have an income and rent restriction of 50 percent MTSP.

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~~ HTC 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 HTC~~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~~ HTC~~Tax Credit~~ Compliance ~~Manual~~ Guide 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 allocation or award of HTC~~tax credit~~s 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. If the average income test is elected, the tenant must have income at or below the correct percent of MTSP income limits according to unit designation. The allowable income limit restrictions under the average income test are 20, 30, 40, 50, 60, 70, and 80 percent of MTSP. 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 an HTC~~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));
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 HTC Compliance 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~~ IRC 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 9% 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 HTC~~tax credit~~s 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~~LURA, which is recorded and remains with the property.

O. Economically Integrated Projects

Project Economic Integration

Projects under common ownership and management that have HTC~~tax credit~~ units and market rate units are considered to be economically integrated. These projects receive priority points ~~for.~~ (See ~~Areas of Opportunity~~Increasing Geographic Choice selection category #3, Self-Scoring Worksheet(s)). 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. HTC~~Tax credit~~ selection points will generally be based upon the characteristics of only the HTC~~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~~LURA.

~~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~~ HTC Amount

The HTC~~tax credit~~ is available each year for 10 years. The amount of HTC~~tax credit~~ allocated or 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~~ HTC to the amount necessary to ensure project feasibility under rules established by the IRS; therefore, the actual amount of HTC~~tax credit~~s allocated or awarded could be less than the maximum allowable if the analysis reveals the project would still be feasible with fewer HTC~~tax credit~~s.

The IRS publishes the applicable percentages on a monthly basis. These figures are used to calculate the maximum allowable annual ~~credit~~ HTC 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 HTC~~tax credit~~s, a project will be subject to a Declaration of Land Use Restrictive Covenants (~~Declaration~~LURA) 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~~ LURA and Section 42 income and rental restrictions up to 40 years.

The ~~Declaration~~ LURA 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~~LURA, 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~~ LURA and for a three-year period after the termination of the ~~Declaration~~LURA, 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~~ IRC with respect to such low-income unit.

The ~~Declaration~~ LURA 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 or award (IRS Form 8609). The ~~Declaration~~ LURA 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 HTC~~tax credit~~s 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~~ HTCs 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~~ HTC 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 HTC~~tax credit~~s it may allocate annually. An estimate of Minnesota's annual per capita volume limit is published ~~each April~~prior to allocation in Round 1.

Projects financed by tax exempt volume limited bonds which are subject to a separate volume limitation, are not counted against the state HTC~~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 HTC~~tax credit~~s 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~~ HTCs 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~~IRC 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~~ HTC 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 HTC~~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 HTC~~tax credit~~s will be evaluated according to the following standards (small projects, local 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 HTC~~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 as-is appraisal requirements and 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 HTC~~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 HTC~~tax credit~~s allocated and awarded.

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 state's HTC~~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 HTC~~tax credit~~s will receive priority in accordance with the provisions of Article 5 of the QAP.

B. Strategic Priority Policy Threshold

To be eligible for HTCs from the state's volume cap~~tax credits, from the state's volume cap under Minnesota Housing's QAP or non-competitive tax credits, except as set out in Chapter 7~~, 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 HTC~~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 an allocation of HTC volume cap from Minnesota Housing~~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 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 an HTC~~tax credit~~ allocation or award:

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~~ may 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~~ must 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~~ must be located near jobs and in areas of job growth and ~~should~~ must 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 HTC~~tax credit~~s from projects that appear unsuitable for the housing proposed.

I. Underwriting Standards

Proposals must meet all Multifamily Underwriting Standards to receive an allocation or award of HTC~~tax credit~~s. The Standards will be used by the agency for underwriting and sizing of the HTC allocation.

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 Application Instructions: Consolidated RFP and HTC Rounds 1 and 2 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~~ HTC~~Tax Credit~~ application materials are incorporated into the Application Checklist in the Multifamily Customer Portal (Portal), including the Intent to Apply, which is due in advance of the application. The Multifamily Application Instructions: Consolidated RFP and HTC Round 1 and 2 and the HTC Scoring 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 Application Resources and Tax Credits web page.

If a Minnesota Housing Multifamily first mortgage and/or deferred loan are sought in conjunction with the HTC~~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.

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 HTC~~tax credit~~ project and provide an opportunity for the local unit of government to comment on the project.

Information submitted in an application for HTC~~tax credit~~s 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 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~~Increasing Geographic Choice 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~~Increasing Geographic Choice 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.

Community Development Initiative
To be considered 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).

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 Request for Proposal Application Instructions.~~
2. ~~**Preliminary Determination of Eligibility:** 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%~~ HTC~~tax credit~~s and claiming points under this section 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.

Applicants meeting one of the three thresholds may claim points under Existing Federal Assistance – Tier 1, Existing Federal Assistance – Tier 2 or Critical Affordable Units at Risk of Loss. For more detailed information refer to requirements contained in the Self-Scoring Worksheet(s).

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 HTC~~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 HTC~~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~~LURA 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).

People with Disabilities Performance Requirement Relief Provisions:

Specific performance requirement relief provisions are available for projects receiving points under the category of the People with Disabilities Selection Criterion of the Self-Scoring Worksheet(s) for ~~PDSC~~PWD Units.

If, for a particular unit meeting the criteria and receiving points under the People with Disabilities Selection Criterion (~~PDSC~~PWD Unit(s)), the necessary rental assistance or operating support (collectively ~~PDSC~~PWD 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~~PWD 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~~PWD Unit(s) as ~~PDSC~~PWD Unit(s) but must convert the rents of those units to the 50 percent HTC~~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 HTC~~tax credit~~ allocation, the above described 50 percent HTC~~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 HTC~~tax credit~~ compliance and extended use periods.

If, for a particular ~~PDSC~~PWD 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~~PWD 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~~PWD Unit(s) in a manner consistent with Minnesota Housing's modified requirements for the provision of tenant services for the ~~PDSC~~PWD 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~~PWD Unit subsidy may be available for the remainder of the HTC~~tax credit~~ compliance and extended use periods, that would not adversely affect the full availability of the HTC~~tax credit~~ allocation, and would permit the ~~PDSC~~PWD Unit(s) to again serve People with Disabilities households, then at Minnesota Housing's request the owner shall promptly apply for such ~~PDSC~~PWD Unit subsidy for the ~~PDSC~~PWD Unit(s), upon terms reasonably acceptable to such owner, and if such ~~PDSC~~PWD Unit subsidy is obtained, shall again set aside such ~~PDSC~~PWD 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~~PWD Unit tenant support services funding may be available for the remainder of the HTC~~tax credit~~ compliance and extended use periods, that would not adversely affect the full availability of the HTC~~tax credit~~ allocation and would permit the affected ~~PDSC~~PWD 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~~PWD Unit tenant support services funding for the affected ~~PDSC~~PWD Unit(s), upon terms reasonably acceptable to such owner, and if such ~~PDSC~~PWD Unit tenant support services funding is obtained, shall resume providing ~~PDSC~~PWD 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. HTC~~Tax credit~~s 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).

HPH Performance Requirement Relief 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 HPH Unit(s) the necessary rental assistance or operating support (collectively 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 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 HPH Unit(s) as HPH Unit(s) but must convert the rents of those units to the 50 percent HTC~~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 HTC~~tax credit~~ allocation, the above described 50 percent HTC~~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 HTC~~tax credit~~ compliance and extended use periods.

If Minnesota Housing shall, at any time thereafter, in its sole discretion, determine that an HPH Unit subsidy may be available for the remainder of the HTC~~tax credit~~ compliance and extended use periods, that would not adversely affect the full availability of the HTC~~tax credit~~ allocation and would permit the HPH Unit(s) to again serve households experiencing homelessness, then at Minnesota Housing's request the owner shall promptly apply for such HPH Unit subsidy for the Homeless unit(s), upon terms reasonably acceptable to such owner, and if such HPH Unit subsidy is obtained, shall again set aside such HPH Unit(s), when and to the extent then available, to households experiencing homelessness.

If, for a particular 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 HPH Unit(s).

Rental Assistance

~~Continued Renewals~~Rental Assistance 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~~RA 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~~RA Unit(s)), the necessary rental assistance or operating support (collectively ~~CRRA~~RA 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~~RA 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~~RA Unit(s) as ~~CRRA~~RA Unit(s) but must convert the rents of those units to the 50 percent HTC~~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 HTC~~tax credit~~ allocation, the above described 50 percent HTC~~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 an ~~CRRA~~RA Unit subsidy may be available for the remainder of the 10 year period, that would not adversely affect the full availability of the HTC~~tax credit~~ allocation, and would permit the ~~CRRA~~RA Unit(s) to again serve 30 percent income households, then at Minnesota Housing's request, the owner shall promptly apply for such ~~CRRA~~RA Unit subsidy for the ~~CRRA~~RA Unit(s), upon terms reasonably acceptable to such owner, and if such ~~CRRA~~RA Unit subsidy is obtained, shall again set aside such ~~CRRA~~RA Unit(s), when and to the extent then available, to income qualifying individuals.

Further ~~restricted~~ 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 HTC~~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 HTC~~tax credit~~ allocation, the above described 50 percent HTC~~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 HTC~~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 HTC~~tax credit~~ compliance and extended use periods, that would not adversely affect the full availability of the HTC~~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~~LURA. 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~~ 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.

B. Carryover Requirements

Several changes to Section 42 of the ~~Internal Revenue Code~~IRC 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~~ must be submitted through the Multifamily Customer Portal.

NOTE: New r~~R~~equests 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~~ must 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~~ HTC 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

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 HTC~~tax credit~~s 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, ~~2021~~2022. 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 be submitted by May 1, ~~2021~~ 2022 and 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, ~~2021~~ 2022 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~~ HTC~~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 HTC~~tax credit~~s.

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~~LURA. 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~~ 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.

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 HTC~~tax credit~~ reservation amount (see Chapter 8 D and E). Additional fees for additional ~~credits~~ HTCs secured at carryover will be collected following the ~~award~~allocation. 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 HTC~~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 HTC~~tax credit~~s.

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~~ 45 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~~ must 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~~ HTC 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~~ must 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~~ HTC 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 HTC~~tax credit~~s, 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 HTC~~tax credit~~ allocation, restrict the developer fees as specified in this ~~Procedural~~ Manual.

Minnesota Housing Declaration of Land Use Restrictive Covenants

Provide a copy of the completed but unrecorded Minnesota Housing ~~Declaration of Land Use Restrictive Covenants for Low-Income Housing Tax Credits (Declaration)~~ LURA for review well in advance of its required filing deadline. The ~~Declaration~~ LURA must be completed and recorded before the end of the first ~~credit~~ HTC period to preserve the HTC~~tax credit~~s allocated to the project. Check with your tax advisor as to timing of filing and claiming of ~~credits~~HTCs. HUD may require that certain riders be attached to your HTC~~tax credit Declaration~~ LURA 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 HTC~~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 HTC~~tax credit~~. Month and year ~~should~~ must 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 HTC~~tax credit~~s 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~~LURA.

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~~LURA. 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 HTC~~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 –Projects Financed by Tax Exempt Volume Limited Bonds Seeking ~~Tax Credit~~HTCs

A. General

Section 42 of the ~~Internal Revenue Code~~IRC establishes a separate set of procedures to obtain HTC~~tax credit~~s through the issuance of tax exempt volume limited bonds.[1] Although the HTC~~tax credit~~s are not counted in the HTC~~tax credit~~ volume cap for the state of Minnesota, developers of projects ~~should~~ must be aware of the information contained in Article 8 of the ~~State of Minnesota Housing Tax Credit Qualified Allocation Plan~~QAP. Section 42 (m)(1)(D) provides that in order for a project to receive an ~~allocation~~ award of HTC~~tax credit~~s through the issuance of tax exempt volume limited bonds, the project must satisfy the requirements for allocation contained in ~~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 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.

Developers ~~should~~ must 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.

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 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.

[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~~IRC. Residential rental bonds are exempt facility bonds issued pursuant to Section 142(d) of the IRC~~Internal Revenue Code~~ to finance a qualified residential rental project.

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 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 HTC~~tax credit~~s 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. The strategic priority policy thresholds in Chapter 5.B apply to projects applying for Minnesota Housing resources except in cases where projects exclusively apply for non-competitive ~~tax credit~~HTCs.[2] 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 from the state of Minnesota and a preliminary determination issued by the issuer of the bonds addressing the HTC~~tax credit~~ dollar amount and project costs pursuant to Section 42(m)(2)(D) of the ~~Internal Revenue Code~~IRC [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 an ~~allocation~~ award of ~~a housing credit dollar amount~~HTCs 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~~IRC requires that the owner elect the applicable percentage for the project. **The election is made at the time any tax-exempt volume limited bonds are issued for a project to fix the percentage for the month in which the building is placed in service or the month in which any tax-exempt volume limited bonds are issued.** If the election is not made at the time any tax-

[2] As required by Minn. Stat. § 462A.222, subd. (3)(d) residential rental housing projects financed with an allocation of tax-exempt bonds under chapter 474A are the highest strategic priority, and such developments are therefore not required to meet a separate strategic priority threshold.

exempt volume limited bonds 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 HTC~~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 HTC~~tax credit~~ amount. (See Chapter 8)

G. Placed in Service

Placed in service dates for HTC~~tax credit~~ purposes must be established for all buildings using ~~credits~~HTCs, including acquisition ~~credits~~HTCs, which are treated as a separate building for HTC~~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~~ HTCs 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 or information contained in the reservation or carryover agreement. (Also refer to Chapter 2.G Unacceptable Practices).

If Minnesota Housing is the ~~credit~~ HTC allocating agency, all required 8609 application materials ~~should~~ must 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~~ must 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 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~~ HTCs ~~allocated~~ awarded to the project does 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~~ HTCs ~~allocated~~ awarded to the building did not exceed the maximum HTC~~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 HTC~~tax credit~~s, 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~~ HTCs 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 the ~~HTC~~~~tax credit~~ ~~allocation~~ award, 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~~Minnesota Housing LURA.

NOTE: A copy of a properly recorded ~~Declaration~~LURA, 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~~ LURA must be completed and recorded before the end of the first ~~credit~~ HTC period to preserve the HTC~~tax credit~~s allocated or awarded to the project. Check with your tax advisor as to timing of filing and claiming of ~~credits~~HTCs.

Final Tax Credit Proceeds or Receipts
Documentation of the final amount of HTC~~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 HTC~~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~~LURA. 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~~ 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.

8609 Fee
Submit a non-refundable 8609 fee based upon the annual HTC~~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 dual applications, Minnesota Housing will require a single fee. 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 HTC~~tax credit~~s 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~~ HTCs will be required to submit a new application package as described in Chapter 2.L.

C. Reservation Fee

After the project has been selected to receive HTCs from the state's HTC volume cap, a reservation fee of 3.5 percent of the annual ~~credit~~ HTC 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 HTC~~tax credit~~ selection/reservation. An additional 3.5 percent reservation fee must also be paid for any additional ~~credits~~ HTCs ~~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 HTC~~tax credit~~ amount is reduced, recaptured, or the HTC~~tax credit~~s are returned or unused.

D. Allocation Fee – Carryover or 8609

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 HTC~~tax credit~~ allocation amount. This fee is non-refundable and will not be adjusted if the final HTC~~tax credit~~ amount is reduced, recaptured, or the HTC~~tax credit~~s are returned or unused.

NOTE: See section C. above for fee information relating to additional ~~credits~~ HTCs 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. 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 HTC~~tax credit~~ amount. This fee is non-refundable and will not be adjusted if the final HTC amount is reduced or recaptured.

~~G. 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~~G. Monitoring Fee

Minnesota Housing will charge an annual monitoring fee of $~~25~~ 30 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~~ 20 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~~ IRC Section 42(h)(6), Minnesota Housing will charge a monitoring fee of $~~15~~ 20 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 HTC~~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~~ 20 per unit per year monitoring fee.

H~~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 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. After the five year period, owners must submit a RFA non-refundable processing fee. Refer to the Servicing page on Minnesota Housing's website. (See Chapter 2.G. Unacceptable Practices for further details on Transfer of Ownership.)

I~~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.

J~~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~~ HTC~~Tax Credit~~ Program.

K~~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 Fee remittance form located in the Multifamily Customer Portal.

If the~~The~~ as-is appraisal ~~will be~~ is 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. ~~2020~~ 2021 Allocation Dates

A list of important allocation dates can be found on the Tax Credit webpage on Minnesota Housing's website.

B. Previous Year's Allocation of ~~Credits~~ HTCs

Placed in Service Allocation: To optimize timely processing of requests for issuance of Form 8609, it is recommended that 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~~ HTC period. Section 42 states the owner must elect the first year of the ~~credit~~ HTC 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 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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~~2020~~ 2021 Housing Tax Credit Self-Scoring Worksheet

Housing Tax Credit projects submitted in a Competitive funding round[1]

Updated ~~May 2018~~~~July 2019~~September 2019

Project Name:

Property Number (D Number):

Project Number (M Number):

Primary Address:

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:

1. Request for Minnesota Housing Finance Agency (Minnesota Housing) administered ~~tax credit~~HTCs from the state's HTC~~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.

2. Request for HTC~~tax credit~~s in association with tax exempt volume limited bonds must demonstrate the project is eligible for no fewer than 40 points.

3. 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 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. See the HTC and Deferred Scoring Guide and Multifamily Customer Portal for additional details. Minnesota Housing will determine the eligible points; points will**

[1] A Competitive funding round includes the Consolidated Request for Proposal (RFP), HTC Round 1, HTC Round 2, and available financing throughout the year including first mortgage products, bonds, and deferred funds in conjunction with 4% ~~tax credits~~HTCs.

not be awarded unless the required documentation is provided along with the application to justify the points claimed.

Adherence to HTC and Deferred Scoring Guide:

A. Applicants must meet the requirements outlined in the Self-Scoring Worksheet and the HTC and Deferred Scoring Guide to be eligible for points.

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~~LURA) 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~~HTCs from the state's ~~tax credit~~HTC 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.

B. Request for ~~tax credit~~HTCs in association with tax exempt volume limited bonds 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) will not apply to the project for 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 (LURA) 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[2]:

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~~LURA), at least 75% of the total ~~tax credit~~HTC 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~~LURA), at least 75% of the total ~~tax credit~~HTC 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.

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~~LURA), 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**

[2] As set out in Minn. Stat. 473.121, subd. 2, Metropolitan Area means the area over which the Metropolitan Council has jurisdiction, including the counties of Anoka, Carver, Dakota (excluding the cities of Northfield and Cannon Fallls), Hennepin (excluding the cities of Hanover and Rockford), Ramsey, Scott (excluding the city of New Prague) and Washington.

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.

   NOTE: Minnesota Housing considers accessible units to be Type A and/or Type B units as identified in the referenced Chapter 1341, also known as the Minnesota Accessibility Code.

   NOTE: This definition is not limited to persons with mobility impairment.

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~~HTCs 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

Applicants using this Self-scoring Worksheet 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 both 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, or
      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 full time employees. ~~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. Economic Integration:

1. ☐ Projects located in higher income communities (~~outside of rural/tribal designated areas~~in the Twin Cities 7-County Metropolitan Area and areas in or around Duluth, Rochester and St. Cloud) with access to low and moderate wage jobs, meeting either First or Second Tier ~~Community~~ Economic Integration as defined in the ~~Areas of Opportunity~~Increasing Geographic Choice 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:

1. ☐ 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. This strategic priority must be selected to activate the Community Development Initiative 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).

H. Tax-Exempt Bond Allocation

1. ☐ As required by Minn. Stat. § 462A.222, subd. (3)(d) residential rental housing projects financed with an allocation of tax-exempt bonds under chapter 474A are the highest strategic priority, and such developments are therefore not required to meet a separate strategic priority.

I. Minimum Point Requirement

1. ☐ A request for Minnesota Housing administered HTCs from the state's HTC volume cap need not meet a separate strategic priority if it demonstrates the project is eligible for not fewer than 70 points, excluding projects funded through the Rural Development/Small Projects set-aside.

~~2020~~ 2021 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 owner agrees to market to families with minor children. Select all that apply:

a. ☐ At least 75% of the total assisted[3] 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 (HPH)[4] (7 to 22 points):

1. A minimum of 5% 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[5] (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 _______

[3] Assisted is defined as ~~tax credit~~HTC units for HTC applications and affordable units for deferred funding.
[4] **Specific performance requirement relief provisions are available for projects eligible for the Permanent Supportive Housing High Priority Homeless selection criterion for "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~~LURA and deferred loan documents recorded with the property.
[5] 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. **Continuum of Care**
   Proposals that are eligible for B. 1 above 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 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 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 policies and procedures to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.
4. Supportive Housing Threshold Criteria:
   a. Supportive Services: On-site service coordination and tenant engagement must be made available to supportive housing residents. The level and type of services offered ~~should~~ must 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 this category and is selected to receive ~~tax credit~~HTCs 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,~~LURA, including a specific Rider to the ~~Declaration~~ LURA 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 (PWD) (7 to 10 points):

1. Select the number of units set aside for people with disabilities:

   a. ☐ 15% to 25% of units, but not fewer than six units **(10 points)**
   Number of units _______

   b. ☐ 10% to 14.99% of units, but not fewer than five units **(9 points)**
   Number of units _______

   c. ☐ 5% to 9.99%, but no fewer th~~a~~n 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[6]:

[6] **Specific performance requirement relief provisions are available for projects that meet the People with Disabilities Selection Criterion for "~~PDSC~~ PWD Units."** Reference Section 6.A. of the HTC Program Procedural Manual for additional details. Specific

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

NOTE: Minnesota Housing considers accessible units to be Type A and/or Type B units as identified in the referenced Chapter 1341, also known as the Minnesota Accessibility Code.

NOTE: This definition is not limited to persons with mobility impairment.

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 also meet all of the following conditions:

1. The applicant must submit the People with Disabilities narratives and any other forms and submittals identified in Application Checklist in the Multifamily Customer Portal.
2. The applicant must 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.
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

performance requirements will be incorporated into the ~~Tax Credit Declaration of Land Use Restrictive Covenants~~LURA and deferred loan documents recorded with the property.

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 policies and procedures to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.

c. Service Agreement: The property owner must have an agreement with the county or tribal human services office 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

d. Units for individuals with disabilities must be provided in an integrated setting.

2. Serves Lowest Income for Long Durations (~~2~~ 3 to ~~48~~ 35 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~~the duration of the LURA. MTSP rent limits are available on Minnesota Housing's website.

   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% income level by claiming 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 selection criteria cannot be claimed for units that qualify for or are claiming the Rental Assistance criterion. ~~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~~ LURA 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)]. 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, if the units are not otherwise subject to more restrictive conditions, 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~~ 6 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.

   ~~**NOTE:**~~ **Minnesota Housing, at its sole discretion, will consider rental assistance programs with alternative rent structures as proposed by the applicant, where households may pay more than 30% of their household income when the program goals align with the needs of low-income populations such as with the Moving to Work and site-based Housing Support programs. For all other types of rental assistance programs with an alternative rent structure, the applicant must submit commitment documentation that includes details regarding the rent structure, tenant paid portion of household income, program structure, goals, and population served.**

   - 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[7] 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. Be aware that rental assistance from non-governmental organizations will not be treated the same as governmental rental assistance when determining tenant income eligibility for compliance purposes. See the HTC and Deferred Scoring Guide for more information.
- 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~~. In addition, by selecting an option, the development agrees to continue renewals of existing project-based housing subsidy payment contract(s) for a **minimum 10 years** from the later of the last placed in service date for any building in the property or loan closing. Applicant agrees that rents will remain affordable at 50% MTSP income limits for a 10 year period if the rental assistance is not available for the full period[8].

a. ☐ 100% of the total units for project-based rental assistance **(~~15~~ 19 points)**
Number of units _______

b. ☐ Between 51.1% to 99.9% of the total units **(~~12~~ 16 points)**
Number of units _______

c. ☐ 20.1% to 51% of the total units **(~~9~~ 13 points)**
Number of units _______

d. ☐ 10.1% to 20% of the total units, with a minimum of four units **(~~6~~ 10 points)**
Number of units _______

e. ☐ 5% to 10% of the total units, with a minimum of four units **(~~3~~ 7 points)**
Number of units _______

f. ☐ Less than 5% of units, a minimum of four units **(~~2~~ 6 points)**
Number of units _______

~~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~~

[7] Formerly known as Group Residential Housing.
[8] **Specific performance requirement relief provisions are available for projects claiming the Rental Assistance Selection Criterion for "RA Units."** Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the LURA and deferred loan documents recorded with the property.

~~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[9]. **(4 points)**~~

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[10]. **Rental Assistance Commitment documentation ~~should~~ must indicate that deeper income restrictions on project based units are~~is~~ allowable.**[~~11~~12]
3. Select one:

a. ☐ 75.1% to 100% of the total units **(7 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 ________

e. ☐ 5% to 15%, of the total units but no fewer than four units **(3 points)**
Number of units ________

NOTE: Serves Lowest Income selection criteria cannot be claimed for units that qualify for or are claiming the Rental Assistance criterion.~~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

[9] ~~**Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion for Continued Renewal Rental Assisted unit "CRRA uUnits".** 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 CovenantsLURA and deferred loan documents recorded with the property.~~

[10] **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 LURA and deferred loan documents recorded with the property.

[11] ~~**Specific performance requirement relief provisions are available for projects claiming the Rental Assistance Sselection Ccriterion for Further Restricted Rental Assisted Uunits ("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 LURA and deferred loan documents recorded with the property.~~

[12] Site-based Housing Support is excluded from this requirement.

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~~HTCs.

Rent for assisted units must be at or below Fair Market Rents (or appropriate payment standard for the project area). 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 9 points):

1. 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, where applicable, agrees to extend the long-term affordability of the project by extending the term of the ~~declaration~~ LURA beyond 30 years (beginning on 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~~ LURA and waive the right to Qualified Contract for a minimum of 40 years. **(9 points)**

   b. ☐ Extend the term of the ~~declaration~~ LURA and waive the right to Qualified Contract for a minimum of 35 years. **(8 points)**

   c. ☐ Waive the right to Qualified Contract for a minimum of 30 years. (4% projects only) **(7 points)**

   d. ☐ Waive the right to Qualified Contract for a minimum of 25 years. (4% projects only) **(3 points)**

3. ~~Areas of Opportunity~~Increasing Geographic Choice (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~~ in the Twin Cities 7-County Metropolitan Area and areas in or around Duluth, Rochester and St. Cloud. 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.
First and Second Tier are disabled when Rural/Tribal under the section Supporting Community Development has been selected.

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. Eligible areas are in the Twin Cities 7-County Metropolitan Area and areas in and around Duluth, Rochester and St. Cloud.

a. ☐ The proposed housing will serve families and is located in an area considered to have Access to Higher Performing Schools **(4 points)**
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, as outlined in the Workforce Housing Communities Methodology). 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)**

   ☐ The proposed housing is in a Long Commute Community **(3 points)**

In the Twin Cities 7-County 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~~ projects in the **Twin Cities 7-County 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 7-County Metropolitan Area, a project must be (select one):

      i. ☐ Located within one half mile of a planned[13] 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)**

[13] Includes planned stations on future transitways that are in advance design or under construction that meet the following criteria: completion ~~issuance~~ of an ~~draft~~ Environmental Impact Statement, 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.

iii. ☐ Located within one quarter mile of a high service[14] 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)**

b. Walkability: To claim walkability in the Twin Cities 7-County 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)[15] 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)~~[16]~~:

i. Access to Transit: To claim access to transit, a project in Greater Minnesota must be (select one, see the Location Efficiency Methodology to determine points):

1. ☐ Located within one quarter mile of a planned [17]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):

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[14] 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.

[15] Greater Minnesota Transit Investment Plan: http://www.dot.state.mn.us/transitinvestment

~~[16] 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.~~

[17] 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~~[18]~~ 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").

Go to MnDOT's website (http://www.dot.state.mn.us/transit/riders/index.html) to locate a project's transit service provider.

i. Access to Transit: To claim access to transit, a project in Greater Minnesota must be (select one):

1. ☐ Located within one ~~quarter~~ half mile of an existing or planned[19] designated stop that has service every 60 minutes OR within one half mile of a commuter rail station OR served by demand response/dial-a-ride with ~~no more than two hour advance~~ same day ~~notice~~service available. **(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 s~~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):

~~[18] 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~~

[19] For a Greater Minnesota existing or planned stop to ~~claimed~~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 existing or planned stop ~~of route~~ must be available Monday through Friday and provide service every 60 minutes for a minimum of 10 hours per day, with the exception of the commuter rail transit stations serviced by Metro Transit.

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.~~

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~~ 21 points)

A. Community Development Initiative (3 points):

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 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. A full copy of all referenced plans or initiatives must be submitted. Note that comprehensive and land use plans are not by themselves considered evidence of a Community Development Initiative.

REQUIRED	~~DECSRIPTION~~ DESCRIPTION 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 Community Development Initiative under Strategic Priorities to enable checkboxes for 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~~LURA 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 7-County Metropolitan Area and areas in and around Duluth, Rochester and St. Cloud.

1. ☐ The proposed housing is located in a census tract eligible as a Rural/Tribal Designated Area outside of the Twin Cities 7-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]**

EXCEL HELP TEXT:
Criterion has already been claimed/awarded under Economic Integration First Tier or Second Tier and cannot be claimed here.

D. QCT/Community Revitalization and Tribal Equivalent Areas (~~1~~ 3 points):

1. ☐ The proposed housing is located in a QCT Community Revitalization Area or a Tribal Equivalent Area **(~~1~~ 3 points)**

   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 Community Development Initiative selection criteria.

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~~ 4 points):

1. ☐ The project sponsor, executive director of a non-profit, general contractor, architect, or management agent is a MBE/WBE[20], as certified by the owner. **(~~3~~ 4 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 Application Instructions: Consolidated RFP and HTC Rounds 1 and 2, if the development contains 40 units or more.~~

~~Applicant **must provide the required Pre-Application by the required Pre-application due date (30 days, or such later date as may be established by Minnesota Housing) prior to the application deadline for HTC Round 1 or Round 2**, as detailed in the Multifamily Customer Portal. 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 ~~should~~ must 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~~HTC 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:

[20] A MBE/WBE is a tribe or tribally-designated housing entity, tribal corporate 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.

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 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~~HTC placed in service date (if applicable) for projects claiming 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~~HTC placed in service date for projects claiming 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~~HTC placed in service date (if applicable) for projects claiming 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~~HTC placed in service date for projects claiming 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~~HTC placed in service date (if applicable) for projects claiming 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~~HTC placed in service date for projects claiming 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 either Existing Federal Assistance or Critical Affordable Units at Risk of Loss below.

B. Criteria:

1. **Existing Federal Assistance – Tier I – project based rental assistance/operating subsidies (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), and RAD for Project Rental Assistance Contracts (PRAC) 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~~ must 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 within 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. **Existing Federal Assistance—Tier 2 ~~Critical Affordable Units at Risk of Loss~~ (6 points)**

a. ☐ Any housing which is federally assisted 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~~ Federal assistance includes: existing public housing units, including converting through Rental Assistance Demonstration Program, Component 1 (RAD 1), ~~tax credit~~HTC units, Rural Development funded units without rental assistance and Existing Federal Assistance not described in paragraph B~~1~~. above (e.g., 202, 236).

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.

OR

3. **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 under another non-federal program, including state, local or intermediary funds.
~~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 (1~~0~~ to 38 points)

A. Financial Readiness to Proceed/Leveraged Funds (4~~0~~ to 16 points):

1. Applicants who have secured funding commitments for one or more **permanent capital funding sources** at the time of application must count the source in this calculation.~~, except commitments for funding~~ 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~~ can only be included in the calculation if ~~obtained~~ it was committed in a previous funding cycle/round. ~~**All capital funding sources must be counted in this criterion.**~~

Calculate your total using the formula below, and then select the appropriate option. The calculation must exclude amortizing first mortgage financing and any anticipated proceeds from the current ~~tax credit~~HTC request.

Total eligible funding secured, awarded or committed (excluding amortizing first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current ~~tax credit~~HTC request, and sales tax rebate[21]) **$______divided by Total Development Cost** (excluding amortizing first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current ~~tax credit~~HTC request, and sales tax rebate) **$_____ equals Percentage of Funds Committed _____% (round to nearest tenth):**

a. ☐ 70% or more of funding secured, awarded or committed[22] **(16 points)**

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[21] Sales tax rebate, for the purpose of this scoring category, should be calculated as 40% of the construction contract amount (without contingency) multiplied by the local tax rate for the area where the project is located.
[22] Projects that have both a numerator and denominator equal to zero are eligible to claim 70% or more of funding secured, awarded or committed.

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)**~~

For scoring purposes, ~~T~~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.

The list below includes potential Financial Readiness/Leverage Funding Commitments, ~~include~~but is not all inclusive:

- Syndication proceeds due to previously allocated or awarded ~~tax credits~~HTCs: Syndication proceeds from ~~tax credits~~ HTCs allocated or 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~~
- Syndication proceeds from the current tax credit request
- Monetary grants/donations
- Amortizing first mortgage incorporates tax abatement and payments in lieu of taxes (PILOT) for properties with an amortizing 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~~. The documentation must include a city council resolution~~,~~ indicating its intention to provide TIF assistance. The ~~and the~~ anticipated amount ~~and term~~ must be included in the resolution or a letter from the city. ~~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~~. An 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 along with a syndicator/investor Letter of Intent.
- Funder commitments to modify existing debt including: approval of assumption of debt and extension of loan term; commitments must contain no contingencies other than receipt of an ~~tax credit~~HTC allocation or award. At the time of application, written documentation of approval from the funder clearly demonstrating that the approval is for the re-syndication/receipt of new deferred or ~~tax credit~~HTC allocation or award, justifying the amount and the terms of the contribution must be provided.
- General Partner commitments can count as long as satisfactory documentation is provided. Examples include:
  - GP cash and seller loans
  - Deferred developer fee: The applicant must provide the required commitment documentation and provide evidence of repayment within 10 years by the projected cash flow or an amount approved by the syndicator/investor in the LOI.
  - Purchased reserves: Provide satisfactory documentation to determine that the reserves are available, will be purchased with the property and a commitment that they will be used as a permanent capital source. The documentation could include purchase agreement, financial statements, with a commitment letter from the applicant.
  - Energy Rebate: Provide satisfactory documentation that the energy rebate will funded at closing with general partner cash or a general partner loan

NOTE: Financial Readiness to Proceed /Leveraged Funds and Other Contributions selection criteria cannot be claimed for the same sources.

B. Other Contributions (2~~0~~ to 10 points):

1. For projects that receive **non-capital contributions**. ~~referenced below~~Contributions can come from any entity including ~~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-capital funding contributions and ~~from federal/local/philanthropic~~ sources $_____ divided by Total Development Cost $_____ equals Other Contributions (rounded to the nearest tenth):

   a. ☐ ~~20.1~~10.1% and above **(10 points)**

   b. ☐ ~~15.1~~8.1 to ~~20~~10.0% **(8 points)**

c. ☐ ~~10.1~~ 6.1 to ~~15~~8.0% **(6 points)**

d. ☐ 3.5~~5.1~~ to ~~10~~6.0% **(4 points)**

e. ☐ ~~2.1~~1.0 to ~~5~~3.4% **(2 points)**

~~f. ☐ 0 to 2 % **(0 points)**~~

NOTE: This calculation is based on the Total Development Costs. Applicants should not use any exclusions.

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.

For scoring purposes, ~~T~~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.~~

The list below includes potential Other Contributions, ~~include~~but is not all inclusive:

- Land donation or ~~city~~ write-down of the development site. Documentation used to determine the market value must be submitted. This could include an appraisal, assessment information, broker opinion with comparable properties, or other data deemed acceptable by Minnesota Housing.
- In-kind work and materials that benefit the project are donated at a lower or no cost.
- Local government reduction, donation or ~~/~~waiver of project specific costs, assessments or fees (e.g. SAC/WAC)
- Reservation land not subject to local property taxes. Documentation must include the amount and term (up to term of the Minnesota Housing deferred loan or LURA). C~~(c~~alculate 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 an ~~tax credit~~HTC allocation or award. At the time of application, written documentation from the funder justifying the amount and the terms of the contribution must be provided.
- Tax Increment Financing (TIF) for properties that cannot support an amortizing first mortgage. C~~(c~~alculate the net present value (NPV) by using NPV discounted by applicable federal rate (AFR) for the term of the TIF~~ loan)~~. Provide satisfactory documentation that the contribution is committed to the development at the time of application. The documentation must include~~, including a letter from the city and~~ a city council resolution~~,~~ indicating its intention to provide TIF assistance. The ~~and the~~ anticipated amount ~~and term~~ must be included in the resolution or a letter from the city. The documentation should include the TIF analysis from the city or its consultant.

- Tax abatement and payments in lieu of taxes for properties that cannot support an amortizing first mortgage. Documentation must include the amount and term (up to the term of the Minnesota Housing deferred loan or LURA). C~~(c~~alculate net present value (NPV) by using NPV discounted by applicable federal rate (AFR) for the term of the abatement (up to the term of the Minnesota Housing deferred loan or LURA). ~~of the LURA).~~

NOTE: Financial Readiness to Proceed /Leveraged Funds and Other Contributions selection criteria cannot be claimed for the same sources.

C. Intermediary Costs (1~~0~~ to 6 points):

1. Intermediary costs are third-party service costs related to the project development. Excluded costs are Park Dedication Fees, 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.

   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 priority (subject to the methodology described in Cost Containment Methodology.

   Applicants may claim this criterion and Minnesota Housing will review 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~~HTC 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. Only proposals that claim cost containment and are awarded through the process described above will be eligible for cost containment.

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~~ may result in negative four points being awarded in all of the applicant's ~~tax credit~~HTC 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~~ 6 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.
- At least 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 projects. Accessible "T" turn clearance may be accepted in lieu of the five foot open radius.
- Lever handles on all doors and plumbing 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~~ Oven controls must have lockout feature. Stackable laundry units with a maximum reach range of 54” will meet this requirement.
- If microwave/exhaust hood combination appliances are provided in 95 percent of Universal Design Units, then the remaining 5 percent of Universal Design Units must provide a countertop or accessible microwave or have one in stock and on-site and available upon request.
- 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 projects, deck and patio spaces must have a step-less transition meeting door threshold requirements above, with decking gaps no greater than ¼”. A step-less transition and door threshold meeting requirements as promulgated by Minnesota Accessibility Code for Type A units is also permitted.
- 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 type faucets are provided throughout the Universal Design Unit
- At least 50% of kitchen storage space within reach range. This can include pull-out shelves, full extension glide drawers or within a roll-in 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 in the Universal Design Units
- 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
- Majority of closets within Universal Design Units must have shelving that is adjustable OR provide multiple shelving/hanger rod configuration where by majority of shelving/hanger rods are within one of the reach ranges of the Minnesota Accessibility Code-Section 308~~Closet storage is adjustable in a majority of the closets provided~~
- An audio/visual doorbell is included at all main dwelling unit entry doors
- A c~~C~~overed ~~entry~~ canopy with adequate lighting is provided at exterior main/unit entry. An ~~and~~ interior or exterior bench space for parcels or groceries is provided.
- ~~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 (access aisle) 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 accessible 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[23]* 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~~LURA. **(1 point)**

C. Minnesota Overlay to the Enterprise Green Communities Criteria (1 to 2 points):

As indicated in the Multifamily Intended Methods Worksheet, all multifamily projects must include all applicable "Mandatory" Criteria and meet the baseline minimum number of Optional Criteria points for the most current version of the Minnesota Overlay to the Enterprise Green Communities Criteria. More information on the Minnesota Overlay to the Enterprise Green Communities Criteria can be found on the Building Standards tab of the Minnesota Housing website.

1. ☐ For projects that include at least three times the minimum number of Optional Criteria points, in addition to the Required Mandatory Criteria, as outlined above and as indicated in the Multifamily Intended Methods Worksheet **(2 points)**

2. ☐ For projects that include at least two times the minimum number of Optional Criteria points, in addition to the Required Mandatory Criteria, as outlined above and as indicated in the Multifamily Intended Methods Worksheet **(1 point)**

[23] The written policy must be submitted with the application and ~~should~~ 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 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~~ 2021 Housing Tax Credit Self-Scoring Worksheet

4% Housing Tax Credits Only

Updated ~~May 2018~~~~July 2019~~September 2019

Project Name:

Project Number (D Number):

Property Number (M Number):

Primary Address:

City:

Instructions

Strategic Priority Policy Threshold:

A. As required by Minn. Stat. § 462A.222, subd. (3)(d) residential rental housing projects financed with an allocation of tax-exempt bonds under chapter 474A are the highest strategic priority, and such developments are therefore not required to meet a separate strategic priority threshold.

Minimum Point Requirements:

A. Request for Housing Tax Credits (HTC) in association with tax exempt volume limited 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 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. See the HTC and Deferred Scoring Guide and Multifamily Customer Portal for additional details. Minnesota Housing will determine the eligible points; points will not be awarded unless the required documentation is provided along with the application to justify the points claimed.**

Adherence to Scoring Guide:

A. Applicants must meet the requirements outlined in the Self-Scoring Worksheet and the HTC and Deferred Scoring Guide to be eligible for points.

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~~LURA) 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~~HTCs in association with tax exempt volume limited bonds 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) will not apply to the project for 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 (LURA) 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.

~~2020~~ 2021 HOUSING TAX CREDIT SELECTION CRITERIA
Greatest Need Tenant Targeting (~~5~~ 7 to 47 points)

A. Large Family Housing (~~5~~ 10 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 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 (HPH)[2] (7 to 22 points):

1. A minimum of 5% 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 _______

[1] Assisted is defined as ~~tax credit~~HTC 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 "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~~LURA 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. Continuum of Care

Proposals that are eligible for B. 1 above 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 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 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 policies and procedures to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.
4. Supportive Housing Threshold Criteria:
   a. Supportive Services: On-site service coordination and tenant engagement must be made available to supportive housing residents. The level and type of services offered ~~should~~

must 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 this category and is selected to receive ~~tax credits~~HTCs 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~~LURA, including a specific Rider to the ~~Declaration~~ LURA 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 (PWD) (7 to 10 points):

1. Select the number of units set aside for people with disabilities:

   a. ☐ 15% to 25% of units, but not fewer than six units **(10 points)**
   Number of units _______

   b. ☐ 10% to 14.99% of units, but not fewer than five 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]:

[4] **Specific performance requirement relief provisions are available for projects that meet the People with Disabilities Selection Criterion for "~~PDSC~~ PWD Units."** Reference Section 6.A. of the HTC Program Procedural Manual for additional details. Specific

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) 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

NOTE: Minnesota Housing considers accessible units to be Type A and/or Type B units as identified in the referenced Chapter 1341, also known as the Minnesota Accessibility Code.

NOTE: This definition is not limited to persons with mobility impairment.

~~**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 also 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.~~Application Checklist in the Multifamily Customer Portal.
2. The applicant must 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.
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

performance requirements will be incorporated into the ~~Tax Credit Declaration of Land Use Restrictive Covenants~~LURA and deferred loan documents recorded with the property.

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 policies and procedures to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.

d. Service Agreement: The property owner must have an agreement with the county or tribal human services 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~~ 3 to ~~48~~ 35 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~~the duration of the LURA. MTSP rent limits are available on Minnesota Housing's website.

   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% income level by claiming 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 selection criteria cannot be claimed for units that qualify for or are claiming the Rental Assistance criterion.~~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~~LURA 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)]. 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, if the units are not otherwise subject to more restrictive conditions, 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~~ 6 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.

   ~~NOTE:~~ Minnesota Housing, at its sole discretion, will consider rental assistance programs with alternative rent structures as proposed by the applicant, where households may pay more than 30% of their household income when the program goals align with the needs of low-income populations such as with the Moving to Work and site-based Housing Support programs. For all other types of rental assistance programs with an alternative rent structure, the applicant must submit commitment documentation that includes details regarding the rent structure, tenant paid portion of household income, program structure, goals, and population served.

   - 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. Be aware that rental assistance from non-governmental organizations will not be treated the same as governmental rental assistance when determining tenant income eligibility for compliance purposes. See the HTC and Deferred Scoring Guide for more information.
- 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~~. In addition, by selecting an option, the development agrees to continue renewals of existing project-based housing subsidy payment contract(s) for a **minimum 10 years** from the later of the last placed in service date for any building in the property or loan closing. Applicant agrees that rents will remain affordable at 50% MTSP income limits for a 10 year period if the rental assistance is not available for the full period[6].

a. ☐ 100% of the total units for project-based rental assistance **(~~15~~ 19 points)**
Number of units _______

b. ☐ Between 51.1% to 99.9% of the total units **(~~12~~ 16 points)**
Number of units _______

c. ☐ 20.1% but under to 51% of the total units **(~~9~~ 13 points)**
Number of units _______

d. ☐ 10.1% to 20% of the total units, with a minimum of four units **(~~6~~ 10 points)**
Number of units _______

e. ☐ 5% to 10% of the total units, with a minimum of four units **(~~3~~ 7 points)**
Number of units

f. ☐ Less than 5% of units, with a minimum of four units **(~~2~~ 6 points)**
Number of units _______

~~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~~

[5] Formerly known as Group Residential Housing.
[6] **Specific performance requirement relief provisions are available for projects claiming the Rental Assistance Selection Criterion for "RA Units."** Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the LURA and deferred loan documents recorded with the property.

~~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[7]. **(4 points)**~~

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[8] ~~after the last placed in service date for any building in the property or loan closing~~. **Rental Assistance Commitment documentation ~~should~~ must indicate that deeper income restrictions on project based units are~~is~~ allowable.** [9] ~~[10]~~ Select one:

   a. ☐ 75.1% to 100% of the total units **(7 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 25.1% of the total units **(4 points)**
   Number of units _______

   e. ☐ 5% to 15% of the total units, but no fewer than four units **(3 points)**
   Number of units _______

NOTE: Serves Lowest Income selection criteria cannot be claimed for units that qualify for or are claiming the Rental Assistance criterion.~~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

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~~[7] **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 CovenantsLURA and deferred loan documents and deferred loan documents recorded with the property.~~

[8] **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 LURA and deferred loan documents recorded with the property.

[9] Site-based Housing Support is excluded from this requirement.

~~[10] **Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion for Continued Renewal Rental Assisted Units "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 LURA and deferred loan documents and deferred loan documents recorded with the property.~~

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~~HTCs.

Rent for assisted units must be at or below Fair Market Rents (or appropriate payment standard for the project area). 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 9 points):

1. 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, except as set out below and, where applicable, agrees to extend the long-term affordability of the project by extending the term of the ~~declaration~~ LURA beyond 30 years (beginning on 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~~ LURA and waive the right to Qualified Contract for a minimum of 40 years. **(9 points)**

   b. ☐ Extend the term of the ~~declaration~~ LURA and waive the right to Qualified Contract for a minimum of 35 years. **(8 points)**

   c. ☐ Waive the right to Qualified Contract for a minimum of 30 years. **(7 points)**

   d. ☐ Waive the right to Qualified Contract for a minimum of 25 years. **(3 points)**

3. ~~Areas of Opportunity~~Increasing Geographic Choice (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~~in the Twin Cities 7-County Metropolitan Area and areas in or around Duluth, Rochester and St. Cloud. 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.~~First and Second Tier are disabled when Rural/Tribal under the section Supporting Community Development has been selected.

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. Eligible areas are in the Twin Cities 7-County Metropolitan Area and areas in and around Duluth, Rochester and St. Cloud.

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 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, as outlined in the Workforce Housing Communities Methodology). 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~~ Twin Cities 7-County 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~~ projects in the **Twin Cities 7-County 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 7-County Metropolitan Area, a project must be (select one):

      i. ☐ Located within one half mile of a planned[11] 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[12] public transportation fixed route stop **(2 points)**;

[11] Includes planned stations on future transitways that are in advance design or under construction that meet the following criteria: completion ~~issuance~~ of an ~~draft~~ Environmental Impact Statement, 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.

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 7-County 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)[13] 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)~~[14]~~:

i. Access to Transit: To claim access to transit, a project in Greater Minnesota must be (select one, see the Location Efficiency Methodology to determine points):

1. ☐ Located within one quarter mile of a planned [15]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):

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[12] 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.
[13] Greater Minnesota Transit Investment Plan: http://www.dot.state.mn.us/transitinvestment
~~[14] 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.~~
[15] 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~~[16]~~ 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").

Go to MnDOT's website (http://www.dot.state.mn.us/transit/riders/index.html) to locate a project's transit service provider.

i. Access to Transit: To claim access to transit, a project in Greater Minnesota must be (select one):

1. ☐ Located within one ~~quarter~~ half mile of an existing or planned[17] designated stop that has service every 60 minutes OR within one half mile of a commuter rail station OR served by demand response/dial-a-ride with ~~no more than two hour advance notice~~same day service available. **(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 s~~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):

~~[16] 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~~

[17] For a Greater Minnesota existing or planned stop to ~~claimed~~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 existing or planned stop ~~of route~~ must be available Monday through Friday and provide service every 60 minutes for a minimum of 10 hours per day, with the exception of the commuter rail transit stations serviced by Metro Transit.

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.~~

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~~ 21 points)

A. Community Development Initiative (3 points):

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. A full copy of all referenced plans or initiatives must be submitted. Note that comprehensive and land use plans are not by themselves considered evidence of a Community Development Initiative.

REQUIRED	~~DECSRIPTION~~ DESCRIPTION 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 Community Development Initiative under Strategic Priorities to enable checkboxes for 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~~LURA 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 7-County Metropolitan Area and areas in and around Duluth, Rochester and St. Cloud.

1. ☐ The proposed housing is located in a census tract eligible as a Rural/Tribal Designated Area outside of the Twin Cities 7-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]**

EXCEL HELP TEXT:
Criterion has already been claimed/awarded under Economic Integration First Tier or Second Tier and cannot be claimed here.

D. QCT/Community Revitalization and Tribal Equivalent Areas (~~1~~ 3 points):

1. ☐ The proposed housing is located in a QCT Community Revitalization Area or a Tribal Equivalent Area **(~~1~~ 3 points)**

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 Community Development Initiative selection criteria.

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~~ 4 points):

1. ☐ The project sponsor, executive director of a non-profit, general contractor, architect, or management agent is a MBE/WBE[18], as certified by the owner. **(~~3~~ 4 points)**

5. Preservation (5 to 30 points)

A. Criteria:

1. **Existing Federal Assistance – Tier 1 – project based rental assistance/operating subsidies (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), and RAD for Project Rental Assistance Contracts (PRAC) 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~~ must 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 _______

[18] A MBE/WBE is a tribe or tribally-designated housing entity, tribal corporate 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.

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 within 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. **Existing Federal Assistance – Tier 2 ~~Critical Affordable Units at Risk of Loss~~ (6 points)**

a. ☐ Any housing which is federally assisted 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~~ Federal assistance includes: existing public housing units, including converting through Rental Assistance Demonstration Program, Component 1 (RAD 1), ~~tax credit~~HTC units, Rural Development funded units without rental assistance and Existing Federal Assistance not described in paragraph A~~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.

OR

3. **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 under another non-federal program, including state, local or intermediary funds.

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. Efficient Use of Scarce Resources and Leverage (1~~0~~ to 38 points)

A. Financial Readiness to Proceed/Leveraged Funds (4~~0~~ to 16 points):

1. Applicants who have secured funding commitments for one or more permanent capital funding sources at the time of application must count the source in this calculation.~~, except commitments for funding~~ 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~~ can only be included in the calculation if ~~obtained~~ it was committed in a previous funding cycle/round. ~~**All capital funding sources must be counted in this criterion.**~~

Calculate your total using the formula below, and then select the appropriate option. The calculation must exclude amortizing first mortgage financing and any anticipated proceeds from the current ~~tax credit~~HTC request.

Total eligible funding secured, awarded or committed (excluding amortizing first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current ~~tax credit~~HTC request, and sales tax rebate[19]) **$______divided by Total Development Cost** (excluding amortizing first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current ~~tax credit~~HTC request, and sales tax rebate) **$______ equals Percentage of Funds Committed ______% (round to nearest tenth):**

a. ☐ 70% or more of funding secured, awarded or committed[20] **(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)**

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[19] Sales tax rebate, for the purpose of this scoring category, should be calculated as 40% of the construction contract amount (without contingency) multiplied by the local tax rate for the area where the project is located.

[20] Projects that have both a numerator and denominator equal to zero are eligible to claim 70% or more of funding secured, awarded or committed.

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)**~~

For scoring purposes, 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.

The list below includes potential Financial Readiness/Leverage Funding Commitments, ~~include~~but is not all inclusive:

- Syndication proceeds due to previously allocated or awarded ~~tax credits~~HTCs: Syndication proceeds from ~~tax credits~~ HTCs allocated or 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~~
- Syndication proceeds from the current tax credit request
- Monetary grants/donations
- Amortizing first mortgage incorporates tax abatement and payments in lieu of taxes (PILOT) for properties with an amortizing 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~~. The documentation must include a city council resolution~~,~~ indicating its intention to provide TIF assistance. ~~and the~~The anticipated amount ~~and term~~must be included in the resolution or a letter from the city. ~~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~~. An 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 along with a syndicator/investor Letter of Intent.
- Funder commitments to modify existing debt including: approval of assumption of debt and extension of loan term; commitments must contain no contingencies other than receipt of a~~ tax~~

~~credit~~n HTC allocation or award. At the time of application, written documentation of approval from the funder clearly demonstrating that the approval is for the re-syndication /receipt of new deferred or ~~tax credit~~ HTC allocation or award, justifying the amount and the terms of the contribution must be provided.

- General Partner commitments can count as long as satisfactory documentation is provided. Examples include:
  - GP cash and seller loans
  - Deferred developer fee: The applicant must provide the required commitment documentation and provide evidence of repayment within 10 years by the projected cash flow or an amount approved by the syndicator/investor in the LOI.
  - Purchased reserves: Provide satisfactory documentation to determine that the reserves are available, will be purchased with the property and a commitment that they will be used as a permanent capital source. The documentation could include purchase agreement, financial statements, with a commitment letter from the applicant.
  - Energy Rebate: Provide satisfactory documentation that the energy rebate will funded at closing with general partner cash or a general partner loan

NOTE: Financial Readiness to Proceed /Leveraged Funds and Other Contributions selection criteria cannot be claimed for the same sources.

B. Other Contributions (~~0~~ 2 to 10 points):

1. For projects that receive **non-capital contributions**. ~~referenced below from~~Contributions can come from any entity including 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-capital funding contributions and ~~from federal/local/philanthropic~~ sources $_____ divided by Total Development Cost $_____ equals Other Contributions (rounded to the nearest tenth):

a. ☐ ~~20.1~~10.1% and above **(10 points)**

b. ☐ ~~15.1~~8.1 to ~~20~~10.0% **(8 points)**

c. ☐ ~~10.1~~6.1 to ~~15~~8.0% **(6 points)**

d. ☐ ~~5.1~~3.5 to ~~10~~6.0% **(4 points)**

e. ☐ ~~2.1~~1.0 to ~~5~~3.4% **(2 points)**

~~f. ☐ 0 to 2 % **(0 points)**~~

NOTE: This calculation is based on the Total Development Costs. Applicants should not use any exclusions.

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~~ For scoring purposes, 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.~~

The list below includes potential Other Contributions, ~~include:~~but is not all inclusive:

- Land donation or ~~city~~ write-down of the development site. Documentation used to determine the market value must be submitted. This could include an appraisal, assessment information, broker opinion with comparable properties, or other data deemed acceptable by Minnesota Housing.
- In-kind work and materials that benefit the project are donated at a lower or no cost.
- Local government reduction, donation or waiver of project specific costs, assessments or fees (e.g. SAC/WAC)
- Reservation land not subject to local property taxes. Documentation must include the amount and term (up to term of the Minnesota Housing deferred loan or LURA). 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 an ~~tax credit~~HTC allocation or award. At the time of application, written documentation from the funder justifying the amount and the terms of the contribution must be provided.
- Tax Increment Financing (TIF) for properties that cannot support an amortizing first mortgage. Calculate the net present value (NPV) by using NPV discounted by applicable federal rate (AFR) for the term of the TIF ~~loan~~. Provide satisfactory documentation that the contribution is committed to the development at the time of application. The documentation must include ~~, including a letter from the city and~~ a city council resolution~~,~~ indicating its intention to provide TIF assistance. The ~~and the~~ anticipated amount ~~and term~~must be included in the resolution or a letter from the city. The documentation should include the TIF analysis from the city or its consultant.
- Tax abatement and payments in lieu of taxes for properties that cannot support an amortizing first mortgage. Documentation must include the amount and term (up to the term of the Minnesota Housing deferred loan or LURA). Calculate net present value (NPV) by using NPV discounted by applicable federal rate (AFR) for ~~30 years).~~the term of the abatement (up to the term of the Minnesota Housing deferred loan or LURA).

NOTE: Financial Readiness to Proceed /Leveraged Funds and Other Contributions selection criteria cannot be claimed for the same sources.

C. Intermediary Costs (~~0~~ 1 to 6 points):

1. Intermediary costs are third-party service costs related to the project development. Excluded costs are Park Dedication Fees, 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~~HTCs. **(6 points)**

NOTE: Proposals that believe they have contained their costs should select this criterion. Only proposals that claim cost containment and are awarded through the process described above will be eligible for cost containment.

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~~ may result in negative four points being awarded in all of the applicant's ~~tax credit~~HTC 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~~HTC developments awarded points via the 4% Only ~~allocation~~ award process will receive a penalty if the points were necessary to meet the minimum point requirement. 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 ~~6~~ 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.
- At least 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 projects. Accessible "T" turn clearance may be accepted in lieu of the five foot open radius.
- Lever handles on all doors and plumbing 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~~ Oven controls must have lockout feature. Stackable laundry units with a maximum reach range of 54" will meet this requirement.
- If microwave/exhaust hood combination appliances are provided in 95 percent of Universal Design Units, then the remaining 5 percent of Universal Design Units must provide a countertop or accessible microwave or have one in stock and on-site and available upon request.
- 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 projects, deck and patio spaces must have a step-less transition meeting door threshold requirements above, with decking gaps no greater than ¼". A step-less transition and door threshold meeting requirements as promulgated by Minnesota Accessibility Code for Type A units is also permitted.

- 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 type faucets are provided throughout the Universal Design Unit
- At least 50% of kitchen storage space within reach range. This can include pull-out shelves, full extension glide drawers or within a roll-in 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 in the Universal Design Units
- 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
- Majority of closets within Universal Design Units must have shelving that is adjustable OR provide multiple shelving/hanger rod configuration where by majority of shelving/hanger rods are within one of the reach ranges of the Minnesota Accessibility Code-Section 308~~Closet storage is adjustable in a majority of the closets provided~~
- An audio/visual doorbell is included at all main dwelling unit entry doors
- A covered ~~entry~~ canopy with adequate lighting is provided at exterior main/unit entry. An~~and~~ interior or exterior bench space for parcels or groceries is provided.
- ~~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 (access aisle) 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 accessible 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[21]* prohibiting smoking in all the units

[21] The written policy must be submitted with the application and ~~should~~ must include procedures regarding transitioning to smoke-free for existing residents and establishment of smoking areas outside of units and common

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~~LURA. **(1 point)**

C. Minnesota Overlay to the Enterprise Green Communities Criteria (1 to 2 points):

As indicated in the Multifamily Intended Methods Worksheet, all multifamily projects must include all applicable "Mandatory" Criteria and meet the baseline minimum number of Optional Criteria points for the most current version of the Minnesota Overlay to the Enterprise Green Communities Criteria. More information on the Minnesota Overlay to the Enterprise Green Communities Criteria can be found on the Building Standards tab of the Minnesota Housing website.

1. ☐ For projects that include at least three times the minimum number of Optional Criteria points, in addition to the Required Mandatory Criteria, as outlined above and as indicated in the Multifamily Intended Methods Worksheet **(2 points)**

2. ☐ For projects that include at least two times the minimum number of Optional Criteria points, in addition to the Required Mandatory Criteria, as outlined above and as indicated in the Multifamily Intended Methods Worksheet **(1 point)**

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.

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Final Proposed 2021 QAP Public Comments

September 25, 2019 – October 4, 2019

- Build Smart
- Family Housing Fund
- Minnesota Housing Partnership
- Three Rivers Action, Inc.
- Travois

From: Paul Grahovac [mailto:paul.grahovac@buildsmartna.com]
Sent: Thursday, September 26, 2019 1:12 PM
To: MN_MHFA MN Housing, . (MHFA) <MN.Housing@state.mn.us>
Subject: QAP

I object to your failure to include points for Passive House multifamily.

I have supplied pages of information on this.

I am now taking my position and your failure to the public.

Paul Grahovac, LEED AP
Build SMART, LLC
3701 Greenway Circle
Lawrence, KS 66046
785-331-1016
www.buildsmartna.com

From: Eric Gustafson [mailto:eric@fhfund.org]
Sent: Friday, October 04, 2019 10:36 AM
To: MN_MHFA MN Housing, . (MHFA) <MN.Housing@state.mn.us>
Subject: comment on 2021 Qualified Allocation Plan

Greetings,

We appreciate the ongoing commitment by Minnesota Housing to require state-financed rental housing to accept Housing Choice Vouchers (HCVs). However, the current state-defined ceiling on rents within these developments exceeds the Housing Choice Voucher payment standards for certain jurisdictions and unit sizes. To address this issue, we suggest that Minnesota Housing require rents within a certain share of units in state-financed rental housing developments to be set within the local payment standards for Housing Choice Vouchers.

Thank you for considering our comments.

Eric

Eric Gustafson *Program Officer*
FAMILY HOUSING FUND
310 4th Avenue South | Suite 9000 | Minneapolis, MN 55415
T 612.274.7692 **F** 612.375.9648
E eric@fhfund.org

Minnesota Housing Partnership
www.mhponline.org
2446 University Ave W, Suite 140
Saint Paul, MN 55114-1740
p: 651-649-1710
800-728-8916
f: 651-649-1725

October 3, 2019

Tamara Wilson
Minnesota Housing
400 Wabasha St N #400
St Paul, MN 55102

Re: Comments on Minnesota Housing 2021 Qualified Action Plan (QAP)
Via email to tamara.wilson@state.mn.us

Dear Ms. Wilson:

On behalf of the Minnesota Housing Partnership, thank you for the opportunity to provide comments on the revised Minnesota Housing 2021 Qualified Action Plan. To inform our comments, MHP solicited feedback from housing partners throughout the state, including a conference call with stakeholders and one-on-one discussions.

Minnesota Housing Partnership (MHP). MHP convenes, guides and mobilizes diverse partners working to improve conditions of home and community, from private developers and tribal leaders to elected officials. Crossing boundaries to forge broad coalitions, we amplify a common vision: Building strong, equitable communities that provide opportunity for everyone, especially those with lower incomes. We provide capacity building and technical assistance in rural areas and Native nations, produce original research, and advocate for policies that advance affordable housing and strengthen communities.

MHP understands that Minnesota Housing's proposed revised changes to the 2021 QAP are limited in scope. We applaud Minnesota Housing for proactively responding to community comments by incorporating several suggestions into the revised changes.

As noted in our comments submitted on August 26, MHP supports the intention of the changes proposed to the 2021 QAP, including modifications to streamline the application process and make it easier for developers and communities to apply for housing tax credits (HTC). MHP provides these specific comments on proposed revised changes to the 2021 QAP:

- **MHP welcomes changes that encourage projects to go beyond minimum Minnesota Green Communities mandatory criteria**. Offering points to projects that meet additional optional criteria is a good first step in prioritizing projects that improve health outcomes and create livable communities. Given the fact that, in the last funding cycle, seven projects claimed 2x the optional Green Communities Criteria points and fifteen projects were fifteen points or fewer away from claiming 2x the optional Green Communities Criteria points, we think Minnesota Housing can do more to incentivize developers and communities to incorporate more optional criteria. We do not believe the revised change will promote innovative technologies and measures that optimize building performance. We will continue to urge Minnesota Housing to find ways to prioritize projects that improve energy efficiency and environmental outcomes for both new construction and rehabilitation.

- **MHP supports the intention of enabling projects to claim walkability separate from access to transit but is concerned no measurable impact will result.** MHP recognizes the importance of connecting housing to transit. Nevertheless, it is difficult within the current point system for many communities in Greater Minnesota to compete, including for walkability points. Initial feedback from MHP stakeholders indicates that without opportunities to claim additional points elsewhere in the QAP, projects that do not claim any access to transit points will struggle to make up those lost points. MHP believes the QAP could do more to assist Greater Minnesota communities with limited access to transit competitive.

- **MHP supports changing Areas of Opportunity to Increasing Geographic Choice.** This change is an important step in reframing an existing deficit narrative. Initial changes made to the 2021 QAP, adjusting points so that projects in a greater variety of geographies could compete for funding, were also supported by MHP as important to ensuring those who most need affordable homes have access to them. MHP encourages Minnesota Housing to continue to identify ways to prioritize investments in neighborhoods and communities that have historically seen disinvestment, due to past and current racist policies and practices, and may be susceptible to gentrification and market pressures.

MHP appreciates the opportunity to provide feedback on the proposed changes to the 2021 QAP and now the revised changes to the 2021 QAP. MHP requests Minnesota Housing to consider these comments in conjunction with its comments submitted on August 26, 2019, regarding the 2021 QAP.

Sincerely,

Libby Murphy
Deputy Policy Director

From: Christopher Flood [mailto:CFlood@threeriverscap.org]
Sent: Wednesday, October 02, 2019 9:49 AM
To: Pohlman, Devon (MHFA) <devon.pohlman@state.mn.us>
Cc: Leah Hall <lhall@threeriverscap.org>
Subject: QAP question

Hi Devon,

I think I'd probably support the change either way, but could you clarify for me what is meant in the proposed Building Characteristics section by "include at least three times the minimum number of [Green Communities] Optional Criteria"?

Does that mean the number of items on the Green Communities list for which the project claims points (regardless of the number of points scored) or the total number of points scored (regardless of the number of line items used to score those points)?

And implied in this question, of course, my comment would be to please clarify that in the final version. I'm assuming the intent is the point total, so maybe the criteria would be clearer if it read "include at least three times the minimum number of [Green Communities] Optional Criteria points". That would be consistent with the Intended Methods Worksheet language.

Thanks,
Chris

Chris Flood
COMMUNITY DEVELOPMENT OFFICER
Direct: 507-424-0732 | Cell: 507-271-5877 | cflood@threeriverscap.org
1414 North Star Drive, Zumbrota, MN 55992

TRAVOIS™
310 W. 19th Terrace
Kansas City, MO 64108

September 26, 2019

Jennifer Ho
Minnesota Housing Finance Agency
400 Wabasha Street North
St. Paul, MN 55101-1998

Ms. Ho:

We appreciate the opportunity to further comment on MHFA's draft 2021 HTC Procedural Manual and Self-Scoring Worksheet. On behalf of Travois, please accept the following comments on the proposed 2021 changes.

State Designated Boost

We fully support MHFA's addition to the proposed 2021 changes that projects that meet the tribal strategic priority policy threshold are eligible to receive the state designated boost.

Rural Communities

Under the current scoring, rural communities in Minnesota are unfortunately at a disadvantage in accruing enough points to be competitive. We believe it would be beneficial to have different standards for project costs and points for rural communities. Under the current QAP, all rural communities compete in the "Greater Minnesota For-Profit" and "Greater Minnesota Non-Profit" pools. Greater Minnesota includes many different communities with significant variations in population sizes, access to regional hubs and employment centers, and proximity to amenities and services. By including such a large area in the "Greater Minnesota" pools, small towns like Onamia (population less than 1,000) likely compete with projects in St. Cloud, Duluth, Rochester, Moorhead, Mankato, etc. or even regional hub cities like Brainerd (area population around 25,000). MHFA should create a new pool for truly rural communities – communities with less than 10,000 people and not near regional centers with Wal-Mart or Starbucks (as an example). A population density analysis could show the distance of truly rural areas to rural areas with relatively higher density. As an alternative to a new pool, projects in truly rural communities should be assessed on different point standards than larger rural communities. The Minnesota LIHTC program should support affordable housing development in truly rural communities – particularly ones with strong demand for workforce housing. Small, rural communities are at a disadvantage in many scoring categories. For example:

- A tiny town government does not have the resources to provide tax abatement, development subsidies, etc. in the same way that a larger city could (i.e. harder for these projects to get the Other Contribution points).
- Construction costs are higher in more rural communities, making it more challenging for developers to earn the Cost Containment points.

- Small towns (like Onamia with a population of less than 1,000) cannot support the operations of regular dial-a-ride transportation services.

Permanent Supportive Housing for High Priority Homeless
While we support the goals of this category, we feel that MHFA's requirement for projects committing to homeless units should be re-examined. For one of our client's projects (Lady Luck Estates), they committed to four long-term homeless units. At application, their supportive service provider estimated its costs at a less than $10,000 annually. During the closing process and after MHFA's feedback on the supportive service requirements, the provider adjusted its quote to almost $40,000 a year. These types of requirements can quickly shift a project from cash flow positive to requiring extensive subsidies. The requirements are particularly burdensome for projects in rural areas with access to only one LTH service provider. It is undoubtedly easier to obtain competitive bids from service providers in metropolitan areas. We respectively suggest that MHFA take a look at their requirements and determine which are truly necessary and which should be optional based on the needs of the specific project.

Workforce Housing Communities
If a project is located in a community where an individual employer has 100+ net job growth over the past five years, the application earns six valuable points in this category. However, this scoring category fails to consider communities with severe housing need and significant job openings. Many of our tribal clients work in communities where there are a far more than 100 job openings with an individual employer. This sort of demand for workers should earn the same number of points as a high job growth community.

Additionally, MHFA notified us this year that the Long Commute Communities points were intended only for projects located in communities with 2,000 jobs or more in 2017. This cut off is arbitrary and unnecessary. If a community has a large proportion of people commuting long distances into the town for work, there is a strong demand for workforce housing. We recommend that MHFA award these points for any community where more than 15% of the workforce travels 30+ miles into the community for work (as evidenced by LED on the Map).

Location Efficiency - Greater Minnesota – Access to Transit and Walkability
We fully support MHFA's proposed change that developments can achieve Walkability points without needing to meet the Access to Transit points.

Solar
Due to MHFA's Cost Containment measures, solar energy is a challenge to include in any Minnesota LIHTC project. We respectfully recommend MHFA create special incentives and dollars towards supporting renewable energy equipment on future LIHTC projects. Solar panels would be a tremendous benefit to low income tenants in reducing their utility bills.

LIHTC Investments in Underserved Counties
We also recommend that MHFA consider awarding points to projects located in counties without recent LIHTC investments. The State of Wisconsin has this scoring category in their LIHTC program. Some counties in Minnesota get awards every year or every couple years. We are certain that MHFA would agree that it is critical to invest in every area of our state where

demand for low income housing exists. When we look at Mille Lacs County, we estimate that there hasn't been new LIHTC investments in 15-20 years. We propose the following additional point category:

- No LIHTC investment in the County for previous 5 years = 5 points
- No LIHTC investment in the County for previous 10 years = 10 points

Preference for Not-Selected Competitive Projects

During the Minnesota Indian Housing Conference on August 21, 2019, the Minnesota Housing Commissioner (Ms. Jennifer Ho) indicated that all LIHTC housing projects are important. Commissioner Ho discussed one of her goals as Commissioner is to not say "no" to projects, rather to prioritize which projects get done first (which is where the QAP comes in to play). She went on to describe how she would like to see the projects that were declined funding be the next projects the agency awards.

Currently, there is no mechanism for projects not selected to gain preference for future awards. In order to complete a competitive LIHTC application, a high level of costs (time, financial and community) are necessary. We respectfully ask that MHFA place a preference on projects that have invested resources on previous applications. This preference could be satisfied by awarding 10 points to any competitive project from a previous year. Competitive projects could be defined as projects whose scores were within 10% of the lowest awarded project score.

Thank you for the opportunity to provide comments on the 2021 draft QAP documents. If you have any questions regarding the suggestions above, please do not hesitate to contact me directly.

Sincerely,

Andi Weber
Project Coordinator

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Initial Proposed 2021 QAP Public Comments

July 25, 2019 – August 26, 2019

- Carver County
- Center for Sustainable Building Research
- Corporation for Supportive Housing
- Dominium Inc. (1)
- Dominium Inc. (2)
- Equity in Place
- Housing Justice Center
- LISC
- Metropolitan Interfaith Council on Affordable Housing
- Mille Lacs
- Minnesota Housing Partnership
- Minnesota Housing
- MN NAHRO
- Minneapolis Public Housing & Duluth HRA
- Natural Resources Defense and Partners
- Olmsted County HRA
- One Roof Community
- Radias Health
- Rippley Richard Real Estate Development Services
- Southeastern MN Multi-County Housing Redevelopment
- Three Rivers Community Actions, Inc.
- Travois
- Woda Cooper Development Inc.

Carver County Community Development Agency

Minnesota Housing Finance Agency
400 Wabasha St North, Suite 400
St Paul, Minnesota 55102

Sent via email

RE: Comments on the Proposed 2021 Qualified Allocation Plan (QAP)

Dear Commissioner Ho:

Carver County Community Development Agency (CDA) would like to thank you for the opportunity to provide comments on the Proposed 2021 Qualified Allocation Plan.

Rental Assistance:

While I understand the desire to award points for rental assistance, the Carver County CDA does not have a local Section 8 program that allows us to commit project-based vouchers to a project. Instead, the Carver County CDA, who owns its properties in perpetuity while maintaining their affordability, depends on Metro HRA for an allocation. Due to Metro HRA's timing of available vouchers, the likelihood of having committed vouchers at the time of application would not be available and therefore, would not provide the needed points for potential funding under this proposed change.

Even if an applicant is unable to commit the percentage of project based vouchers at the time of submission, there should be some consideration given if an applicant, such as the CDA, commits to working with an agency to obtain such vouchers and commits to a minimum length of affordability.

Qualified Census Tract/Community revitalization and Tribal Equivalent Areas:

Carver County is one of the Metro Counties, and considered one of the wealthiest in the State, which speaks to the need for affordable housing opportunities. Focusing solely on the percentage of existing households at lower incomes gives less opportunities for projects to compete in places where jobs and wages do not match housing prices. For example, there are over 41,000 jobs in Carver County, with more than half of the labor force commuting to these jobs from outside of the county. According to the Metropolitan Council, the average wage of these Carver County jobs is approximately $51,000 or 50% AMI for a family of four. Additionally, there are many communities within the county where average wage of the jobs

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located there is less than $40,000. With median gross rents over $1000 throughout the county (in some places over $1200), the ability for people to live and work within Carver County is becoming increasingly difficult as rents continue to increase faster than wages.

Efficient Use of Scarce Resources and Leverage:

Carver County CDA has had the support from the Carver County Board of Commissioners to issue GO Backed Bonds once all other funding sources have been committed. I understand this is a different process than most other agencies, but because of the bank qualified issue for bonds, I must work with the County Engineer to determine who has a project that will require bonds to be issued. We all know how critical transportation funding is in the Metro area and the State as a whole—so in addition to competing with other housing projects at the state level for funding, our projects are competing at a local level. Due to the federal tax law requirements I cannot issue bonds and hold them for an unidentified time period waiting to see if we can get funding from other sources. The timing has caused planned affordable housing projects to go unbuilt—thus coordination and timing between Minnesota Housing and other funders needs to be reviewed closely.

Sincerely,

Julie

Julie M. Frick
Executive Director
Carver County CDA

From: Rolf Jacobson [mailto:jaco0630@umn.edu]
Sent: Friday, August 23, 2019 4:45 PM
To: MN_MHFA MN Housing, . (MHFA) <MN.Housing@state.mn.us>
Cc: Richard Graves <rmgraves@umn.edu>; Patrick Smith <patsmith@umn.edu>; Liz Kutschke <kutsc009@umn.edu>
Subject: Attn: Tamara Wilson - Comments on 2021 QAP

Minnesota Housing,

Thank you for the opportunity to comment on the proposed 2021 QAP. The Center for Sustainable Building Research (CSBR) at the University of Minnesota supports the thoughtful comments and thorough recommendations contained in the letter from Fresh Energy, National Housing Trust, and the Natural Resources Defense Council, to be submitted today, August 26th. In addition, we would like to add a couple comments of our own.

1) <u>Cost containment and third party service costs</u>

We feel that the current availability of points for Cost Containment and Intermediary Costs - while not great (up to 12 points combined) - provide a significant incentive for project teams to avoid innovation and upgrades beyond the mandatory and customary levels of performance required under Green Communities and Minnesota Housing protocols. Resident health, energy efficiency, enclosure durability, and their associated costs could see *substantial improvements* if points were instead available on sliding scales for higher levels of performance in these areas.

We feel that the QAP is currently weighted towards evaluation of first costs. While this makes some sense for Minnesota Housing given its primary role, it's important to keep in mind the long term costs that these project's residents, owners, and the general public all bear. Over the lifetime of these projects, these operational costs far outweigh first costs - with greater consequences for building durability, occupant health, energy consumption, and true affordability. We suggest shifting the 2021 QAP's priority from reducing first costs and intermediary costs to reducing lifecycle costs and ongoing costs for the occupants.

<u>2)Importance of energy efficiency</u>

Currently, it does not appear that Minnesota Housing places a strategic priority on improving energy efficiency. We are grateful that Minnesota Housing does use Enterprise Green Communities Criteria to provide a backstop in this area, and we are eager to see some new developments under the next version of this program. However, we feel that currently at least, the Energy Star-level of compliance mandatory for the Green Communities program does not push the field forward. Much greater levels of energy efficiency are possible, economically advantageous for project owners and residents alike, and indeed demanded by the climate crisis.

Energy efficiency could be rewarded by the QAP if Minnesota Housing were to adopt a sliding scale of points that rewards increased levels of performance beyond Energy Star. There are many ways to do this that do not require adherence to a specific certification or green building standard. As manager of Minnesota's SB2030 and B3 programs, the CSBR has expertise in this area and would be excited to work with Minnesota Housing on such an endeavor. But in most cases, more work will be necessary from project teams in the upfront stages of design, development, and commissioning of these projects. That's why awarding points for first cost and intermediary cost containment poses a challenge to achieving this important goal.

On behalf of the CSBR, thank you again for the opportunity to comment on the 2021 QAP. We look forward to more opportunities in the future. Please feel free to contact us if you'd like to discuss any of these issues in more detail.

Appreciatively,
Rolf Jacobson

Research Fellow, CPHC, LEED AP
Center for Sustainable Building Research
1425 University Ave. SE
Minneapolis, MN 55414
p 612 301 1601
f 612 626 7424

Commissioner Jennifer Ho
Minnesota Housing Finance Agency
400 Wabasha Street North, #400
St. Paul, MN 55102

August 26, 2019

Dear Commissioner Ho,

Thank you for providing an opportunity for the Corporation for Supporting Housing (CSH) to provide public comment on the State of Minnesota Housing Tax Credit 2021 Qualified Allocation Plan (QAP).

CSH is a national non-profit that works with communities across the country to create supportive housing – affordable housing connected to health, human services and community supports – to help individuals and families thrive. For 20 years CSH led the national movement to end chronic homelessness through supportive housing. With this experience and expertise, CSH now leverages supportive housing as a central component to changing the way communities respond to a range of vulnerable individuals who are also at risk of becoming homeless, including aging seniors and people with disabilities.

CSH firmly believes that supportive housing (safe, stable, affordable housing with integrated services) is essential to the health and well-being of vulnerable individuals and families from all walks of life. Not only is supportive housing a proven method for increasing housing stability, but it has been shown to decrease high utilization of emergency services and public systems, generating significant public cost savings over time leading to greater benefits not only for individuals, but for the community at-large. To best serve individuals most in need, communities must integrate service providers alongside health care entities and governments. Supportive housing has been recognized by SAMHSA, the U.S. Department of Housing & Urban Development (HUD), and the Commission on Evidence-Based Policymaking (CEP) as a best practice to do just that.

In Minnesota, CSH has been a strong partner in developing supportive housing opportunities for the most vulnerable Minnesotans. Since 1993, CSH has provided technical assistance and over $15 million to fund supportive housing developments. Unfortunately, CSH estimates that 16,208 units of supportive housing are still needed in Minnesota.[1] In 2018, CSH provided funding for a 61,000 sq. ft. service center in St. Paul that will provided primary health and behavioral health services, dental care, and additional social services for very low income and homeless individuals in addition to 177 units of supportive

[1] https://www.csh.org/supportive-housing-101/data/

housing. In partnership with the State of MN and many others, CSH hopes to continue to spur developments such as this one across the state.

CSH applauds the leadership at Minnesota Housing for using the QAP to strengthen the supportive housing pipeline in Minnesota, and CSH encourages prioritizing the funding, quality, and development of supportive housing even more in the 2021 and 2022 QAP.

Addressing Supportive Housing in the QAP

CSH recommends that MN Housing;

1. Establish a Supportive Housing Set-Aside

   Currently, MN Housing uses scoring incentives instead of a Supportive Housing Set-Aside to promote the development of supportive housing. Establishing a Supportive Housing Set-Aside would help ensure enough units are dedicated to those who need them most.

2. Adopt Dimensions of Quality

   To ensure supportive housing maintains a level of quality, MN Housing should require applicants to integrate the dimensions of quality into their development. Quality supportive housing is housing that is – (1) tenant-centered, (2) easily accessible to tenants of all backgrounds, (3) coordinated amongst housing partners with an shared goal, (4) integrated with voluntary services and community connections, and (5) sustainable over time. [2]

   MN Housing can integrate these dimensions of quality into the QAP process by requiring developers to, at minimum, submit a Commitment to Quality checklist as part of the application[3]. By making this commitment, the applicant affirms that each project partner named in the application understands and commits to implementing the project in way that is consistent with the quality standards. MN Housing may also require applicants to submit a quality

[2] The Dimensions of Quality Supportive Housing is a national standard creates by CSH and based on two years of research with communities across the country. Additional information on the Dimensions of Quality Supportive Housing can be accessed at https://www.csh.org/supportive-housing-101/quality/

[3] CSH is currently piloting this tool in several communities. A downloadable overview of the Commitment to Quality Checklist can be accessed https://d155kunxf1aozz.cloudfront.net/wp-content/uploads/2019/02/Commitment-to-Quality-Checklist.pdf

endorsement; which is a third-party review of supporting housing project plans to determine if they meet national quality standards.[4]

Strategies to Promote Supportive Housing in Thriving Communities

CSH recognizes that MN Housing understands that broader strategies and coordination among state agencies and outside partners must be developed to ensure a comprehensive approach to addressing the affordable housing crisis and the gap in supportive housing nationwide. With that recognition in mind, CSH recommends the following:

1. Develop a Cross-Divisional, Cross-Sector Team focused on Supportive Housing

   Minnesota should develop a non-partisan, cross-divisional, cross-sector work group responsible for advancing specific policy and resource coordination strategies to increase supportive housing development and promote best practices. Supportive housing is most effective when it features close coordination of housing, support services, tenant needs, and property and housing management.

2. Ensure Equitable Access to Housing and Services

   It is important for MN Housing and all state agencies addressing the housing needs of vulnerable individuals to understand the history of racism in housing[x]. To shift this paradigm, Minnesota must address implicit biases in budgetary, programmatic, and policy decisions. As an initial step, any work group focused on increasing the quantity and quality of supportive housing must include persons with lived experience in the systems it is serving as critical stakeholders. The work group should also use the CSH needs assessment to gain a better understanding of the racial disparities in housing across the state. Such data should be used to develop concrete actions to advance racial equity in the development and delivery of housing and services.

[4] A downloadable overview of the Quality Endorsement can be accessed https://d155kunxf1aozz.cloudfront.net/wp-content/uploads/2019/02/CSH-Quality-Endorsement-Overview.pdf

Thank you again for the opportunity to submit public comment on the State of Minnesota Housing Tax Credit 2021 Qualified Allocation Plan. We appreciate you considering our input and look forward to continued interaction as this process unfolds.

If you have any questions or need additional input and information, please do not hesitate to contact Amy Stetzel, Upper Midwest-Minnesota Direct at Amy.Stetzel@csh.org or 612-721-3700 x108.

Sincerely,

Amy Stetzel

Amy Stetzel
Upper Midwest Director
CSH
2801 21st Avenue South, Suite 230
Minneapolis, MN 55407

TO: DEVON POHLMAN
FROM: DOMINIUM INC.
SUBJECT: 2021 QAP
DATE: JULY 31, 2019

We have reviewed Minnesota Housing Finance Agency's proposed changes to the 2020 QAP and have the following comments:

General

1. Revise the State Designated Basis Boost: Both supportive housing and preservation are important priorities. You might want to consider expanding this basis boost to Greater Minnesota projects as a way of encouraging more development in under-served regions.

2. Transfer of Ownership: After 15 years of ownership, a GP should not need MHFA approval for a transfer – maybe this should just be a required notification after this timeframe.

3. Community Development Initiative: We have stated in past years that MHFA is simply being too prescriptive about how a community "proves" they have a "Community Development Initiative".

   We renew that objection here. We still believe that a simple support letter would be more appropriate to determine a community's desire to incorporate affordable housing into the fabric of their community.

4% Tax Credits

The 4% and 9% LIHTCS are qualitatively different programs and should be subject to different considerations in their administration.

1. The Self-scoring worksheet for 4% is almost the same as that used for 9% applications. The 9% application has been developed over decades to encourage mostly highly-subsidized, lower-rent projects that are twinned with supportive services. This self-scoring worksheet is not appropriate for choosing 4% transactions that do not receive the same level of subsidy as 9% projects. Other states that want to encourage more affordable housing production either eliminate 4%-point scoring altogether or make the thresholds very easy to meet. In recent years, MHFA has done the opposite. We believe the 40-point threshold should be eliminated, or in the alternative reduced to 20 points, in recognition of the point categories commonly claimed by 4% applicants, that MHFA has removed or reduced.

We also think it is important for the MHFA Board to understand that the federal legislation originally creating 4% tax credits intended for these 4% tax credits to be "non-competitive", unlike the 9% tax credits that were intended to be competitive. The MHFA justification for making 4% tax credits more difficult to secure is that there is a "shortage" of Private Activity Bonds (PAB). Please see the attached information page that provides the outlook on private activity bond usage in the Minnesota State legislature. Specifically, we ask the Commissioner of Minnesota Housing to review and update their bond policy to allow use of PAB's for rent housing production to maximize the State's share of Tax Credits from the LIHTC program.

2. Permanent Supportive Housing: These points are not needed in 4% self-scoring because it is impossible to develop this type of housing without significant other state and federal aid – these provisions can just be made part of the application for these other resources.

3. People with Disabilities: Same comment as #2 above. Also under this section, the added language seems to indicate that you are requiring the project sponsor to provide self-funding rental assistance for these units if there is not already federal rental assistance provided. Is that the intent?

4. Serves Lowest Income: It is better to provide a sliding scale for 50% units – currently the only choices are 50% of units and 100% of units.

5. Economic Integration: We think developers should be able to choose to provide as low as 20% affordable units instead of the 25% required by MHFA. In addition, we renew our objection to measuring income levels by census tracts – it has too many goofy unintended consequences, and I am sure it takes substantial MHFA staff time to track and update these things. (Please refer to our 1/31/17 comments on the Amendments to the 2018 QAP for specific examples of these unintended consequences.)

6. Higher Performing Schools: Again, this is a very scientific approach to choosing locations, which likely costs substantial staff time to monitor. This provision also puts MHFA in the position of telling a community that wants to build affordable housing that you cannot have this federal resource because your schools are not good enough.

7. Community and Economic Development: These criteria should be eliminated and substituted with a support letter from the community. MHFA should not be in the business of telling local governments what "acceptable" planning is. Also, it looks like MHFA has added even more criteria for such a plan in a QCT. MHFA should make it easier to develop in a QCT, not harder.

8. Preservation: Any preservation that can be done with 4% tax credits alone without any other state support should be given 4% credits by right. The rest of these complicated preservation provisions should be tied to receiving state subsidies to support preservation.

9. Financial Readiness: MHFA's definition of acceptable deferred loans requires 30-year terms. This is too prescriptive and presumptive. The term should be tied to the initial affordability period.

10. Cost Containment: MHFA should measure total development costs by subtracting deferred developer fee from the total. We do not understand how this provision would work on an open pipeline basis unless MHFA publishes per unit cost amounts ahead of time. We recommend that MHFA eliminate provisions regarding "the 50th percentile in Round 1 will determine the cutoff point or threshold for receiving points for 4% tax credits," and substitute the following language: "MHFA will publish on September 30th for the following year the threshold amounts that qualify for cost containment points."

11. Design Standards: Overall, we believe MHFA design standards are too prescriptive and add costs to development projects. These design standards have been developed over time, and mostly seem to apply when MHFA is investing substantial state resources in a transaction. It might be better to specifically tie these standards to when MHFA invests state resources. Specifically, MHFA's Green Communities overlay and their windowless bedroom prohibition add costs to developments. We would recommend that these not apply to 4% tax credits unless state resources are invested. Also, we recommend that changes to design standards should be on the same two year look forward schedule as are changes to the QAP. Please refer to the attached exhibit for a review of these requirements, and potential costs associated with each.

12. Senior Housing: Whereas Minnesota Housing's Strategic Planning document outlines the importance of senior housing and the projected substantial increase in Minnesota's senior population, there is simply no point scoring available for senior housing. We think this is a mistake. If MHFA will not provide points for this type of development. Then it should change its strategic planning document to indicate it does not prioritize senior housing.

9% Tax Credits

General: As stated previously, the 9% and 4% self-scoring worksheets are nearly identical. Given that federal legislation creating the LIHTC intended for 9% tax credits to be allocated through a competitive process, it makes sense that some type of point scoring regime be used. It is worth noting, however, that the LIHTC program was intended to be a production program geared towards low and moderate rate income households, as opposed to the very low-income households served through public housing and section 8. Over time, the MHFA QAP has focused more on serving very low-income households. There is no doubt that section 8 and public housing have fallen short in addressing these needs, and that needs at this level are acute. However, the LIHTC program was never designed to be the deep subsidy of section 8. Rather it was designed to be a shallow subsidy that would encourage more housing production. By directing this capital resource to households with the lowest incomes, it means that Minnesota simply produces less housing overall, but the housing we do produce has lower rents. The MHFA Board should be aware of this tradeoff, as this is a major policy direction. It should also be noted that using the 9% tax credit to serve households at the lowest income levels might not be the most effective approach. It may be more effective to direct state funding towards rental assistance to our lowest income households and utilize 9% federal LIHTC resources to produce higher numbers of moderate rate housing. We understand that MHFA and the state already direct some resources to rental assistance. We applaud this direction. We are suggesting that the MHFA Board and staff consider doing even more of this work to maximize housing production throughout the state. Instead of developers underwriting lower rents and therefore lower mortgage loan amounts (thus requiring higher capital subsidies), developers could maximize mortgage amounts by underwriting 60% rents, and simply agree to take on a certain percentage of rental assistance units designed to provide housing to people with the lowest incomes.

Preservation: We believe that 9% tax credits should not be used to fund preservation projects – these should be funded with 4% tax credits and other state and federal resources to insure adequate rehab is being performed. Of the federal tools available for housing production, the 9% tax credit provides the highest amount of resource, and therefore should be paired with the costlier new construction projects. For every preservation project done with 9% credits, the opportunity cost is a new construction project that will not be funded.

Areas of Opportunity: We believe that using census tract data is too granular an approach to determining what a good location is. 200 Rebel Woods Dr

Community and Economic Development: We believe a simpler support letter from the community would be better than the more prescribed approach MHFA has taken here.

Cost Containment: We have requested that MHFA share their "predictive cost model" as to how they derive what is considered a reasonable cost but have been told that it is a "proprietary" model. Since this is a public process, we think MHFA should share their calculations more broadly.

Extra Costs Associated With

Minnesota Housing Multifamily Rental Housing Design/Construction Standards and

Minnesota Overlay and Guide to the 2015 Enterprise Green Community Criteria

Item	MHFA Requirement	Code Requirement	Cost
1. Laundry access	1 W/D per 12 units	1 W/D per 20 units	$100/unit
2. Bedrooms	Window for natural light	Natural or artificial light required	This requirement leads to larger unit sizes and therefore more costs – up to $2,000/unit. High-end market rate projects routinely contain windowless bedrooms.
3. HVAC	Kitchen hood to have minimum air exchange requirement. Garages require continuous fresh air.	Recirculating kitchen fans allowed. CO/NO sensors allowed	$1,000 -$2,000/unit. Garage sensors are very common in underground parking, continuous fresh air will increase operating costs and thus reduce loan proceeds
4. Electrical	Light fixture in all bedrooms required, task lighting in kitchen required.	No Bedroom fixture required, no task lighting required	$600/unit for extra light fixtures and wiring.
5. Roofs	Mechanical fastening, ballast not allowed. 20-25 warranty required	Allowed No requirements	$200-$500/unit
6. Visitability	Required in all units	Only ADA units	This leads to larger unit sizes – even an extra 20 sq. ft. per unit adds over $2,000/unit cost.

Equity IN PLACE
Investment • Access • Opportunity

<u>2021 Qualified Allocation Plan Comments</u>

Equity in Place (EIP) is a diverse group of strategic partners from organizations led by people of color and housing advocacy organizations who believe that everyone in the Twin Cities region deserves access to opportunity wherever they want to live. Our work is centered around an understanding of the legacy and ongoing impact of structural racism in the development and growth patterns of our region — and underscores and amplifies how it has impacted our communities' access to housing, property ownership, and wealth building opportunities. We believe the only way to address our regional inequities is by bringing the expertise of impacted communities into decision making processes in meaningful and powerful ways.

Organizations led by and connected to communities of color and indigenous communities generally have not been part of creating or commenting on Minnesota Housing's Qualified Allocation Plan (QAP). We possess essential, but historically absent, expertise in shaping the goals, incentives, and, ultimately, investments that the agency puts forward through the QAP.

Having reviewed the draft QAP, we have the following comments, critiques and observations:

- **"Areas of Opportunity" and "Economic Integration" (Self-Scoring Worksheet, page 16) present a deeply problematic frame, incentives, and potential investment pattern.** The framing of certain sections of our region as "areas of opportunity" and others as "racially/ethnically concentrated areas of poverty (RCAPs)" paired with Map 2 from the Economic Integration Methodology worksheet, results in public sector redlining and disinvestment of affordable housing resources in communities of color in the core cities and many inner suburbs. When mission driven nonprofits are competing to create quality housing with deep affordability in areas of historic disinvestment through the nonprofit set-aside, they are forced to compete against developments that come into the competition with a significant advantage based on geographic pointing priorities that further exacerbate historic disinvestment.

- **Areas that are labelled "RCAPs" include North Minneapolis, parts of South Minneapolis, and much of St. Paul.** Many of our organizations are based in these geographies, which have experienced disinvestment and wealth extraction for decades due to structural racism in the forms of redlining, urban renewal and freeway construction, and subprime mortgages, amongst others. As a result of and compounding the negative impact of those policies and practices, many of our communities are now fighting to, not only produce affordable housing, but simply preserve housing for residents who have lived in their neighborhoods for decades and face increasing gentrification and displacement pressures as rents rise and properties are purchased for private gain.

- **MHFA is replicating patterns of disinvestment and redlining that have plagued our communities for many decades** when it awards significantly more points (7 or 9 points) to projects in census tracts with significantly lower numbers of people of color. The QAP should advance strategies for in-place investment in communities with the greatest need for safe, affordable, equitable housing.

To address these issues, we have the following recommendations:

- **The QAP must eliminate the language of "areas of opportunity" and "racially concentrated areas of poverty."** This is a deeply damaging false binary and promotes a deficit-based narrative about communities of color and renters that both furthers the logic of disinvestment and creates more barriers to producing and preserving affordable housing in our communities. We believe this is an essential and easily actionable change the agency can make in regards to the QAP.

- **MHFA should eliminate the geographic-based scoring system** and instead focus on which populations and demographics MHFA investments are meant to serve with Housing Tax Credit investments. A focus on who is intended to benefit would create more equitable outcomes than the current methodology.

- **MHFA should award significantly greater points to projects that:**
    - **Have deeper affordability of units.** Units that are affordable to households earning more than 50% AMI are NOT affordable for many in our communities and do not serve people with the greatest housing needs, namely people making 30% AMI or less.
    - **Have longer term commitments to affordability.** Rewarding proposed projects that would extend affordability to 50 years and beyond with significantly more points (right now 35 and 40 years get 8 and 9 points respectively) would ensure public dollars are spent in ways that maximize longer term affordability.
    - **Facilitate "eventual tenant ownership."** Minnesota Housing has an opportunity to create incentives for more models to emerge that would support tenant ownership.
    - **Include significant involvement of minority-owned businesses.** People who are meant to benefit from Housing Tax Credit resources need to actually benefit from the economic activity generated by Minnesota Housing's investments.
    - **Meet MDHR goals for employing people of color and women in their construction.** The Department of Human Rights has set standards for what a diverse and equitable construction workforce looks like in each county. These have been applied to road projects, stadium projects, light rail projects, and so on. Housing proposals should be awarded points for pledging to meet these goals, including a plan for how they will do so, and reporting on their outcomes.

- **Minnesota Housing should institute a prohibition on rewarding projects by developers or management companies that have the practice of mid-lease rent increases**. We're aware of a number of for-profit developers who maintain this practice at great detriment to the levels of affordability of their units. This practice comes at great cost to tenants, who unfairly sign leases expecting to be able to afford a unit, only to have their rent changed the moment that HUD calculations for the regional AMI change.

Equity in Place

African Career, Education, and Resources, Inc. / Alliance for Metropolitan Stability / American Indian Family Center / Community Stabilization Project / Center for Urban and Regional Affairs / Frogtown Neighborhood Association / Hope Community / Housing Justice Center / Jewish Community Action / Metropolitan Consortium of Community Developers / Minnesotans Standing Together to End Poverty and Homelessness / Native American Community Development Institute / New American Development Center / Pueblos de Lucha y Esperanza / Urban Homeworks / West Side Community Organization

VIA EMAIL

August 26, 2019

Minnesota Housing
attn: Tamara Wilson,
400 Wabasha Street North, Suite 400,
St. Paul, MN, 55102.

RE: 2021 Qualified Allocation Plan

To Whom It May Concern:

The Housing Justice Center (HJC) is a Twin Cities-based public interest legal and policy advocacy organization focused on preserving and expanding the supply of affordable housing. We write to offer comments on the Minnesota Housing's Draft 2021 QAP, Self-Scoring Worksheet, and Procedure Manual.

Our primary concern is the overall lack of focus in the QAP on the area of greatest need – housing for people at or below 30% of AMI. The current HUD CHAS data provides further evidence to something that we already know – there is an acute shortage of deeply affordable housing opportunities. Statewide, 159,590 renter households have severe housing problems, and 110,760 (69%) of these have incomes at or below 30% of AMI. Of the renter households with severe problems the vast majority (131,045) pay more than half their income for housing. Of the 131,045 renter households with such severe cost burdens, 104,070 (79%) have incomes at or below 30% of AMI. The most serious fair housing challenge that we face as a state is the lack of housing of any type that is affordable and accessible for very low-income renter households. Households of color are disproportionately adversely affected by the shortage of sound, deeply affordable housing. Currently, households of color are 3.2 times as likely as white, non-Hispanic households to be renters paying more than half their income for housing and 4.3 times as likely as white, non-Hispanic households to be extremely low-income renters with severe housing problems.

1. The current QAP is inconsistent with the needs outlined in the statewide analysis of impediments because it fails to prioritize the deep affordability needed to address disparities in housing access.[1] While we acknowledge a range of housing needs in

[1] Analysis of Impediments to Fair Housing Choice, Minnesota Housing, Department of Employment and Economic Development, and Minnesota Department of Human Rights, Section III, page 3.

Minnesota, the most pressing needs are for deeply affordable housing and these needs are disproportionately felt by households of color, people with disabilities, and immigrant households.

2. Overall, the QAP does not do enough to prioritize housing for people with incomes below 30% of AMI. Any incentives that exist for serving lower-income household can be overshadowed by the geographic and financial factors with the potential result of rewarding 60% AMI developments above more deeply affordable development. In the current market with housing costs rising and current affordable housing opportunities disappearing no public resources should go into 60% AMI housing unless there is a tradeoff through income averaging that creates 20% AMI, 30% AMI, or 40% AMI units – otherwise we are using scarce resources to build housing, for people who the market can already serve, to create housing units with allowable rents that in some instances are above voucher payment standards. In light of the need for deep affordability and the disparities that exist for households at 50% and below AMI, public subsidy should not be used for households above 50% AMI and should significantly prioritize households at or below 30% AMI where the greatest needs and the widest disparities exist.

3. We strongly support the priority placed on permanent supportive housing. We applaud the agency's goal of meeting the needs of High Priority Homeless households as a specific target population. However, we also think that the current structure of the QAP does not give communities the tools to meet the housing needs of families who need deep affordability but not permanent wrap-around social services. The current structure of the QAP creates a gap for people who have low incomes but are not technically homeless. There are many jobs in Minnesota where the current wages for a full-time worker are at or below 30% AMI including six of the top ten in-demand jobs, and only one job in the top ten pays above 50% AMI.[2]

4. We also believe that in the interest of long term affordability, Minnesota Housing should eliminate the ability of developers receiving points for Serves Lowest-Income to raise the rent percentiles they are targeting after year 10. Developers already have the ability to raise rents as median income changes, a practice that is often devastating to families because AMI increases have no correlation with the income of the families who are affected by the rent increases. A family able to pay rent at 50% AMI should not have to absorb the normal rent increases that occur due to changes in AMI and additional rent increases up to the 60% AMI rent levels. For example, a three-bedroom unit at 50% AMI in Chisago County is $1300. That same unit at 60% AMI is $1560. Even over a period of three years as contemplated in the QAP, this represents at least a $260 rent increase – a 20% increase over 3 years on top of adjustments made due to changes in the AMI.

[2] Minnesota Department of Employment and Economic Development, Jobs in Demand https://apps.deed.state.mn.us/lmi/oid/Results_9Columns.aspx. See also https://www.mhponline.org/images/stories/docs/research/reports/OOR2018-final.pdf,page 3.

5. The QAP fails to take advantage of scarce resources that could be achieved by coupling deep affordability through underwriting with Rental Assistance and in fact discourages layering RA with units that are targeted at deep affordability through underwriting. This is particularly disappointing since income averaging will presumably lead to units cross-subsidizing within a building , but the way it is structured the developer gets the most points by putting the RA on units above 50% rents since they cannot get points for RA and serves lowest income on the same unit. As an alternative Minnesota Housing should provide points for both contract rents that are deeply affordable as well as points the existence of RA if they are on the same unit as this is a mechanism to achieving deeper affordability while at the same time making scarce RA go much further because it is based on very low contract rents.

6. The agency should further incentivize very long term affordability. It will not work for all developments and it does not have to, but we should give a competitive advantage to buildings that agree to 50+ years of affordability in a more meaningful way. This is both consistent with the federal statute's priority for long term affordability and a smarter use of scarce public resources.

7. The agency needs to reconsider its approach to financial readiness to proceed. The current structure provides advantages for development in areas with the highest potential achievable rents and developments that include units with the highest legal rents because these are the developments that can size their mortgage to shrink the gap. The point value of secured resources for a development is greater for a building with 60% rents than it is for one with 50% rents, just as an identical building in St. Peter with higher rents comps is more competitive than one in Worthington with lower rent comps. The current structure appears to reward higher rent market areas rather than the projects serving areas with the greatest possible need and meeting the deepest affordability. If we want to prioritize the lowest incomes and the greatest needs, rewarding developments with smaller gaps but less mission seem contrary to this objective.

8. In the interest of increasing local contributions to affordable housing development, the agency should separate local participation from financial readiness. These pointing criteria are trying to achieve different outcomes and combining them has the function of diminishing the contribution of smaller communities with fewer resources and lower achievable rents. If we want local jurisdictions, philanthropy, and businesses to put more resources into housing, we need to create larger incentives to do so.

9. The agency should require a minimum of 12-month leases as a condition of receiving tax credits and should have a prohibition on mid-year lease rent increases. Mid- lease rent increases are becoming increasingly common and can increase the housing costs of low-income households unexpectedly, sometimes between signing the lease and move in. In a tight rental market with few affordable options, people are stuck paying more than

they can afford and more than they thought they were agreeing to with no recourse and few options.

10. Minnesota Housing should require that rents in buildings funding using tax credits need to be set at or below voucher payment standards. Under 42 U.S.C. (6)(B)(iv) renters cannot be discriminated against because they have a housing choice voucher. However, we are aware of some instances where rents of presumably affordable units are set above vouchers payment standards. This is particularly challenging for very low-income households where the difference between the portion of the payment standard and the rent puts potential renters above 40% of the household's income paid toward housing costs and therefore prohibits them from using their voucher. As a condition of receiving tax credits, rents should be below voucher payments standard unless the unit is designated as a 70% or 80% unit using income averaging and the rent is utilized to cross-subsidize deeply affordable unit rents.

We want to thank the agency for all of the work and thought that go into the creation of the QAP. It is a monumental task trying to serve the broad range of interests and the wide range of needs in Minnesota. We know that what we see today is one point in a much longer process of transformation and acknowledge the challenge of shifting large systems. However, we need to start making changes in the short term if we want to meet the needs that exist today and tomorrow – waiting till the next QAP to begin to make changes kicks development of what we need now years down the road. We cannot get to where we need to be if we don't start today.

Truly,

Margaret Kaplan
President, Housing Justice Center

From: Pamela (Pam) Kramer
Sent: Monday, August 26, 2019 4:58 PM
To: Minnesota Housing
Cc: Libby Murphy (libby.murphy@mhponline.org)
Subject: Minnesota Housing 2021 Qualified Allocation Plan Comments

Attention: Tamara Harris and To Whom May Concern:
On behalf of the Local Initiatives Support Corporation in Duluth (Duluth LISC), a provider of technical assistance, training, and financial support to local non-profit, public and for-profit housing developers in Duluth for over 21 years, I offer the following comments regarding Minnesota Housing Proposed 2021 Qualified Allocation Plan (QAP).

Duluth LISC appreciates the opportunity to submit comments for your consideration and we greatly appreciate the open and thoughtful process that you have undertaken in both solicitation of input and development of this QAP.

I would like to share Duluth LISC's comments on the QAP from the perspective of an intermediary in a smaller city impacted by a severe housing shortage. According to the recently released **City of Duluth 2018 Housing Indicator Report**, Duluth is experiencing the lowest vacancy rates in a decade, rising housing costs for all unit sizes, and a 34% increase in households on the public housing waiting lists over the past year. While excited by the growth we see in our community, we are also experiencing increasing housing construction costs, a construction workforce shortage and a continued need to meet the need of homeless individuals and families for safe, supportive housing that is located near needed services. in addition, our aging housing stock and growing job sector has a need for added affordable housing opportunities for our workforce. In our work as a partner with the City of Duluth, local service providers and housing developers, we clearly see a need for housing tax credits and other agency resources to address the full continuum of housing needs. We ask that you consider our comments with that lens.

We would request the following changes as a way to address Duluth's extensive housing needs:

<u>Qualified Census Tracts/Community Revitalization and Tribal Equivalent Areas:</u>
We would encourage MN Housing to further increase points in this area to ensure that affordable workforce housing opportunities related to the revitalization of urban core neighborhoods have the opportunity to proceed. This is important in supporting mixed income housing opportunities for workers related to Opportunity Zones and in responding to opportunities to provide added quality housing for all income levels of the workforce and those in need of supportive housing. In Duluth, this will be key to progress in redevelopment and provision of housing opportunities for all in of Duluth's Medical District Campus, as well as the Lincoln Park Craft Business District. We request that MN Housing consider a change in the

point system to support these type of housing and community investment opportunities in Qualified Census Tracts.

Minority–owned /Women-owned Business Enterprise (MBE/WBE):

We strongly support the award of points to advance MBE/WBE participation and request that Processing Agents, who play a key role in the development process, be added to the list of eligible positions.

Cost Containment Methodology

Duluth LISC encourages MN Housing to reassess your cost containment categories in the QAP. For many years, it has been widely known Duluth's costs of construction are among the highest in the state. Developers, contractors, and architects who work in Duluth, and also in the Twin Cities Metro, verify costs of projects that have been completed in Duluth, have similar cost profiles to their projects in the metro. We ask that Minnesota Housing change the QAP, to acknowledge this reality by viewing Duluth projects, with the same lens as Twin Cities Metro projects. Comparing Duluth's costs with those of other greater Minnesota communities, particularly when green field development or easily buildable lots are the starting point does a disservice to Duluth's ability to compete for much needed, over-subscribed credits. Duluth's projects are often redevelopment sites and/or sites with challenging topography and/or soil conditions. Additionally, Duluth is a strong, organized labor community with a commitment to providing prevailing wages to workers while other smaller Greater MN communities can pay less labor costs reducing their project costs. The current and proposed QAP places Duluth in a difficult position to quality for much needed housing tax credits due to our inclusion as a Greater MN community in the cost containment methodology. Duluth LISC encourages MN Housing to revisit the cost containment structure as a part of this 2021 QAP. This special review and consideration of Duluth's costs is even more critical since rents are lower, securing gap financing is more difficult and the pricing of smaller city projects by syndicators presents added challenges.

Thank you very much for the opportunity to comment on the QAP and for your critical affordable housing investments in our community and throughout the state.

Sincerely,

Pam

Pam Kramer, Executive Director
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METROPOLITAN INTERFAITH COUNCIL ON AFFORDABLE HOUSING

"Do Justice, love mercy, walk humbly with your God." Micah 6:8

MICAH

August 28, 2019

MICAH's public comments on the 2021 QAP Low Income Housing Tax Credits

Thank you for the opportunity to comment.

Specific Comments on the 2021 Qualified Allocation Plan and repeating some of our comments made on the 2020 plan

1. We support long term affordability as a preference priority.
2. We support the point increase for minority owned/women-owned(MBE/WBE) business enterprise but we support an **increase from 3 to 20 points (at least), not 3 to 4 points.** The only way our smaller diverse developers can compete with organizations with 15-40 plus years of experience is by providing them opportunities through a greater number of points. An additional way is to increase to MBE/WBE organizations' involvement is by awarding additional points to non- MBE/WBE organizations that contract with minority owned/women-owned business enterprises in the community and hiring diverse people in the community where the housing development is being placed.
3. We have concerns about the increase in per developer or general partner tax credit limit and the impact that may have on the ability of newer diverse organizations attempting to access tax credits.
4. Revise the State Designated Basis Boost: We support Preservation Basis Boost. We have concerns about the strategic priority of supportive housing without the requirement that residents be involved in supportive services. Only residents with chemical health issues are required to be involved in supportive services in the 2020 and 2021 QAP as indicated in Article 5.4c. We are concerned with the potential new mandates in Medicaid to work and volunteer, that many in supportive housing not involved in services, will not be able to successfully complete the requirements or be waived from participating. This may put their Medicaid resources at risk, thus potentially destabilizing their lives and their ability to live independently in a tax credit housing unit.
5. Greater Minnesota Housing Work force Housing: We encourage a change to allow the letter of support may come from <u>**more than one business employing a total of**</u> 20 or more full time employees. This would allow communities with small growing businesses to provide the employer's support letter through a joint letter of more than 1 employer. This could also support the housing needs of smaller communities with a more diverse employment base (not dependent on one major employer) to access tax credits. Suggest changing Article 9.0 b 1 and 2)
6. Rural Development / Small Project Set Aside of Funds- We support this set aside for small projects of 12 units or less to help preserve and develop housing in Rural Development Service areas.
7. Community Development Initiative: Local stakeholders must include people impacted by the housing crisis and/or in need of affordable housing at all decision making tables. (Article 9.0e). We are excited that the 2022 QAP will include sustained engagement with community stakeholders including people most impacted by affordable housings needs. (Who want and need to decide the types of housing they want developed.) We encourage basic interactive listening sessions on the Sect 42 program and QAP public comments with groups including Street Voices of Change, Freedom from the Streets, and One Family One Community in the

metro area and to partner with other groups organizing people impacted by the housing crisis in greater Minnesota. MICAH will begin interactive listening sessions on a monthly basis this fall on local, state, federal policies and history of homelessness as a part of national Housing Now 2020.

8. We support Article 10.3b Scoring- Tiebreaker. This gives priority to a community that has not received tax credits in the last two years.
9. Article11.1 Record Keeping- Number 2. Please add race and national origin as information collected about the tenant in addition to ethnicity.
10. Article 11.2 number 7 Certification and Review Provisions: In addition to no finding of a discrimination act. Please identify any discrimination claims made about the property.
11. Article 11.2 number 8 Safety: Please include in preservation units built before 1968 that they must be Lead Safe.
12. Access to Higher Performing School Methodology. We support locating tax credit units in these areas. We do have concerns, that some school districts have redrawn school district boundaries after affordable units have been developed in their community which may segregate students from tax credit and other affordable units into a specific school. We recommend a binding agreement with community and school district that this will not occur as a condition of receiving tax credits.
13. Economic integration: We support housing choice and opportunities throughout the Twin Cities Metropolitan area and State. Local stakeholders must be involved including people impacted by the housing crisis and/or in need of affordable housing at all decision making tables.
14. Location Efficiency Methodology. We encourage higher points (at least 7) for walkability and short commutes (under 5 miles). We have large industries such as FedEx in Rogers and Amazon in our South Suburbs where land may be available for development for housing in close proximity for workers to walk or a short drive to work. Projects attempting to develop units in these locations currently cannot score high enough to access tax credits because of the current priorities given to public transportation lines in this section. We believe this is also true in Greater Minnesota where many of our rural public transit systems have seen dramatic reduction in services and cannot score enough points to make projects eligible for tax credits. We appreciate the change from access to public transportation/ dial a ride from within 2 hours to within the same day.
15. Please identify sub allocators that have entered into Joint Powers agreement with Minnesota Housing under which Minnesota Housing will perform the HTC award and compliance monitoring.

Ongoing Concerns:

1. MICAH continues to disagree with MHFA about its role with sub-allocators. Minnesota has a unique manner of distributing Low Income Housing Tax Credits through the allocation to MHFA and sub-allocation to other entities. MICAH believes that MHFA has obligations under the Fair Housing Act to ensure that all resources it has, it is appropriated, allocated, or sub-allocates or grants are used in a manner that decreases segregation and promotes housing choice, opportunities and choice throughout the metropolitan area and State. The 2020 and 2021 QAP plan, Article 3.4, clearly identifies the Metropolitan Council as having a role in the determining the distribution of LIHTC in the Metropolitan area.

2. MICAH continues to be concerned about the potential segregation in communities that receive the 10% set aside for non- profits and additional resources that are provided to projects in sub-allocators communities. We believe that without further review by MHFA of both the non-profit site location and its proximity to other affordable housing in that community, that MHFA may be promoting segregation through the non-profit set aside. We recognize and support the critical need for reinvestment and renovation of properties in highly segregated, high poverty areas. We encourage specific investment in those communities with minority owned developers that are community based, who will hire people, especially minorities, within the community and contract with minority and women businesses in that community to keep the investment and wealth in that community. Local stakeholders must be involved including people impacted by the housing crisis and/or in need of affordable housing at all decision making tables.

Thank you for the opportunity to comment

Sincerely,

Sue Watlov Phillips

Sue Watlov Phillips, M.A.

Executive Director, MICAH

MILLE LACS
CORPORATE VENTURES

August 23, 2019

Commissioner Ho
Minnesota Housing Finance Agency
400 Wabasha Street North
St. Paul, MN 55101-1998

Dear Commissioner Ho:

We appreciate the opportunity to comment on MHFA's draft 2021 HTC Procedural Manual and Self-Scoring Worksheet. On behalf of Mille Lacs Corporate Ventures, please accept the following comments on the proposed 2021 changes.

State Designated Boost
Last year, MHFA revised eligibility for the state designated basis boost to only two types of projects: supportive housing and preservation. The state designated boost was critical to the financial feasibility of our first LIHTC project, Lady Luck Estates. In the future, we would like to develop more workforce housing on and near the Mille Lacs Reservation. Though this area is not in a Qualified Census Tract or Difficult Development Area, there is a high need for quality, affordable housing. It would be difficult for us to develop affordable housing without the state designated basis boost. Considering the unique factors impacting development on reservations, would MHFA consider allowing projects located in "Tribal Equivalent QCTs" to receive the state designated boost?

Rural Communities
Under the current scoring, rural communities in Minnesota are unfortunately at a disadvantage in accruing enough points to be competitive. We believe it would be beneficial to have different standards for project costs and points for rural communities. Under the current QAP, all rural communities compete in the "Greater Minnesota For-Profit" and "Greater Minnesota Non-Profit" pools. Greater Minnesota includes many different communities with significant variations in population sizes, access to regional hubs and employment centers, and proximity to amenities and services. By including such a large area in the "Greater Minnesota" pools, our project in Onamia (population less than 1,000) likely competes with projects in St. Cloud, Duluth, Rochester, Moorhead, Mankato, etc. or even regional hub cities like Brainerd (area population around 25,000). MHFA should create a new pool for truly rural communities – communities with less than 10,000 people and not near regional centers. A population density ratio (through the US Census) may be a good tool to identify the truly rural areas to rural areas with relatively higher

density. As an alternative to a new pool, projects in truly rural communities should be assessed on different point standards than larger rural communities. The Minnesota LIHTC program should support affordable housing development in truly rural communities – particularly ones with strong demand for workforce housing. Small, rural communities are at a disadvantage in many scoring categories. For example:

- A tiny town government does not have the resources to provide tax abatement, development subsidies, etc. in the same way that a larger city could (i.e. harder for these projects to get the Other Contribution points).
- Construction costs are higher in more rural community, making it more challenging for developers to earn the Cost Containment points.
- Small towns (like Onamia with a population of less than 1,000) cannot support the operations of regular dial-a-ride transportation services.

Permanent Supportive Housing for High Priority Homeless

While we support the goals of this category, we feel that MHFA's requirement for projects committing to homeless units should be re-examined. For our Lady Luck Estates project, we committed to four long-term homeless units. At application, our supportive service provider estimated its costs at a less than $10,000 annually. During the closing process and after MHFA's feedback on the supportive service requirements, the provider adjusted its quote to almost $40,000 a year. These types of requirements can quickly shift a project from cash flow positive to requiring extensive subsidies. The requirements are particularly burdensome for projects in rural areas with access to only one LTH service provider. It is undoubtedly easier to obtain competitive bids from service providers in metropolitan areas. Our last project in Hinckley only had access to one service provider. We would respectively suggest that MHFA take a look at their requirements and determine which are truly necessary and which should be optional based on the needs of the specific project.

Rental Assistance

In order to be competitive, we commit to ongoing privately funded Rental Assistance for a portion of our units. While we understand the importance of this commitment, the points related to Rental Assistance create a burden on LIHTC developers like ourselves and can adversely impact the ongoing operations of the project. We would recommend setting Rental Assistance maximums or finding additional ways to mitigate any operational losses. As an example, we had a tenant in our existing project, Lady Luck Estates, that chose to retire from her job. She was in a unit receiving Rental Assistance, so we reduced her monthly rent by $150. This reduction equates to $2,400 less in revenue – creating a significant impact on a small project that has a tough time cash flowing.

Further, as income averaging is new to Minnesota, we fear it may be tough to maintain compliance with rental assistance agreements as the subsidies may change regularly. Our goal is to ensure that our projects cash flow in order to ensure ongoing, high quality operations for all of our tenants. These fluctuating commitments are a challenge. We respectfully ask that MHFA consider how we can all mitigate these concerns for privately funded Rental Assistance while still putting forth a competitive 9% application.

Workforce Housing Communities
If a project is located in a community where an individual employer has 100+ net job growth over the past five years, the application earns six valuable points in this category. However, this scoring category fails to consider communities with severe housing need and significant job openings. We work in communities where there are a far more than 100 job openings with an individual employer. This sort of demand for workers should earn the same number of points as a high job growth community.

Additionally, MHFA notified us this year that the Long Commute Communities points were intended only for projects located in communities with 2,000 jobs or more in 2017. This cut off is arbitrary and unnecessary. If a community has a large proportion of people commuting long distances into the town for work, there is a strong demand for workforce housing. We recommend that MHFA award these points for any community where more than 15% of the workforce travels 30+ miles into the community for work (as evidenced by LED on the Map).

Location Efficiency - Greater Minnesota – Access to Transit and Walkability
We are disappointed that the Walkability points continue to be tied to the Access to Transit points for no apparent reason. We recommend that MHFA revise the language in the Self-Scoring Worksheet to allow projects to receive Walkability points with or without transit points.

Proposed housing projects in truly rural areas are frequently not able to achieve the regular bus service or dial-a-ride service points. In these instances, would MHFA consider awarding points for employer generated or property manager generated ride services?

Rural/Tribal and QCT/Community Revitalization and Tribal Equivalent Areas
We support MHFA's proposed change to increase the number of points for projects located in Qualified Census Tracts/Community Revitalization and Tribal Equivalent Areas.

Minority-owned/Woman-owned Business Enterprise (MBE/WBE)
We support MHFA's proposed change to increase the number of points for projects that use a Minority-owned/Women-owned Business Enterprise.

Solar
Due to MHFA's Cost Containment measures, solar energy is a challenge to include in any Minnesota LIHTC project. We respectfully recommend MHFA creating special incentives and dollars towards supporting renewable energy equipment on future LIHTC projects. Solar panels would be a tremendous benefit to low income tenants in reducing their utility bills.

LIHTC Investments in Underserved Counties
We also recommend that MHFA consider awarding points to projects located in counties without recent LIHTC investments. The State of Wisconsin has this scoring category in their LIHTC program. Some counties in Minnesota get awards every year or every couple years. We are certain that MHFA would agree that it is critical to invest in every area of our state where demand for low income housing exists. When we look at Mille Lacs County, we estimate that there hasn't been new LIHTC investments in 15-20 years. We propose the following additional point category:

- No LIHTC investment in the County for previous 5 years = 5 points
- No LIHTC investment in the County for previous 10 years = 10 points

Preference for Not-Selected Competitive Projects

During the Minnesota Indian Housing Conference on August 21, 2019, the Minnesota Housing Commissioner (Ms. Jennifer Ho) indicated that all LIHTC housing projects are important. Commissioner Ho discussed one of her goals as Commissioner is to not say "no" to projects, rather to prioritize which projects get done first (which is where the QAP comes in to play). She went on to describe how she would like to see the projects that were declined funding be the next projects the agency awards.

Currently, there is no mechanism for projects not selected to gain preference for future awards. In order to complete a competitive LIHTC application, a high level of costs (time, financial and community) are necessary. We respectfully ask that MHFA place a preference on projects that have invested resources on previous applications. This preference could be satisfied by awarding 10 points to any competitive project from a previous year. Competitive projects could be defined as projects whose scores were within 10% of the lowest awarded project score.

Thank you for the opportunity to provide comments on the 2021 draft QAP documents. If you have any questions regarding the suggestions above, please do not hesitate to contact me directly.

Sincerely,

Dustin J. Goslin
VP of Business & Economic Development

Minnesota Housing Partnership
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August 26, 2019

Devon Pohlman
Manager of Multifamily Programs
Minnesota Housing
400 Wabasha St N #400
St Paul, MN 55102

Re: Comments on Minnesota Housing 2021 Qualified Action Plan (QAP)
Via email to devon.pohlman@state.mn.us

Dear Ms. Pohlman:

On behalf of the Minnesota Housing Partnership, thank you for the opportunity to provide comments on the Minnesota Housing 2021 Qualified Action Plan. To inform our comments, MHP solicited feedback from housing partners throughout the state, including a conference call with stakeholders and one-on-one discussions.

Minnesota Housing Partnership (MHP). MHP convenes, guides and mobilizes diverse partners working to improve conditions of home and community, from private developers and tribal leaders to elected officials. Crossing boundaries to forge broad coalitions, we amplify a common vision: Building strong, equitable communities that provide opportunity for everyone, especially those with lower incomes. We provide capacity building and technical assistance in rural areas and Native nations, produce original research, and advocate for policies that advance affordable housing and strengthen communities.

MHP understands that Minnesota Housing's proposed changes to the 2021 QAP are limited in scope, with intent to utilize a broader engagement process for the 2022 QAP.

MHP supports the intention of the changes proposed to the 2021 QAP, including modifications to streamline the application process and make it easier for developers and communities to apply for housing tax credits (HTC). MHP provides these specific comments on proposed changes to the 2021 QAP:

- **Awarding greater points to projects in Qualified Census Tracts (QCT's).** MHP agrees that funding projects in a variety of geographies is important; Minnesota Housing's previous priority for points, which was the subject of valid criticism, favored those communities with higher achievable rents and a stronger ability to tap into local resources. Awarding additional points to projects in a QCT allows investment in neighborhoods and communities that have historically seen disinvestment in by public and private partners and may be susceptible to gentrification and market pressures.

- **Reducing red tape for preservation applications.** The proposed changes would significantly streamline the process of applying for HTCs for preservation activities. Eliminating the requirement that preservation projects must submit a pre-application prior to the application deadline for HTC Round 1 or Round 2 and eliminating the dual application are important steps to support the preservation of existing affordable housing.

- **Valuing contributions of local government.** MHP appreciates changes that recognize the contributions of local government, including non-capital contributions and local decisions to reduce cost and red tape for affordable projects. MHP's experience providing direct technical assistance to rural and small urban communities reinforces our support for incentives that value the unique contributions from local government. Incentivizing local support for affordable homes through the QAP will help to institutionalize these best practice

MHP submits these additional comments with recommended changes to the QAP. MHP urges Minnesota Housing to engage stakeholders in continued conversations on these issues in preparation for the 2022 QAP, with opportunity for more substantial changes at that time.

- **Use a broader definition of housing for those with greatest needs.** MHP heard from many stakeholders that Minnesota Housing's definition of greatest need is extremely limiting and prescriptive, making it a challenge to provide housing for many of Minnesota's lowest income households. MHP commends Minnesota Housing's priority on serving people with the greatest needs, largest barriers, fewest choices, and lowest incomes. We encourage the agency to reassess largest barriers, fewest choices and lowest incomes. With a deficit of more than 111,000 units available and affordable to extremely low-income (ELI) households, barriers have increased and choices have decreased for all ELI households.

  Today, Minnesota Housing prioritizes supportive housing units for those with lowest incomes. As there are extremely limited resources that fund intensive, supportive services, we recommend decoupling requirements for services from units that serve lowest income households. While supportive service units are important resources, not all families with lowest incomes require supportive services. As well, not all geographies – particularly in rural areas – have appropriate services within a reasonable distance. Especially for Greater Minnesota projects, it is almost impossible to receive a funding award unless a project incorporates a minimum of four units that serve long-term homeless individuals and families; this produces a result in which communities that have a need for lowest-income housing may not have a high demand for homeless units, and thus struggle to incorporate these units and services into a project.

- **Incorporate incentives for energy efficient and healthy housing.** MHP urges Minnesota Housing to encourage projects to go beyond minimum Minnesota Green Communities mandatory criteria. While the agency requires projects meet a certain level of energy efficiency standards, it does not prioritize projects that incorporate innovative technology and optimize performance of a building. We believe there is an opportunity to use the QAP to promote projects that reduce a project's life cycle cost and improve health and environmental outcomes, both for rehabilitation and new construction.

- **Reduce reliance on QCT, or concentrated areas of wealth, for prioritization.** While the proposed changes to award more points to projects in QCTs is generally welcomed, we heard feedback from many stakeholders that using QCTs presents a variety of problems. The proposed changes also brought up concerns about overly prioritizing projects in high performing school areas. Awarding points to projects in high performing school areas and limiting points awarded to projects in QCTs makes it extremely difficult for certain communities to compete for resources, despite demonstrated need for more safe, healthy and affordable housing.

- **Expand the metro cost containment threshold to include certain Greater Minnesota communities.** In areas like Duluth, certain fixed costs like developing in bedrock make it impossible to meet Minnesota Housing's cost containment thresholds.

Community engagement for the 2022 QAP. MHP encourages Minnesota Housing to develop a robust community engagement process for soliciting feedback as it considers changes to the 2022 QAP. Engagement around the 2022 QAP provides Minnesota Housing with a unique opportunity to solicit feedback from diverse stakeholders to reexamine strategic priorities and reassess how the QAP can prioritize housing and community development projects that reflect these strategic priorities. The QAP is an extremely technical document that is not accessible to all stakeholders. While affordable housing industry related stakeholders can provide nuanced comments on the point structure and practical implementation of various criteria, the current process for engaging and commenting is inaccessible to many stakeholders. The QAP has direct implications for communities that desperately need more affordable housing. It is critical that Minnesota Housing engage impacted communities. Using such input to then engage with practitioners who can help provide technical insights into translating that input into QAP language and priorities would inform a more robust 2022 QAP draft that the Agency can then put out for comments.

MHP appreciates the opportunity to provide feedback on the proposed changes to the 2021 QAP. We look forward to working with Minnesota Housing to ensure broad community engagement in the process for reviewing and updating the 2022 QAP.

Sincerely,

Libby Murphy

Libby Murphy
Deputy Policy Director, Minnesota Housing Partnership

From: Patterson, John (MHFA)
Sent: Thursday, August 01, 2019 5:08 PM
To: Thurnau, Kody (MHFA) <kody.thurnau@state.mn.us>
Cc: Pohlman, Devon (MHFA) <devon.pohlman@state.mn.us>; Baumtrog, Ryan (MHFA) <ryan.baumtrog@state.mn.us>
Subject: Today's QAP Session and Transit

Kody:

Today a person from Carver County raised a concern about transit and Location Efficiency. He commented that places like Belle Plaine are in the metro area but are small urban/rural areas and that lack the size or density to support or every have fixed route transit. What do you think about adding second 4 point category for the metro area, where you get the points if you are outside the Metropolitan Urban Services Area (MUSA) and the project is within ½ mile of a fixed route stop with service at least every 60 minutes or access to demand response/dial-a-ride with at least prior day notice.

To think this through and avoid inconsistencies, could you add the MUSA line to the metro Location Efficiency map? There are some park and ride lots (2 points) outside the MUSA, including in Belle Plaine. I am curious if any of the more frequent stop lines goes outside the MUSA.

John Patterson
Director of Planning, Research & Evaluation

Minnesota Housing
400 Wabasha Street North, Suite 400 | St. Paul, MN 55102
Direct: 651.296.0763 | Main: 800.657.3769

Housing is the foundation for success. | mnhousing.gov

August 26, 2019

Minnesota Housing Finance Agency
ATTN: Tamara Wilson
400 Wabasha St North, Suite 400
St Paul, Minnesota 55102

Sent via email

RE: Comments on the Proposed 2021 Qualified Allocation Plan (QAP)

To Whom It May Concern:

On behalf of Minnesota NAHRO and its members, thank you for the opportunity to provide comment on the Proposed 2021 Qualified Allocation Plan (QAP). Minnesota NAHRO members own, manage or administer the majority of subsidized rental housing in Minnesota including all public housing plus the administration of the Housing Choice Voucher/Section 8 program. In addition, our members work with developers on a regular basis regarding affordable housing developments that need tax credits. Please consider this letter our comments to the 2021 QAP.

Overall Concerns - Complexity

Minnesota Housing has done a commendable job in explaining the QAP scorecard and providing an opportunity for input. However, the scorecard and the work required to understand it continues to reach a very high level of complexity. As a result, there exists a significant cost to applicants prior to award which is a barrier especially since many first time applicants are not successful in their first applications due to the competitiveness of the program.

The complexity of the scorecard also creates a barrier to entry for new developers, small agencies and/or those with small staff capacity. Other states have more straight forward application and it is our recommendation that Minnesota Housing look to these examples to reduce the complexity of the scorecard in future years. Minnesota NAHRO supports the streamlining proposed in this QAP as a first step to addressing this on-going concern.

Strategic Priorities

As required by statute, Minnesota Housing recognized residential rental housing projects financed with tax exempt bond allocation. However, Minnesota NAHRO supports the continued work of the agency to advance legislation that incorporates the “consensus items” into the tax exempt bond allocation process in order to address program inefficiencies and improve program effectiveness.

Rental Assistance

The addition of points for projects that serve lower income households for a longer period of time is a positive addition. These points recognize the value of affordable units to serve very low income households and properly incentivizes longer term of affordability.

Location Efficiency

The changes to the dial a ride requirement is positive as it recognizes the transportation challenges in greater Minnesota and better reflects program realities.

Preservation Streamlining Proposals

Under preservation, it is understandable that the agency is seeking maximize the use of both the 4% and 9% tax credits. Minnesota NAHRO supports the streamlining proposals that eliminates the pre-application as well as the dual application. Both of these changes will reduce application costs and reduce this barrier to entry.

Preservation Scoring Criterion

Preservation should continue to be a priority for scoring and the inclusion of RAD program is useful as it is expected that this federal resource will become more prevalent in the state in future years. For 2021, however, the proposed two tier approach for preservation projects is unclear especially as it relates to public housing. Specifically, it appears public housing falls under the second tier and as proposed, these projects can only receive a maximum of 6 points which is only one fifth of the points available under the first tier. If it is intended for public housing to qualify under the first tier as recipients of HUD operating subsidies, this should be clearly stated.

If anything, the QAP should favor public housing preservation and as such, the proposal should permit public housing projects to compete under the first tier for the maximum points of 30. As the category suggests, the preservation of public housing units should be a top priority because PHAs/HRAs almost universally serve the lowest-income households in a community. Often public housing programs serve households well below 30 percent of Area Median Income and includes many seniors and people with disabilities. Given the mission of PHAs/HRAs and the nature of the subsidies involved, we can expect these properties to remain dedicated to deeply subsidized housing for a longer term than other types considered under the QAP. For this reason, among others, public housing projects should be recognized for their ability to serve extremely low income households and be given the opportunity to preserve these units under the QAP compete for the maximum number of points available.

Financial Readiness to Proceed

Local funding is an important component to the readiness to proceed and the proposal to clarify the needed documentation for these resources is helpful.

Cost Containment

The effort to hold down total development costs is important and it is clear that development costs continue to increase regardless of current economic factors. The agency should continue to identify cost drivers in previous rounds and look to the other states for alternatives.

Thank you for the opportunity to submit these comments on behalf of Minnesota NAHRO member agencies. If I can be of further assistance, please do not hesitate to contact me.

Sincerely,

Shannon

Shannon Guernsey, JD
Executive Director

MINNEAPOLIS PUBLIC HOUSING AUTHORITY

HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH

Comment on the Minnesota Housing 2021 Qualified Allocation Plan (QAP)

Minnesota Housing and its officials speak often, and passionately, about *preservation* as a fundamental goal for the state's affordable housing investments. Despite this, the proposed QAP appears unfortunately prejudiced against preserving homes for tens-of-thousands of the state's lowest-income households: those living in public housing.

This is a missed opportunity that Minnesota Housing has the power to address through specific changes to the QAP. Minnesota's ability to allocate Housing Tax Credits (HTCs) could be a powerful tool to preserve public housing—at large scale and for the long-term. MPHA and HRA Duluth are among the state's largest public housing authorities (PHAs), but the challenge we face is familiar to PHAs large and small, urban and rural: decades of federal disinvestment, leading to mounting capital needs that threaten this irreplaceable infrastructure across the state.

Fortunately, there is a path forward, and everyone with a stake in these homes has a role to play. HTCs (in combination with housing bonds) are what the state brings to the table. In combination with federal funds, subsidy conversion programs, local contributions, and PHA innovation, we can avoid the fate these homes would otherwise face.

We are glad to see that Minnesota Housing has addressed the ambiguity that used to surround PHAs with regard to the QAP. Now we are named in the document, and appropriately acknowledged as a vital stage in the affordable housing continuum. This is progress!

However, **the structure and scoring in the draft 2021 QAP disadvantage PHAs in ways that contradict the spirit and letter of Minnesota Housing's priorities around preservation. Minnesota also lacks a PHA set-aside from its pool, a practice other states have wisely put in place to assure their QAPs direct resources to these most vulnerable renters.**

Although MPHA would typically apply for HTCs first through a suballocator, there are circumstances under which MPHA would apply and be scored under the state QAP. What's more, suballocators may be inspired by the lead of Minnesota Housing, which can set a proper template by considering the suggestions below.

The Proposed Preservation Tiers Deeply Undervalue Public Housing

For 2021, Minnesota Housing proposes two tiers for awarding points to federally assisted housing under its *Preservation* priority. For PHAs, this would largely apply to properties converted from traditional public housing under the Rental Assistance Demonstration (RAD – Component 1) or another subsidy conversion program.

The first proposed tier, from which PHAs are effectively excluded, carries a value up to 30 points. A second tier, designated explicitly for public housing and PHA RAD-converted properties, awards a maximum of just six points. *We do not see support or justification for this severe difference, which de-prioritizes PHA properties by a factor of five.*

If anything, the QAP should favor public housing preservation. The properties preserved by PHAs under RAD will almost universally serve the lowest-income households (often well below 30 percent of Area Median Income), including many seniors and people with disabilities. Given the mission of PHAs, the structure of RAD transactions, and the nature of the subsidies involved, we can also expect these properties to remain dedicated to deeply subsidized housing for a longer term than other types.

In the recent legislative session, lawmakers gave public housing tenants no confidence that General Obligation Bonds—the other established path for state investment in public housing capital—will be a reliable or meaningful contribution to preserving these units. Subsidy conversion, such as RAD, is the primary path available to preserve public housing properties *precisely because* it enables PHAs to pursue HTCs. However, the proposed preservation tiers stick PHAs on an uneven playing field that undermines Minnesota Housing's stated goals to preserve housing long-term, for the lowest-income households.

Create a PHA Set-Aside

The depressed state of federal funding has made the future of Minnesota's 21,000 public housing units an urgent state and community priority. This is true across the county. Unfortunately, **Minnesota lags other states that have established a set-aside that embraces public housing.** This approach not only serves PHAs eager to reinvest; it actively encourages all PHAs to act to preserve their housing. See, for example, Texas's "At Risk Set-Aside," which sets aside 15 percent of the state's ceiling for a category explicitly including PHAs using RAD.

Establishing a set-aside would acknowledge the deep extent to which PHAs in Minnesota align with the goals articulated under the QAP: service to very low-income households; high proportions of people with disabilities; safe shelter for families at immediate risk of homelessness. The federal public housing subsidy administered by PHAs makes us the only affordable housing providers and developers in the state who can house the lowest-income Minnesotans on any significant scale.

A PHA set-aside might also render moot the arbitrary decisions around assigning different point values to different types of federally subsidized housing (see our prior comment), instead creating a pool within which PHAs compete among themselves on the merits of their projects. We are unclear at this time whether such a set-aside would require legislative action, or is within the ability of Minnesota Housing to institute. In either case, we urge Minnesota Housing to pursue the concept.

Award Points for Energy Efficiency

Energy efficiency is both an end in itself and a tool to generate operating savings that can be reinvested in housing. The current QAP does not recognize green-design elements as a point-worthy component of LIHTC projects. We suggest that Minnesota Housing consider how investments in proven energy-saving technologies can contribute to affordable housing projects that are environmentally and financially sustainable and support Minnesota's Energy Action Plan.

The Geographic Priorities Disadvantage Urban Public Housing

For understandable reasons, QAP scoring is designed to reward construction in areas of economic opportunity and higher performing schools. While this has some merit for new construction, it has a regrettable negative effect on the scores of preservation projects in low-income neighborhoods. While this is not an issue exclusive to public housing, PHAs would feel it acutely. (Paradoxically, the presence of a large low-income housing development can, all by itself, affect the qualification of a neighborhood.)

Structured properly, the QAP should reward investment in neighborhoods in need of revitalization, not perpetuate a cycle of underinvestment. We do not have an easy solution to this issue, given the conflicting priorities involved, but ask Minnesota Housing to study how to mitigate the unintentional effects, especially on urban preservation proposals, of certain geographic scoring criteria.

Clarification: RAD is Not the Only HUD Subsidy Conversion Program

While RAD is the predominant option Minnesota PHAs will utilize to engage in the HTC space, it is not the only option. HUD's Section 18 and Voluntary Conversion programs are two examples. Where there are references to RAD, it would be appropriate to include the phrase "or other Federal housing subsidy conversion mechanisms."

Clarification: PBRA Regulatory Reference may be Incorrect or Incomplete

This section is not applicable to us directly; we offer this suggestion for your further research. On the self-scoring sheet, the "Rental Assistance" Project Priority references "project-based rental assistance awarded in accordance with 24 CFR Ch. IX, Section 983.51." A lowercase reference to "project-based rental assistance" could refer in a general sense to forms of rental assistance that are project-based, or it could refer explicitly to HUD's Project-Based Rental Assistance (PBRA) program. In either case, the regulatory citation refers to a section of the federal code covering only HUD's project-based *voucher* (PBV) program. For regulations pertaining to the PBRA program (which we believe Minnesota Housing likely intends to include under this heading) see 24 CFR parts 5, 402, 880-881, 883-884, and 886.

*   *   *

Thank you for your careful consideration of these comments on the 2021 Draft QAP. We hope they are also formative as Minnesota Housing looks toward 2022, and what we understand will be a more intense focus on the challenge of deeply affordable housing.

HRA Duluth, MPHA, and other housing authorities in Minnesota foresee the critical need in the years ahead to engage with state programs so that we can continue to fulfill our essential role at the base of Minnesota's affordable housing continuum. Thoughtful changes to the state's process for awarding valuable tax credits can assure that PHAs play their part in meeting Minnesota's overall affordable housing goals.

CONTACT:

Jeff Horwich, MPHA Director of Policy & External Affairs jhorwich@mplspha.org

Jill Keppers, HRA Duluth Executive Director jkeppers@duluthhousing.com

August 26, 2019

Tamara Wilson
Minnesota Housing
400 Wabasha Street North, Suite 400
Saint Paul, MN 55102

Re: Minnesota Draft 2021 Qualified Allocation Plan

Dear Ms. Wilson,

These comments are submitted by the Natural Resources Defense Council (NRDC), The National Housing Trust (NHT), the Center for Sustainable Building Research (CSBR), and Fresh Energy.

NRDC and NHT, along with additional partners, launched the "Energy Efficiency for All" initiative in 2013 to scale up energy efficiency investment in affordable multifamily housing. Fresh Energy is helping to spearhead this effort in Minnesota. The Center for Sustainable Building Research is part of the University of Minnesota, College of Design. CSBR manages the SB2030 and B3 Sustainable Building Guidelines for the state of Minnesota, and was involved with the launch of the Minnesota Overlay of the Green Communities Criteria.

We commend the Minnesota Housing Finance Agency ("Minnesota Housing") for its commitment to increase the energy and water efficiency and sustainability of affordable housing. Specifically, we commend Minnesota Housing's leadership on the Energy Rebate Analysis to help owners access utility-sponsored energy efficiency resources and improve utility programs.

Below we list several recommendations to help Minnesota Housing build on this success. Note that we also submitted joint comments on the 2019 and 2020 draft Minnesota Qualified Allocation Plan, some recommendations from which are resurfaced here.

1. Consider encouraging higher levels of achievement within the Enterprise Green Communities framework. We appreciate that Minnesota Housing requires properties to meet Minnesota Green Communities mandatory criteria to establish baseline energy and water efficiency and to meet Enterprise Green Communities thresholds for optional points. However, to remain on the leading edge and continue to deliver significant health, environmental, and financial benefits to families and communities, we encourage Minnesota Housing to award points for higher achievement. For example, Minnesota Housing could consider awarding points for achieving additional optional points or for achieving official certification by Enterprise Green Communities, which is free of charge. Additionally, we recommend that Minnesota Housing adopt the 2020 Enterprise Green Communities Criteria as soon as is practicably possible after their release.

- The **Georgia Department of Community Affairs** awards one point to developments that commit to obtaining certification through EarthCraft, Enterprise Green Communities, LEED, or the National Green Building Standard. However, to encourage higher levels of achievement, DCA awards three points to developments that commit to obtaining the highest level of sustainable building certification.

2. Adopt points to encourage performance-based energy savings in rehabilitation projects that seek an allocation of tax credits. We commend Minnesota Housing for requiring that properties meet Minnesota Green Communities criteria, and including performance and prescriptive pathways. We recommend that Minnesota Housing consider incentives for projects that demonstrate that they will achieve a certain level of energy savings above the required baseline. This will encourage developers to combine technologies and further optimize the performance of the building as a whole.

- In addition to points for higher levels of achievement through a third-party building standard, the **Pennsylvania Housing Finance Agency (PHFA)** awards points specifically for meeting energy efficiency goals. Points are awarded to properties that exceed the requirements of Energy Star Version 3.0 by achieving a HERS index score of less than 70 for substantial rehabilitation projects that are 100% electric, or a HERS index of less than 60 for substantial rehabilitation projects utilizing gas. Moderate rehabilitation projects are awarded points for a HERS index of 80 or less for 100% electric buildings, or a HERS index of less than 75 for moderate rehabilitation projects utilizing gas. PHFA also awards points to developments that meet Passive House Requirements for energy efficiency.

- The **Georgia Department of Community Affairs** awards points to developments that engage in energy analysis early in the design phase to produce higher performing buildings. Developments that receive points for certification through a third-party building standard (explained above) are eligible for an additional point for high performance building design if they meet the following criteria: a worst case HERS Index that is at least 15% lower than Energy Star Target Index; a 10% improvement over the baseline building performance rating; or, for moderate or substantial rehabilitations, a projected reduction in energy consumption greater than or equal to 30%.

3. Adopt 2015 Enterprise Green Communities *Criteria 8.5 Project Data Collection and Monitoring System: 100% Owner-Paid Utility Accounts; 15% Tenant-Paid Utility Accounts* as mandatory. Frequently, energy is the highest variable operating cost in affordable housing, materially affecting both owners and residents. Benchmarking can assist owners with ongoing monitoring of a property's energy and water use. A recent study by the U.S. Environmental Protection Agency found that organizations that benchmark energy and water consumption consistently have achieved average energy savings of 2.4% per year.[1] Benchmarking also helps owners make data-driven decisions about energy and water efficiency investments. For HFAs, benchmarking can help ensure that the properties in which they invest stand the test of time and inform future energy and water efficiency policies and priorities.

[1] U.S. Environmental Protection Agency (2012) ENERGY STAR DataTrends: Benchmarking and Energy Savings, available at: https://www.energystar.gov/buildings/tools-and-resources/datatrends-benchmarking-and-energy-savings

4. Explore opportunities to promote project-specific utility allowances to incentivize energy and water efficiency investments. Project-specific utility allowance practices that account for cost savings from energy improvements can encourage building owners to make investments that optimize building energy efficiency by allowing building owners to recoup some of the investment made to improve the building's performance. Project-specific utility allowance practices include either a high-quality energy consumption model or the use of actual consumption data.

States are beginning to institute requirements or award points for switching to project-specific utility allowances, using either actual consumption data or an energy consumption model. For example:

- In 2014, the **Arizona Department of Housing** began requiring properties with new LIHTC awards to base their utility allowances on an energy consumption model. Utility allowances are calculated by a certified Residential Energy Services (RESNET) rater. The RESNET rater uses on-site data to establish a baseline Home Energy Rating System (HERS) rating on the as-is property conditions, then works with the developer to identify cost-effective energy improvements to incorporate into the scope of work. After construction, the energy model is updated and final HERS rating and utility allowances are calculated for the property.

- **The Washington State Housing Finance Commission (WSHFC)** awards two points for building owners that choose the energy consumption model for calculating utility allowances. The estimate must be calculated by an independent licensed engineer or other qualified third party approved by WSHFC.

- The **Michigan State Housing Development Authority** participated in a pilot with New Ecology to use WegoWise software to calculate utility allowances in 400 participating buildings based on actual consumption data. Data were accessed through existing landlord portals through DTE and Consumers Energy, streamlining data collection and allowing New Ecology to perform the required utility allowance calculations based on MSHDA requirements.

5. Consider incorporating ENERGY STAR washers in both in-unit and common area laundry rooms. Clothes washing is responsible for about 20% of indoor residential water use, and a new ENERGY STAR washer can cut water use in half compared to the most common types of washers in use today. While requiring ENERGY STAR products is common, it is not as common for common-area laundry rooms since properties often lease commercial washers.[2]

6. Minnesota Housing should work toward ensuring future projects are Net Zero and/or Solar Ready. Housing Finance Agencies (HFAs) have been successful encouraging renewable energy in HFA-supported housing through robust design standards, as well as through partnerships with existing city or statewide initiatives. For example:

- **Oregon Housing and Community Services** requires New Construction and Substantial Rehabilitation (defined as a rehab where construction cost is 75% or greater of the cost to

[2] *See* "Efficiency Opportunities in Multifamily Common Area Laundry Facilities," R. Schaaf and R. Shah, *available at* https://www.nrdc.org/sites/default/files/efficiency-common-laundry-areas-sahf-20170327.pdf

completely reconstruct the building or buildings) to conduct an assessment of the relative practicality of incorporating solar energy into the project scope. Once the Solar-Ready Assessment is completed, detailed Solar-Ready Design must be integrated into the project.

- **The Washington D.C. Department of Housing and Community Development** awards points to projects that exceed the minimum threshold Green Building Act requirements and commit to achieving Enterprise Green Communities Criteria 5.2b Advanced Certification: Nearing Net Zero or Petal Certification under the Living Building Challenge program. Projects that pursue these points must incorporate solar photovoltaics to maximize their rooftop generation potential to the maximum extent as allowable by District codes and regulations.
- **The California Tax Credit Allocation Committee (CTCAC) regulations** require new construction and rehabilitation projects to achieve energy efficiency points before they are eligible to pursue points for renewable energy. Improving the energy efficiency of a building before installing a renewable energy system will save project costs by reducing the size of the system needed to offset energy load.
    - For new construction, points are awarded for energy efficiency with renewable energy that provides the following percentage of project tenants' energy loads: 20 percent offset of tenants' load, 3 points for low-rise multifamily, 4 points for high-rise multifamily; 30 percent offset of tenants' load, 4 points for low-rise multifamily, 5 points for high-rise multifamily; 40 percent offset of tenants' load, 5 points for low-rise multifamily.
    - For rehabilitation projects, CTCAC awards points for energy efficiency and renewable energy for (a) photovoltaic (PV) generation that offsets 30% of tenant loads, (b) PV generation that offsets either 50 percent (50%) of common area load, or (c) solar hot water for all tenants who have individual water meters.
- In Minnesota, several utilities currently offer programs which are designed to expand access to solar energy for multifamily buildings. For example, in 2019 **Xcel Energy's Solar*Rewards**[3] rooftop solar incentive program introduced income-eligible incentives for qualifying projects, including multifamily buildings with under-resourced (i.e. "low-income") tenants. These incentives pair the program's existing production-based incentive with a new upfront incentive to help bring down the initial costs of solar projects. The program's new income-eligible incentives served 5 multifamily buildings out of a total 42 income-eligible projects that were approved in 2019. Additionally, **Minnesota Power offers a Low-Income Solar Pilot Program**[4] which offers assistance to solar projects that are specifically designed to benefit under-resourced customers. A committee of seven Minnesota Power employees and seven regional stakeholders, including community members, reviews applications and awards funding.

Minnesota Housing should consider adding points for renewable energy criteria in their QAP in order to encourage developers to take advantage of these low-income solar program opportunities.

[3] Solar*Rewards for Income-Qualified Customers, Xcel Energy,
https://www.xcelenergy.com/programs_and_rebates/residential_programs_and_rebates/renewable_energy_options_residential/solar/available_solar_options/on_your_home_or_in_your_yard/solar_rewards_for_income_qualified_customers

[4] Minnesota Power's Low Income Solar Pilot Program,
https://www.mnpower.com/Environment/LowIncomeSolarPilotProgram

Importantly, properties pursuing renewable energy should be required to maximize energy efficiency in their properties first.

7. Integrated Physical Needs Assessment. Minnesota Housing is a leader in working with its developers to identify and leverage unique sources of funding, specifically through the use of the Energy Rebate Analysis. Refinancing is often the only time that sufficient capital is available to incorporate efficiency upgrades, renewable upgrades and healthy building materials into affordable housing properties. To maximize the refinancing opportunity, we recommend Minnesota Housing consider an Integrated Physical Needs Assessment.

- **In 2017, the New York City Department of Housing Preservation and Development (HPD), New York City Housing Development Corporation (HDC), and New York State Homes and Community Renewal (HCR)** developed an Integrated Physical Needs Assessment, which is now required for all preservation projects accessing tax credits, subsidies, or special loan products offered by these three agencies. To develop the IPNA, the local Energy Efficiency for All coalition led a collaborative effort with HPD, HDC, HCR, city and state government representatives, the New York State Energy Research and Development Authority (NYSERDA), utilities, and financing organizations to develop a more advanced and comprehensive Green Property Needs Assessment (GPNA).

  The first of its kind IPNA that came out of that process provides information in a useful format for owners and lenders and allows them to participate in NYSERDA and utility incentive programs. It includes an improved energy efficiency audit, a water efficiency audit, a health assessment developed by Local Initiatives Support Coalition (LISC) and Enterprise Community Partners, and a solar potential evaluation tool developed by Solar One. Streamlining this process ensures HFAs, owners, and lenders understand the full range of needs and opportunities in each property at a time when sufficient capital is on the table to enable deeper, whole-building energy and health upgrades.

8. Require the use of healthy building materials to reduce toxic exposures. Low-wealth individuals are likely to live in communities with higher levels of toxic pollution, and that often host facilities that are sources of hazardous emissions. Despite growing evidence that affordable housing is an effective platform for mitigating a range of health disparities – access to healthy food, mental health, increased physical activity, social connectedness – a critical health component often remains overlooked: chemical toxics in the built environment. Healthier materials are part of a complementary and holistic health approach to minimize the health gap in low-wealth communities.

The 2018 update to the AIA Ethics Code includes minimizing toxics and pollutants. It states, “Members should select and use building materials to minimize exposure to toxins and pollutants in the environment to promote environmental and human health and to reduce waste and pollution.” (AIA Ethics Canon VI E.S. 6.3 Building Materials.) The understanding of the impact of material contents on indoor environmental quality and resident health is evolving rapidly. Expanding the awareness of chemical hazards beyond VOCs and formaldehyde can reduce exposure in the home to toxics with health impacts including asthma, cancer, and developmental and reproductive impacts.

The following recommendations focus on two objectives: a broader healthy building materials approach and greater product transparency.

- **Minnesota Housing should expand its healthy building materials requirements beyond the current Enterprise Green Communities Criterion 6.10, moving from a focus on asthmagen-free materials to encompass a broader healthy building materials approach.** Enterprise Green Communities currently focuses on preventing the installation of insulation, flooring, wall coverings, and composite wood products that contain ingredients that are known to cause or trigger asthma. In order to avoid exposure to certain specific chemicals, we recommend that Minnesota Housing strengthen these requirements/optional criteria and adopt new requirements for paints, sealants, and surfacing materials/fill. Please refer to Attachment A for specific recommendations.
- **Minnesota Housing should include a product transparency requirement for a minimum number of products specified in a building project.** Those responsible for the design, construction, and operation of buildings, have the right to make informed decisions on what chemicals and what health hazards they want to avoid. The public disclosure of material contents provides the information necessary to make responsible decisions to avoid known and potential hazards to building occupants, workers, and fenceline communities. Therefore, we recommend that Minnesota Housing require (or provide one point for) the procurement of public transparency documents for 5 products across 3 Construction Specifications Institute (CSI) categories. (All content characterized and screened to 1,000 ppm or better.)
    - HPD (All content characterized and screened to 1,000 ppm). The Health Product Declaration (HPD) is a standardized format for manufacturer disclosure of product content, emissions and health hazards associated with the content. Manufacturers voluntarily use the format and may distribute it as they do MSDS's or Technical Data Sheets. The Health Product Declaration Collaborative maintains the HPD Standard and a list of tool providers who offer databases of HPDs.
    - Declare Label (Red List Free, Declared, or LBC Compliant where contents are 100% disclosed). Declare is a transparency platform and product database for the materials marketplace.[5]

9. Diversity, Equity, and Inclusion. Minnesota Housing should consider adopting goals and QAP policies to advance diversity, equity, and inclusion. One goal of the Oregon Housing and Community Services' 2019 QAP is to reflect the priorities, goals and strategies in the Oregon Statewide Housing Plan, which includes equity and racial justice with the following strategies:

- Adopt an approach to advancing equity and racial justice, informed by national promising practices and lived experience of communities of color.
- Improve OHCS's ability to track, analyze, and measure performance and progress towards equity goals through standardization of data collection and enhancing data analysis of program utilization.

[5] These recommendations draw on information from HomeFree, Healthy Building Network's national initiative supporting affordable housing leaders who are improving human health by using less toxic building materials. The HomeFree website provides healthy building material recommendations and education. *https://homefree.healthybuilding.net/*

- Provide statewide leadership by using OHCS's Internal Diversity, Equity and Inclusion Committee to solicit and adopt a Diversity, Equity and Inclusion framework as a piece of the core value system of the agency and to serve as a model for the state.

To operationalize this goal, the 2019 Draft QAP includes language requiring both 4% and 9% LIHTC applications to sign a Diversity, Equity, and Inclusion (DEI) Agreement. This agreement commits the organization to doing work and reflection to enhance diversity, equity, and inclusion practices.

10. Public Engagement for 2022 QAP Revision Cycle. We commend Minnesota Housing for its intent to launch a broader community engagement effort for the 2022 QAP, as well as its commitment "to sustained engagement with community stakeholders, including people most impacted by affordable housing needs."[6]

Minnesota Housing can build on the groundwork laid by its recent Community Solution events, which were held in five cities around the state: Worthington, Detroit Lakes, Mora, St. Paul, Bloomington. Two of the five events were held in the evening, making them more accessible to interested individuals who were unable to attend a session during typical business hours.

Going forward, we encourage Minnesota Housing to hold similar events (listening sessions, "101" education opportunities, etc.) in additional cities statewide, at various times of day including evening sessions. Educational sessions in particular are a valuable opportunity to provide information on complex topics such as the QAP to impacted individuals who might not regularly engage with Minnesota Housing's input processes. Minnesota Housing should also identify community-based partners, such as renter advocates, district council members, legal aid services, and others to help promote the 2022 QAP engagement process. Finally, we strongly encourage Minnesota Housing to consider offering additional resources, such as providing a meal and/or lighter food and beverages, child care, and a stipend or other form of compensation for participation (such as travel reimbursement). These additional resources would provide much-needed support to impacted individuals who otherwise might not be able to participate in the engagement process.

The Natural Resources Defense Council, The National Housing Trust, the Center for Sustainable Building Research, and Fresh Energy commend Minnesota Housing for its support of sustainable communities, and we appreciate the opportunity to comment.

Sincerely,

Laura Goldberg
Midwest Regional Director, Energy Efficiency for All
Natural Resources Defense Council

Annika Brink
Regional Director of Energy Efficiency Policy, Midwest
National Housing Trust

[6] Minnesota Housing 2021 QAP Summary of Proposed Changes, p. 3.

Ben Passer
Director, Energy Access and Equity
Fresh Energy

Richard Graves
Director
Center for Sustainable Building Research

ATTACHMENT A

6.10 Healthier Materials (adapted and expanded from 6.10 Asthmagen-Free Materials)

Works with 6.1 Low/No VOC Paints, Coatings and Primers and 6.2 Low/No VOC Paints Adhesives and Sealants

Current:

Requirements Optional | 12 points maximum

Do not install products that contain ingredients that are known to cause or trigger asthma. Key products to avoid are:

- *Insulation:* Do not use spray polyurethane foam (SPF) or formaldehyde-containing fiberglass batts. *[4 points]*
- *Flooring:* Do not use flexible vinyl (PVC) roll or sheet flooring or carpet backed with vinyl with ortho-phthalates. Do not use fluid applied finish floors. *[4 points]*
- W*all coverings:* Do not use wallpaper made from vinyl (PVC) with ortho-phthalates or site-applied high-performance coatings that are epoxy- or polyurethane-based. *[4 points]*
- *Composite wood:* Use only ULEF (Ultra Low Emitting Formaldehyde) or NAF (No Added Formaldehyde) products for cabinetry, subflooring and other interior composite wood uses. *[4 points]*

Proposed:

Expansion of current optional criteria for avoidance of certain chemicals.

Including both mandatory (M), and optional (O) points.

- Paints (all interior paints, coatings, and primers)
    - VOC emissions verified as compliant with CDPH Standard Method for all wall finish paints. (M)
    - Specify and use paints known to be free of alkylphenol ethoxylates (APEs). (O)
        - (GS-11 and LBC Red List Free meet this requirement)
    - Do not use specialty paints that contain isocyanates, such as white board paint (M)
- Wall coverings
    - Do not use wallpaper made from vinyl (PVC) with ortho-phthalates (M)
    - Do not use site-applied high-performance coatings that are epoxy- or polyurethane-based. (O)
- Insulation:
    - Do not use spray foam (as a primary means of thermal insulation). (M)
    - Do not use formaldehyde-containing fiberglass or mineral wool batts (M)
    - When using rigid insulation, do not use products that contain halogenated flame retardants (O)
- Flooring
    - Do not use vinyl flooring or carpet (O)
    - If using carpet, avoid fluorinated (PFAS-based) stain-repellent treatments (O)

  - If using vinyl, avoid orthophthalates (M)
  - Do not use fluid applied finish floors.
  - Use mechanical installation or peel-and-stick adhesives for all flooring (O)
- Composite Wood (same as above with addition)
  - Use only ULEF (Ultra Low Emitting Formaldehyde) or NAF (No Added Formaldehyde) products for cabinetry, countertops, subflooring and other interior composite wood uses. (O)
- Sealants
  - Do not use sealants that contain orthophthalate plasticizers, which are common in polyurethane and modified polymer sealants. While not common, these may also be found in some acrylic latex or siliconized acrylic sealants. (M)
  - If foam sealing products are needed, prefer those that are not reacted on site (advice)
  - Avoid silicone sealants and isocyanate-containing spray foam sealants when possible (advice)
- Surfacing Materials/Fill
  - Federal and state government programs allow many solid wastes to enter into commerce, outside of solid waste regulation, if they are "beneficially reused" in construction applications, including fill and topsoil around residences and surfacing materials in playgrounds. 2015 research by HBN, specifically focused on NYC indicated an issue there.
    - Optional points for knowing the type and source of fill materials and avoiding the use of solid waste materials (including shredded tires, treated contaminated soil and sediments, fly ash, slag, and historic fill) in exterior applications including topsoil and playgrounds.

On behalf of the Olmsted County HRA, I'd like to provide the following comments on the QAP regarding Rental Assistance, Project Based Vouchers (PBV). During the 2019, funding round, the Olmsted County HRA was approached by a developer to allocate PBV's for their tax credit application. As the Olmsted County HRA investigated this further, we were made aware by the HUD Field Office that ***PBV's may not be allocated to a project prior to the submittal of a tax credit application, unless they have been competitively procured by the HRA.***

The language of QAP and HUD contradict one another and place HRA's in the middle of this conflict. We would respectfully request that Minnesota Housing works with the HUD field office to modify the QAP to include language that is acceptable for both agencies.

We would welcome the opportunity to speak with you further regarding this matter.

Thanks,

Dave

Dave Dunn, AICP
Executive Director
Olmsted County Housing and Redevelopment Authority
2117 Campus Drive SE
Rochester, MN 55904
Phone & Fax: 507.328.7143
E-mail: dunn.dave@co.olmsted.mn.us

From: Jeff Corey [mailto:jcorey@1roofhousing.org]
Sent: Monday, August 26, 2019 3:54 PM
To: MN_MHFA MN Housing, (MHFA) <MN.Housing@state.mn.us>
Subject: 2021 QAP

comments

To whom it may concern:

I would like to comment on two areas with regard to the 2021 QAP.

First, for many years it has been the case that Duluth's costs of construction are among the highest in Minnesota. This is verified by the costs of projects that have been completed in Duluth and by the experience of developers, contractors, and architects who work in Duluth and in the Twin Cities Metro. Minnesota Housing should change the QAP to acknowledge this reality by viewing Duluth projects with the same lens or category as Twin Cities Metro projects. It is unfair to compare Duluth's costs with those of other greater Minnesota communities, particularly those which typically only experience green field development on quite buildable lots, when Duluth's projects are often needing to be redevelopment sites and/or sites with challenging slope and/or soils conditions.
Further, since Duluth is a union town it will always be the case that projects there pay prevailing wages while projects in other communities may not have to do so.

Second, it is good to see Minnesota Housing increase its support for women and minority owned businesses by adding a point to this category. It would be even better if Minnesota Housing did so even further by including other businesses, particularly Processing Agents. These businesses are integral to the success of projects, are often involved longer than contractors or architects in projects, and are commonly owned and operated by women.

Thank you for your consideration.

Sincerely,

Jeff Corey | Executive Director
One Roof Community Housing: Enriching Lives & Communities One Home at a Time
12 E 4th Street | Duluth, MN 55805 | 218-727-5372 x.2035 | 218-249-0085 (direct)
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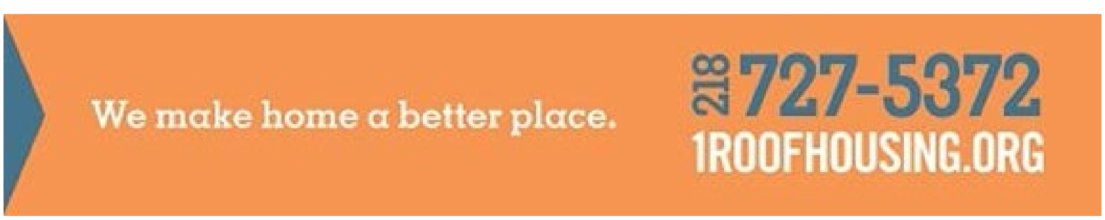

From: Matt Lewis [mailto:Matt.Lewis@radiashealth.org]
Sent: Thursday, July 25, 2019 3:40 PM
To: MN_MHFA MN Housing, . (MHFA) <MN.Housing@state.mn.us>
Subject: Attn Tamara Wilson - QAP comment

Hi Tamara-

The thing I would most like to see as a homeless services provider is some incentive for tax credit properties to lower their tenant selection criteria. It's extremely frustrating for our most vulnerable clients to be denied from a tax credit unit because of their rental or criminal history. If affordable developers are getting public subsidy, it should also follow that they commit to serving our most vulnerable residents.

Thank you,
Matt

Matt Lewis
Director of Housing and Community Development
166 4th Street East, Suite 200 St. Paul, MN 55101
D 651-256-1226 | M 651-291-1979 | F 651-291-7378
Matt.Lewis@radiashealth.org

-----Original Message-----
From: Jean Eide [mailto:jeide@rippleyrichard.com]
Sent: Monday, August 26, 2019 2:34 PM
To: MN_MHFA MN Housing, (MHFA) <MN.Housing@state.mn.us>
Subject: QAP Comment

Minnesota Housing has upgraded its commitment to women and minority owned businesses by adding another point to this category. A significant contributor to the development of housing in Minnesota has been left off the list of entities eligible to receive these points. Processing Agents often provide a full range of development services to projects. Processing Agents should be included as eligible for MBE/WBE points going forward. Processing Agents are often involved in a project for longer than the contractor and architect. Processing Agents are also commonly woman owned.

Thank You for your time,

Jean Eide

Sent from my iPhone

From: Buffy Beranek [mailto:bberanek@semmchra.org]
Sent: Monday, August 05, 2019 1:03 PM
To: MN_MHFA MN Housing, (MHFA) <MN.Housing@state.mn.us>
Subject: QAP Feedback

Tamara, in follow-up to our conversation, I have reviewed the summary of proposed changes and I am supportive of the changes and gleaned a sense the changes are reflective of the realization of the need that housing, in all its forms and sizes, is important. From a rural small HRA perspective, anything that can be done to reduce paperwork and streamline the process is appreciated. I would like to see an even more streamlined process for HRAs as we continue forward. Thank you, Buffy

Buffy J. Beranek, Executive Director

Southeastern MN Multi-County Housing & Redevelopment Authority

134 East Second Street | Wabasha, MN 55981

651-565-2638, ext. 202 | fax: 651-565-3836 | bberanek@semmchra.org

From: Leah Hall [mailto:lhall@threeriverscap.org]
Sent: Friday, August 23, 2019 11:13 AM
To: MN_MHFA MN Housing, (MHFA) <MN.Housing@state.mn.us>
Subject: Public Comments_2021 QAP

Greetings!

On behalf of Three Rivers Community Action I would like to submit the following feedback on the 2021 QAP Proposed Changes:

- Location Efficiency: Changing the requirement for dial-a-ride response time to be 'no more than a two-hour advance notice' to same-day service is extremely helpful to rural projects. We strongly support this change and thank you for proposing this change.
- Minority-owned/WBE: Thank you for increasing points in this category and for MHFA's support for Minority owned/WBE.
- Preservation: We are supportive of all changes in this category and the elimination of a pre-application will have a significant, positive impact on organizations like ours that are considering applications for preservation projects.
- Further clarification of financial readiness/other contributions categories is very helpful.

Overall we are excited about the proposed 2021 QAP changes and we thank you for your work on this!

Thank you,
Leah

Leah Hall, CCAP
Community Development Director
lhall@threeriverscap.org
Phone (Cell): 507-226-6083
1414 North Star Drive| Zumbrota, MN 55992
Fax: 507-933-4481

ThreeRivers COMMUNITY ACTION

"Community Action: Helping People. Changing Lives"

TRAVOIS™

310 W. 19th Terrace
Kansas City, MO 64108

August 26, 2019

Jennifer Ho
Minnesota Housing Finance Agency
400 Wabasha Street North
St. Paul, MN 55101-1998

Ms. Ho:

We appreciate the opportunity to comment on MHFA's draft 2021 HTC Procedural Manual and Self-Scoring Worksheet. On behalf of Travois, please accept the following comments on the proposed 2021 changes.

State Designated Boost

Last year, MHFA revised eligibility for the state designated basis boost to only two types of projects: supportive housing and preservation. The state designated boost was critical to the financial feasibility of several of our clients' projects. Considering the unique factors impacting development on reservations, would MHFA consider allowing projects located in "Tribal Equivalent QCTs" to receive the state designated boost?

Rural Communities

Under the current scoring, rural communities in Minnesota are unfortunately at a disadvantage in accruing enough points to be competitive. We believe it would be beneficial to have different standards for project costs and points for rural communities. Under the current QAP, all rural communities compete in the "Greater Minnesota For-Profit" and "Greater Minnesota Non-Profit" pools. Greater Minnesota includes many different communities with significant variations in population sizes, access to regional hubs and employment centers, and proximity to amenities and services. By including such a large area in the "Greater Minnesota" pools, small towns like Onamia (population less than 1,000) likely competes with projects in St. Cloud, Duluth, Rochester, Moorhead, Mankato, etc. or even regional hub cities like Brainerd (area population around 25,000). MHFA should create a new pool for truly rural communities – communities with less than 10,000 people and not near regional centers. A population density ratio (through the US Census) may be a good tool to identify the truly rural areas to rural areas with relatively higher density. As an alternative to a new pool, projects in truly rural communities should be assessed on different point standards than larger rural communities. The Minnesota LIHTC program should support affordable housing development in truly rural communities – particularly ones with strong demand for workforce housing. Small, rural communities are at a disadvantage in many scoring categories. For example:

- A tiny town government does not have the resources to provide tax abatement, development subsidies, etc. in the same way that a larger city could (i.e. harder for these projects to get the Other Contribution points).

- Construction costs are higher in more rural community, making it more challenging for developers to earn the Cost Containment points.
- Small towns (like Onamia with a population of less than 1,000) cannot support the operations of regular dial-a-ride transportation services.

Permanent Supportive Housing for High Priority Homeless
While we support the goals of this category, we feel that MHFA's requirement for projects committing to homeless units should be re-examined. For one of our client's projects (Lady Luck Estates), they committed to four long-term homeless units. At application, their supportive service provider estimated its costs at a less than $10,000 annually. During the closing process and after MHFA's feedback on the supportive service requirements, the provider adjusted its quote to almost $40,000 a year. These types of requirements can quickly shift a project from cash flow positive to requiring extensive subsidies. The requirements are particularly burdensome for projects in rural areas with access to only one LTH service provider. It is undoubtedly easier to obtain competitive bids from service providers in metropolitan areas. We would respectively suggest that MHFA take a look at their requirements and determine which are truly necessary and which should be optional based on the needs of the specific project.

Workforce Housing Communities
If a project is located in a community where an individual employer has 100+ net job growth over the past five years, the application earns six valuable points in this category. However, this scoring category fails to consider communities with severe housing need and significant job openings. We work in communities where there are a far more than 100 job openings with an individual employer. This sort of demand for workers should earn the same number of points as a high job growth community.

Additionally, MHFA notified us this year that the Long Commute Communities points were intended only for projects located in communities with 2,000 jobs or more in 2017. This cut off is arbitrary and unnecessary. If a community has a large proportion of people commuting long distances into the town for work, there is a strong demand for workforce housing. We recommend that MHFA award these points for any community where more than 15% of the workforce travels 30+ miles into the community for work (as evidenced by LED on the Map).

Location Efficiency - Greater Minnesota – Access to Transit and Walkability
We are disappointed that the Walkability points continue to be tied to the Access to Transit points for no apparent reason. We recommend that MHFA revise the language in the Self-Scoring Worksheet to allow projects to receive Walkability points with or without transit points.

Proposed housing projects in truly rural areas are frequently not able to achieve the regular bus service or dial-a-ride service points. In these instances, would MHFA consider awarding points for employer generated or property manager generated ride services?

Rural/Tribal and QCT/Community Revitalization and Tribal Equivalent Areas
We support MHFA's proposed change to increase the number of points for projects located in Qualified Census Tracts/Community Revitalization and Tribal Equivalent Areas.

Minority-owned/Woman-owned Business Enterprise (MBE/WBE)

We support MHFA's proposed change to increase the number of points for projects that use a Minority-owned/Women-owned Business Enterprise.

Solar

Due to MHFA's Cost Containment measures, solar energy is a challenge to include in any Minnesota LIHTC project. We respectfully recommend MHFA creating special incentives and dollars towards supporting renewable energy equipment on future LIHTC projects. Solar panels would be a tremendous benefit to low income tenants in reducing their utility bills.

LIHTC Investments in Underserved Counties

We also recommend that MHFA consider awarding points to projects located in counties without recent LIHTC investments. The State of Wisconsin has this scoring category in their LIHTC program. Some counties in Minnesota get awards every year or every couple years. We are certain that MHFA would agree that it is critical to invest in every area of our state where demand for low income housing exists. When we look at Mille Lacs County, we estimate that there hasn't been new LIHTC investments in 15-20 years. We propose the following additional point category:

- No LIHTC investment in the County for previous 5 years = 5 points
- No LIHTC investment in the County for previous 10 years = 10 points

Preference for Not-Selected Competitive Projects

During the Minnesota Indian Housing Conference on August 21, 2019, the Minnesota Housing Commissioner (Ms. Jennifer Ho) indicated that all LIHTC housing projects are important. Commissioner Ho discussed one of her goals as Commissioner is to not say "no" to projects, rather to prioritize which projects get done first (which is where the QAP comes in to play). She went on to describe how she would like to see the projects that were declined funding be the next projects the agency awards.

Currently, there is no mechanism for projects not selected to gain preference for future awards. In order to complete a competitive LIHTC application, a high level of costs (time, financial and community) are necessary. We respectfully ask that MHFA place a preference on projects that have invested resources on previous applications. This preference could be satisfied by awarding 10 points to any competitive project from a previous year. Competitive projects could be defined as projects whose scores were within 10% of the lowest awarded project score.

Thank you for the opportunity to provide comments on the 2021 draft QAP documents. If you have any questions regarding the suggestions above, please do not hesitate to contact me directly.

Sincerely,

Alexandria Murnan
Director of Affordable Housing

WODA COOPER COMPANIES

500 South Front St
10th Floor
Columbus, Ohio 43215
Office: 614.396.3200
www.wodagroup.com

August 26, 2019

Minnesota Housing
Attn: Tamara Wilson
400 Wabasha Street North, Suite 400
St. Paul, MN 55102

RE: Draft Amended 2021 QAP Comments

Dear Ms. Wilson,

On behalf of Woda Cooper Development, Inc., we are pleased to submit the following comments regarding the Draft Amended 2021 QAP and Competitive Funding Round Scoring Criteria. We hope these comments will assist the Minnesota Housing Finance Agency (MHFA) in furthering its mission.

1. *Article 5 – Application Rounds: 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 HTCs to Minnesota Housing (see Article 3). (QAP, page 6)*

   We strongly believe that MHFA should allow for-profit developers to compete in the Minnesota Housing Round I within the jurisdiction of a suballocator. While we recognize the importance of nonprofit developers and their impact on the community, many for-profit developers have the same mission to provide affordable housing for extended periods of time for tenants in need. For example, Woda Cooper Development, Inc. is a long-term owner of affordable housing properties and has only sold one in its history. As such, we believe for-profit developers can have a profound impact on communities, especially when partnering with nonprofit organizations to provide supportive services for the tenants.

2. *Serves Lowest Income for Long Durations – Serves Lowest Income Tenants/Rent Reduction: a. 100% of the restricted unit rents affordable to households with incomes at the country 50% HUD MTSP income limit (13 points). (Competitive Funding Round Scoring Criteria, page 12)*

   We strongly believe that MHFA should restructure rent reduction to allow for deeper rent targeting and income averaging claiming full points. In order to obtain financial feasibility with the current rent reduction model, many developers must include all units at the 50% income limit. Allowing higher rents above the 50% limit while claiming full points in this category will also allow deeper rent targeting at 30% limit which will ultimately be more beneficial to tenants that are at the lowest income. We have seen successful rent reduction criteria from other State Housing Agencies where points can be awarded for having a certain percentage of units at or below 30% AMI, and additional points can be awarded for having a certain percentage of units at or below 50% AMI.

3. *Areas of Opportunity – D. Location Efficiency (Competitive Funding Round Scoring Criteria, pages 18-21)*

   We strongly believe that MHFA should differentiate the location efficiency criteria within the Twin Cities 7-County Metropolitan Area. Many areas in the 7-County region are rural and small urban areas, but are expected to have the same transportation and Walk Score requirements as the large urban areas in and surrounding the Twin Cities. Modifying the location efficiency requirements for these small urban areas will help promote projects in these areas of need and level the playing field when they must compete in the Metropolitan Area Pool.

4. *Efficient Use of Scarce Resources and Leverage – D. Cost Containment: 50% of developments with the lowest costs within each development type/location group will receive priority (subject to the methodology described in Cost Containment Methodology). (Competitive Funding Round Scoring Criteria, page 32)*

   We believe that MHFA should allow for a tiered cost containment category. Allowing developers to receive some, but not all, points for being close to the average total development cost per unit is beneficial for encouraging developers to try to contain costs, even when they know they will not be able contain costs enough to get full points in this category. Although there are many possibilities, we recommend a system where a total development cost per unit threshold is set, and then every dollar less than that threshold is equivalent to a defined fraction of a point, with there being a maximum number of points that can be obtained.

5. *Minority-owned/Women-owned Business Enterprise (MBEIWBE) (Scoring Worksheet page 24)*

   While we understand the agency's desire to incorporate involvement from minority-owned business enterprises or women-owned business enterprises, we suggest the agency be mindful of the increased costs that are associated with it. This goes against the cost containment scoring noted above. Thus, we respectfully request the agency not increase the points and maintain its 3 points for inclusion of MBEs or WBEs or be more lenient on the cost containment scoring.

Please contact me at (614) 396-0057 if you have any questions. Again, we greatly value this opportunity to provide feedback as we find it important to creating good public policy to better serve all Minnesotans.

Respectfully Submitted,

Jonathan McKay

Jonathan McKay, Vice President
Woda Cooper Development, Inc.

Cc: Jeffrey J. Woda, President, Woda Cooper Development, Inc.
David Cooper, Jr., Principal, Woda Cooper Development, Inc.

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2021 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/~~2017~~ 2018 school year). The area's neighborhood elementary school needs to meet or exceed the statewide proficiency rate of ~~56.5~~55.7%[1]
- Share of 8th graders who are math proficient (~~2016~~2017/~~2017~~ 2018 school year). The area's neighborhood middle school needs to meet or exceed the statewide proficiency rate of ~~58.0~~57.0%[1]
- Share of high school students that graduate on time (~~2016~~2017/~~2017~~ 2018 school year). The area's neighborhood high ~~neighborhood~~ school needs to meet or exceed the statewide graduation rate of ~~82.68~~83.2%[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~~Twin Cities 7-County 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.

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.

---

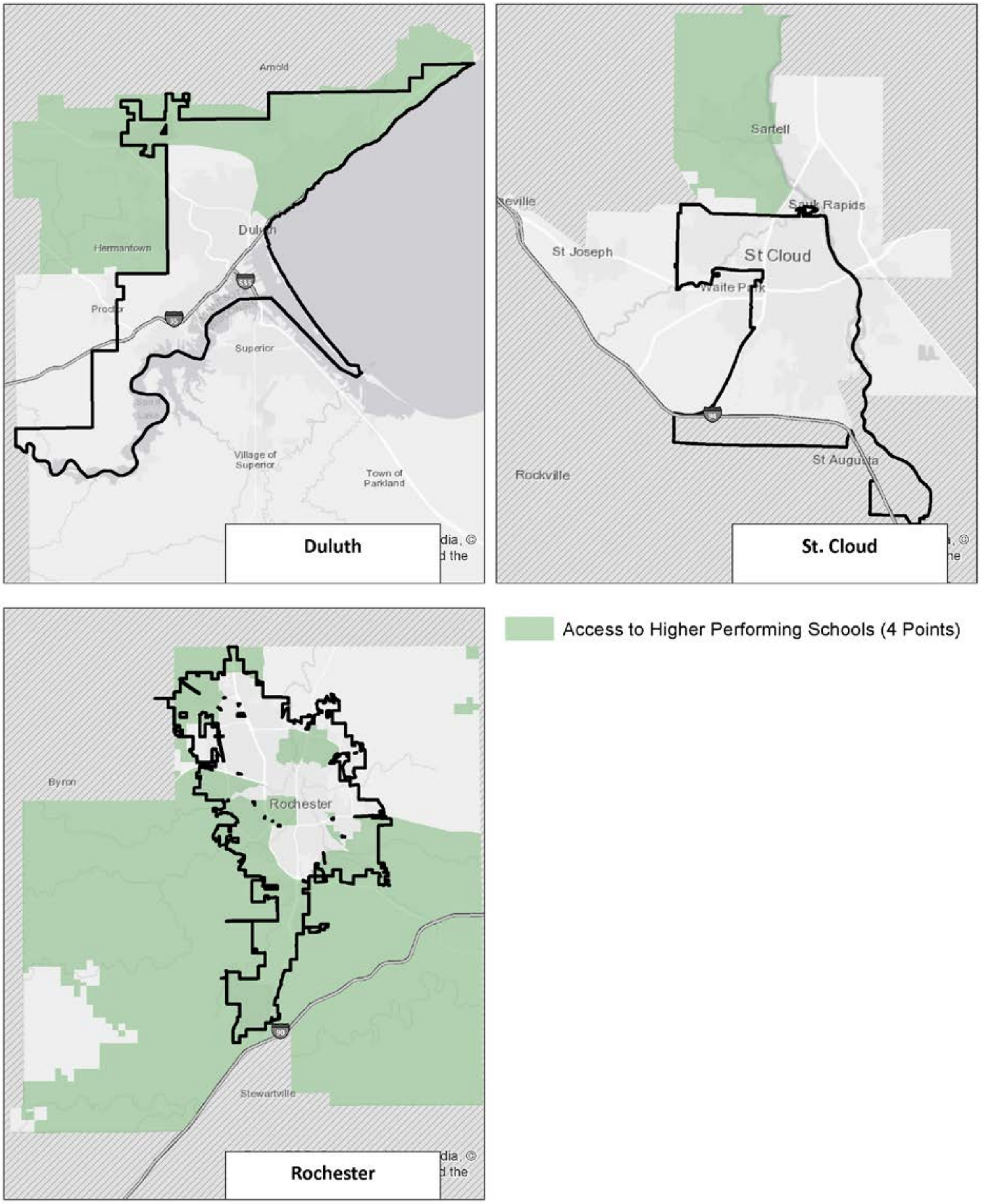
[1] Based on Minnesota Comprehensive Assessments (MCA) Series III test scores by school for ~~2016~~2017/~~2017~~ 2018 school year – 3rd and 8th grade proficiency. Data source: http://w20.education.state.mn.us/MDEAnalytics/Data.jsp.

[2] Based on 4-year graduation rates by school for ~~2016~~2017/~~2017~~ 2018 school year. Data source: http://w20.education.state.mn.us/MDEAnalytics/Data.jsp.

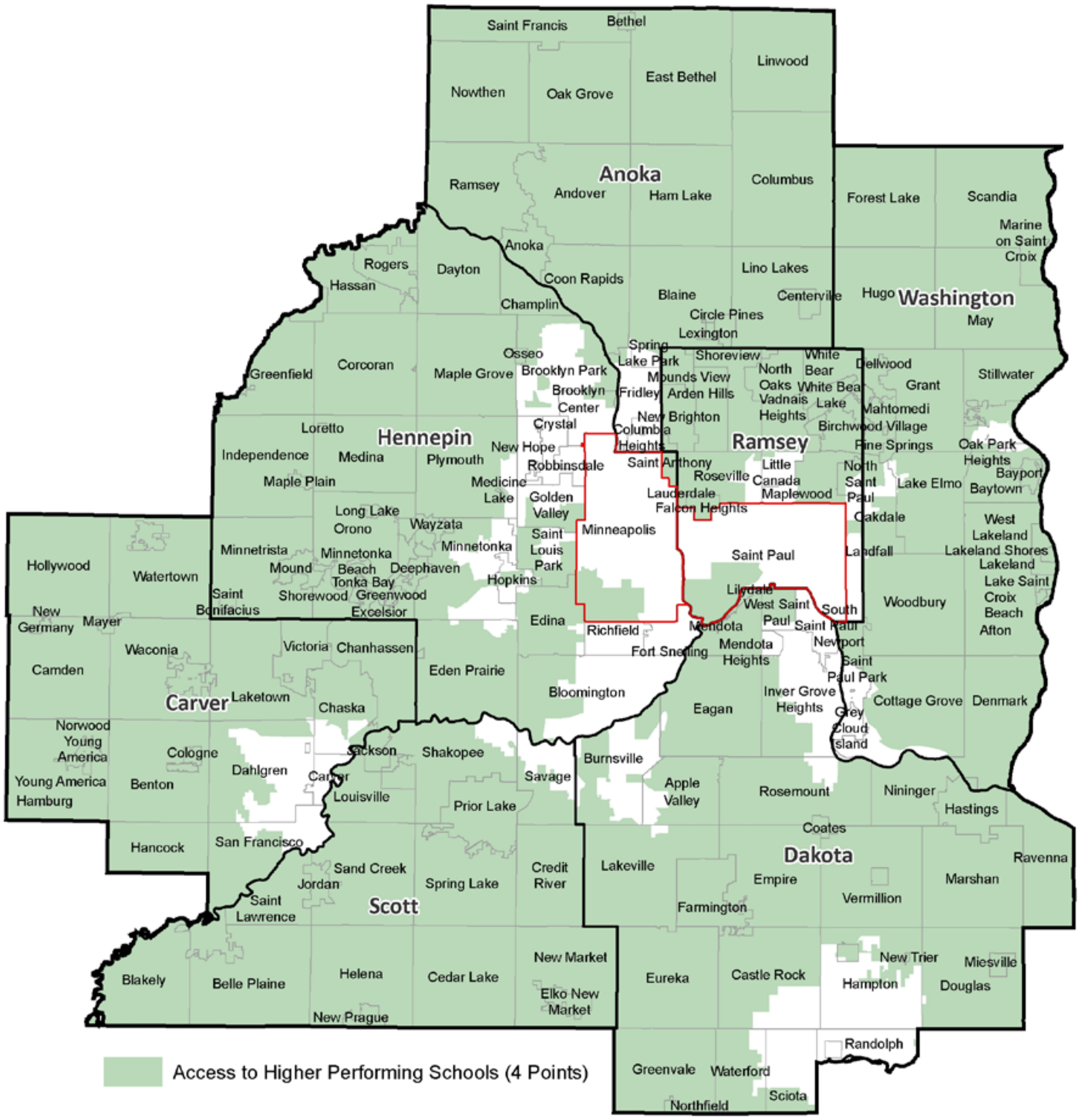
[3] If a middle school attendance boundary is not defined or a middle school does not exist, the high school attendance boundary is used.

[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~~Twin Cities 7-County 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.



~~2020~~ 2021 QAP - Access to Higher Performing Schools



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2021 QAP - ~~Community~~ Economic Integration Methodology

~~Community e~~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~~Twin Cities 7-County 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 2017. 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~~Twin Cities 7-County 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.

---

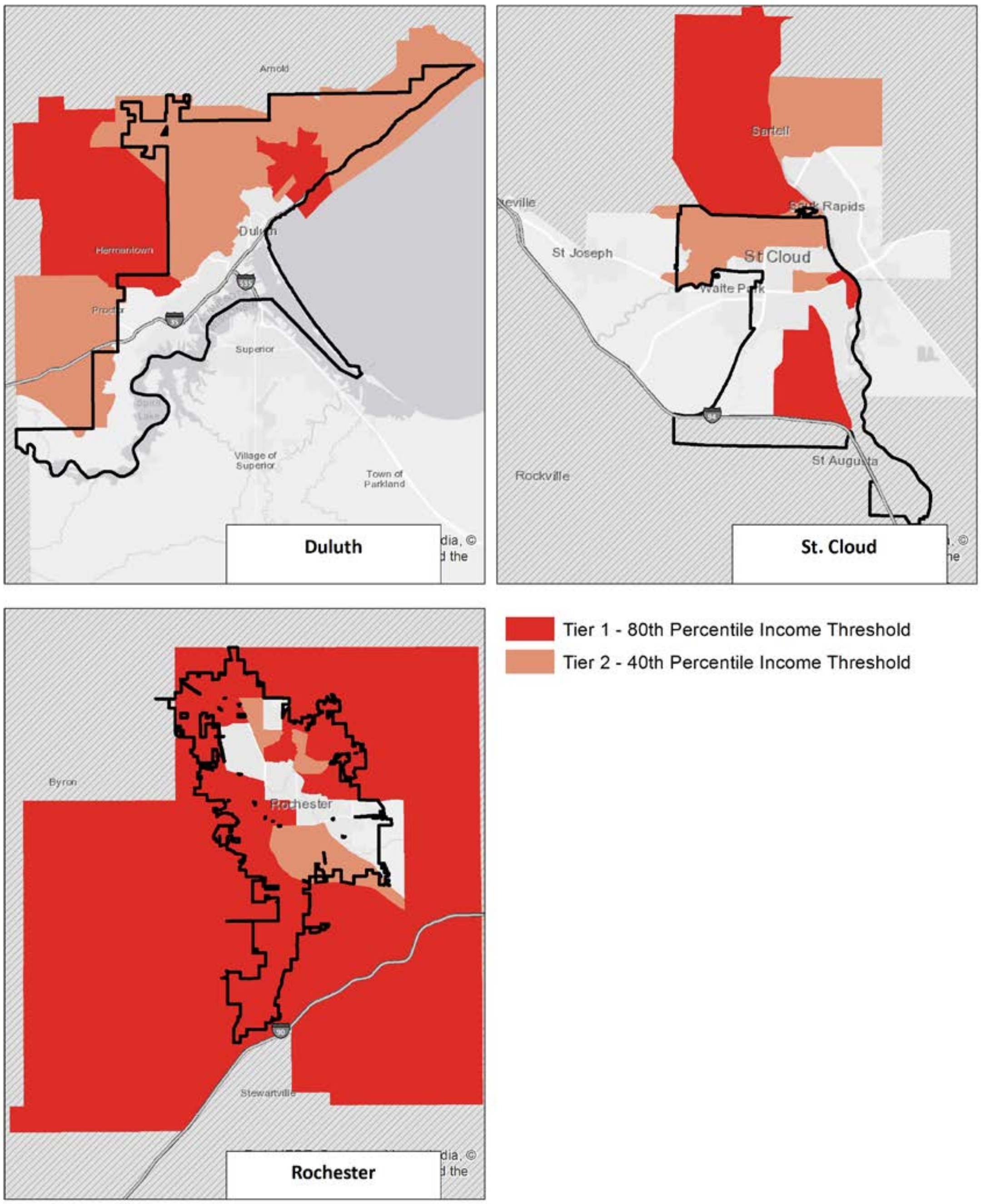
[1] For the purpose of assessing income by region, Minnesota Housing used three regional categories 1) Twin Cities 7-~~-~~County Metropolitan Area, 2) Counties making up Greater Minnesota MSAs, including: Duluth, St. Cloud, Rochester and 3) Balance of Greater Minnesota. The purpose of the regional split 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://hub.arcgis.com/datasets/56de4edea8264fe5a344da9811ef5d6e_0?selectedAttribute=RCAP_Current).

Table 1 – Median Family Income Thresholds by Region.

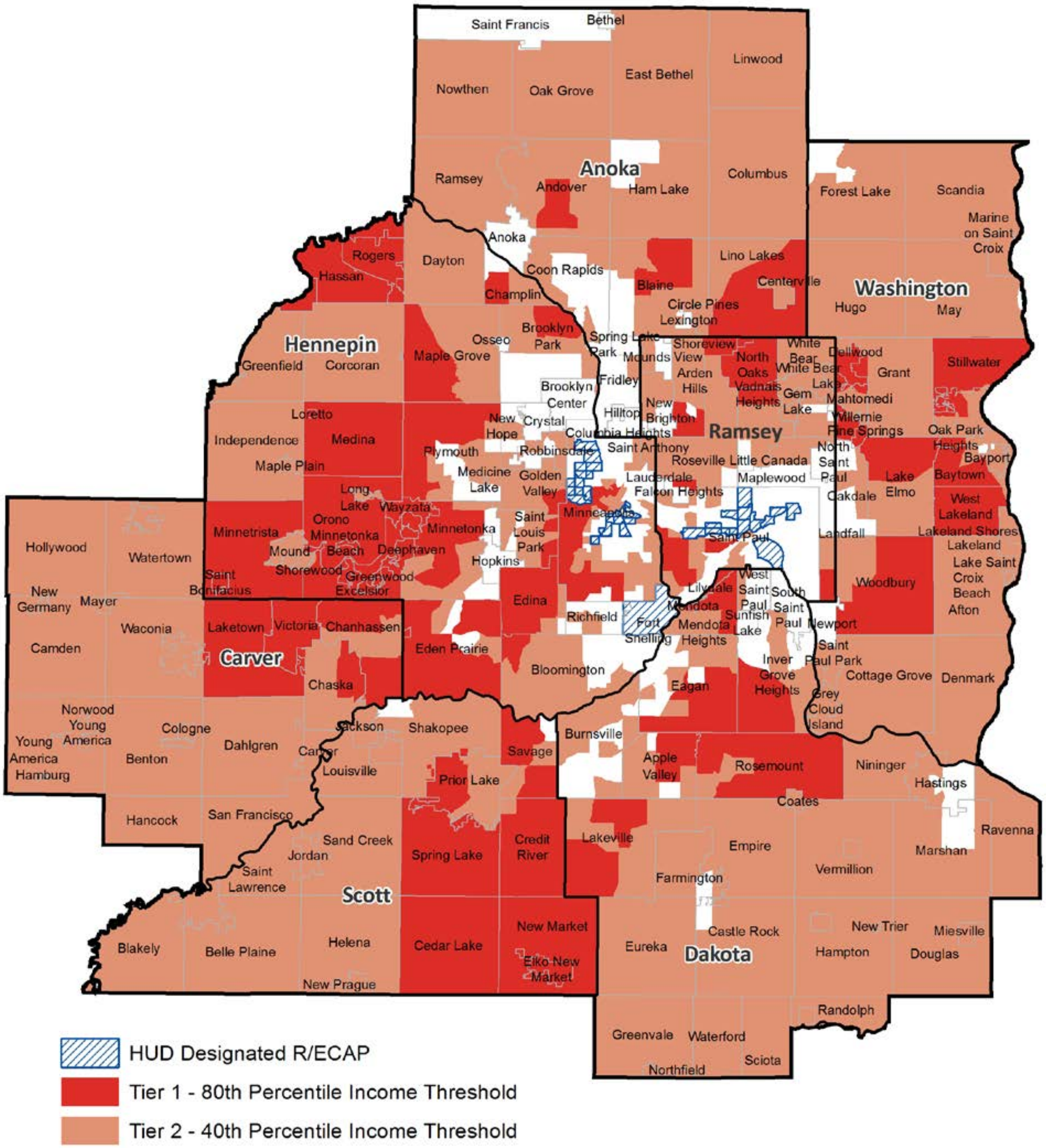
~~Community~~ Economic Integration *(Twin Cities Metro on next page)*	Non Metro MSAs
Med Family Income / 40th percentile	$66,838
Med Family Income / 80th percentile	$85,625

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~~ METROPOLITAN AREA DETAIL - CENSUS TRACTS MEETING REGION'S 40TH AND 80TH PERCENTILE THRESHOLDS FOR MEDIAN INCOME

	Twin Cities 7-County Metropolitan Area
Med Family Income / 40th percentile	$82,108
Med Family Income / 80th percentile	$120,063



Census Tract Listing by County for Economic Integration
(denotes tract achieves second tier)*

Anoka	
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	
502.21	*
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	*
506.1	*
507.07	*
507.09	*
507.11	*
508.05	*
508.06	*
508.13	*
508.16	*
508.18	
508.19	
508.2	*
508.21	
509.02	*
511.03	*
516	*
Benton	
202.06	*
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	*
912.01	*
912.02	*
Dakota	
601.02	*
601.03	*
605.06	*
605.07	*
605.08	
605.09	*
606.03	
606.04	
606.05	*
606.06	
607.09	*
607.1	*
607.13	*
607.14	*
607.16	*
607.17	*
607.21	*
607.26	*
607.28	
607.29	
607.3	
607.31	
607.32	
607.33	*
607.34	
607.42	*
607.44	
607.48	*
608.06	*
608.11	*
608.12	*
608.13	*
608.14	
608.15	*
608.16	
608.17	*
608.18	*
608.19	
608.2	
608.21	*
608.22	
608.23	
608.24	*
608.25	
608.26	*
608.28	*
609.02	*
609.05	*
609.06	*
609.07	*
610.01	*
610.03	
610.04	
610.05	*
610.07	*
610.08	*
610.09	*
611.02	*
611.06	*
611.07	*
614.01	*
614.02	*
615.01	*
615.02	*
Hennepin	
3	*
6.03	*
81	*
106	
107	
110	*
117.03	
117.04	
118	*
119.98	*
120.01	
121.02	*
201.01	*
201.02	*
209.02	*
211	*
212	*
214	*
215.03	*
215.05	*
216.01	*

216.02	*	258.03	*	266.13		1036	
217	*	258.05	*	267.06	*	1037	*
218		259.03	*	267.07	*	1044	
219	*	259.05		267.08	*	1051	
220	*	259.06	*	267.1	*	1052.01	*
221.01	*	259.07	*	267.11	*	1054	*
222	*	260.05	*	267.12	*	1055	
223.01	*	260.07		267.13	*	1056	*
224	*	260.13		267.14		1064	*
227	*	260.14		267.15		1065	
228.01		260.15		267.16		1066	
228.02	*	260.16		268.12	*	1067	*
229.01		260.18		268.15	*	1076	*
229.02		260.2	*	268.2		1080	
230	*	260.21		268.22	*	1089	*
231		260.22		268.23	*	1090	*
235.01		261.01	*	269.06	*	1091	
235.02		261.03	*	269.07		1093	*
236		262.01	*	269.08	*	1098	
237		262.02		269.09		1099	*
238.01		262.05		269.1	*	1102	*
238.02	*	262.06		270.01	*	1105	*
239.01		262.07	*	270.02	*	1108	*
239.02		262.08	*	271.01		1109	*
239.03		263.01		271.02	*	1111	*
240.03	*	263.02		272.01		1112	
240.05	*	264.03	*	272.02	*	1113	
240.06		264.04		272.03		1114	
242	*	265.05	*	273		1115	
245	*	265.08		274		1116	
246	*	265.09		275.01		1225	*
253.01	*	265.1	*	275.03		1226	*
256.01	*	265.12	*	275.04		1256	*
256.03	*	266.05		276.01	*	1261	*
256.05	*	266.06		276.02	*	1262	
257.01	*	266.09	*	277		**Olmsted**	
257.02	*	266.1		1012	*	4	
258.01	*	266.11	*	1019	*	9.02	*
258.02	*	266.12		1030	*	9.03	

10	*
11	*
12.01	
12.02	
12.03	
13.01	
13.02	
14.02	
15.01	*
15.02	
15.03	
16.01	*
16.02	
16.03	
17.01	*
17.03	
22	
23	
Ramsey	
301	*
302.01	*
303	*
321	*
322	*
333	*
342.02	*
349	
350	
351	
352	*
353	*
355	*
357	
358	
360	*
363	
364	
365	*
366	*

370	*
375	
376.01	*
401	*
402	*
403.01	*
404.01	*
404.02	*
405.02	*
405.03	*
405.04	*
406.01	
406.03	
406.04	*
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407.06	
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408.01	*
408.03	
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416.01	*
417	*
418	*
419	
421.02	*
423.01	*
424.01	*
425.03	
425.04	*

429	
430	
Scott	
802.01	
802.02	
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802.04	*
802.05	
803.01	*
803.02	*
806	*
807	*
808	*
809.03	
809.04	*
809.05	*
809.06	*
810	
811	
812	*
813	*
St. Louis	
1	*
2	*
3	*
4	*
5	
6	*
7	
10	*
11	
23	*
101	*
102	*
103	
157	
Stearns	
4.02	
6.02	*

9.01	*
10.01	*
101.01	
101.02	
116	
Washington	
701.05	*
701.06	*
702.03	*
702.04	*
702.05	*
702.06	*
703.01	
703.03	
703.04	*
704.03	*
704.04	
704.05	
704.06	*
705.01	
705.02	*
706.01	*
706.02	*
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707.03	*
707.04	*
709.06	*
709.09	*
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710.06	*
710.1	
710.11	
710.12	*
710.13	*
710.14	
710.15	
710.16	
710.17	
710.18	

711.01	*
711.02	*
712.06	*
712.07	*
712.08	*
712.09	*
713	*
714	*

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2021 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~~Twin Cities 7-County Metropolitan Area (Metro)
2. New Construction – Greater MN
3. Rehabilitation – ~~Metro~~Twin Cities 7-County Metropolitan Area (Metro)
4. Rehabilitation – Greater MN

The process divides the proposals into the four groups so that proposals are competing for the cost containment points with somewhat similar proposals. The process also levels the playing field with respect to the size of the units in the proposed development. ~~To address the issue of d~~Developments with larger units typically hav~~eing~~ higher costs than developments with smaller units~~, the scoring process includes cost adjustments related to the size of the units~~. ~~Specifically~~To account for this, the process also classifies proposed developments as~~ largely for~~:

- Singles (~~primarily~~ SROs, efficiencies, and 1 bedroom units are 75% or more of all units),
- Large families (~~primarily~~ 3+ bedroom units are 50% or more of all units), and
- Families/mixed (developments with all other bedroom mixes).

The process then applies adjustments to bring the TDCs for these different sized developments into equivalent~~s~~ terms~~ and reflect historical differences~~. (The adjustments are shown in Table 1 on page 3.) For example, ~~new construction~~ TDCs per unit for ~~family/mixed~~new construction developments for singles are typically ~~16% higher~~lower than the TDCs for developments for ~~singles~~families/mixed. Thus, to make the TDCs for singles equivalent to those for families/mixed for cost comparison purposes, the TDCs per unit for singles are increased by 16% ~~when making cost comparisons~~(multiplying by a 1.16 adjustment). Similarly, the TDCs per unit for new construction developments for large families are typically higher than the TDCs for developments for families/mixed. To level the playing field, the process reduces the TDCs per unit of large family developments by 5% (multiplying by a 0.95 adjustment). The adjustment factors shown in Table 1 are based on historical differences in developments that Minnesota Housing has financed in the past.

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, which levels the playing field for cost comparison purposes. See the second column of Table 1 for the adjustments. For example, the TDC per unit for large-family new-construction projects (which typically have higher costs) is multiplied by 0.95 to reduce and make it equivalent to the costs for a family/mixed development. Specifically, if the TDC per unit is $26~~5~~0,000 for a large-family new-construction development, it is multiplied by 0.95 to compute the equivalent TDC of $247,0~~37,5~~00.

- 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
    Rounded down 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 **and** are in the lowest half of the costs for their group will actually receive the cost containment points.

For each group, t~~T~~he cost thresholds in the third column reflect the historical mid-point costs for family/mixed developments ~~in each group~~that Minnesota Housing has financed in the past.

Table 1: 2021 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 (increase historically lower costs to level the playing field)	1.16	$273~~67~~,000
New Construction Metro for Families/Mixed	1.00	
New Construction Metro for Large Families (decrease historically higher costs to level the playing field)	0.95	
New Construction Greater MN for Singles	1.16	$217~~12~~,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	$218~~13~~,000
Rehabilitation Metro for Families/Mixed	1.00	
Rehabilitation Metro for Large Families	0.83	
Rehabilitation Greater MN for Singles	1.23	$173~~69~~,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~~Twin Cities 7-County Metropolitan 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 as described in the Housing Tax Credit Manual.~~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). The thresholds for large-family developments are increased to account for the typically higher costs associated with these developments with larger units.

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 the unacceptable practice provision, as described in the Housing Tax Credit Manual, will apply ~~developers for selected projects that receive the points will receive negative 4 points for their next tax credit submission~~ if they receive the 6 points and 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 2021~~0~~ 9% credits by September 30, 2020~~19~~. Proposals for 2021~~0~~ 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 the unacceptable practice provision, as described in the Housing Tax Credit Manual, will apply if they receive the 6 points and do not keep their actual TDCs within the applicable cost thresholds.~~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 or Supplemental 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.

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~~2020~~ 2021 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~~Twin Cities 7-County Metropolitan Area and Greater Minnesota.

Twin Cities Metropolitan Area

In the ~~Twin Cities Metro~~Twin Cities 7-County Metropolitan Area, applicants can receive up to 9 points for location efficiency ~~based on two criteria~~. First, applicants ~~must achieve~~can select one of three levels of access to transit. Second, ~~up to two additional points are available~~applicants can select one of two levels for walkability as measured by Walk Score (www.walkscore.com). Points can be claimed for both categories together, or for one category separately.

• 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, D Line, 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

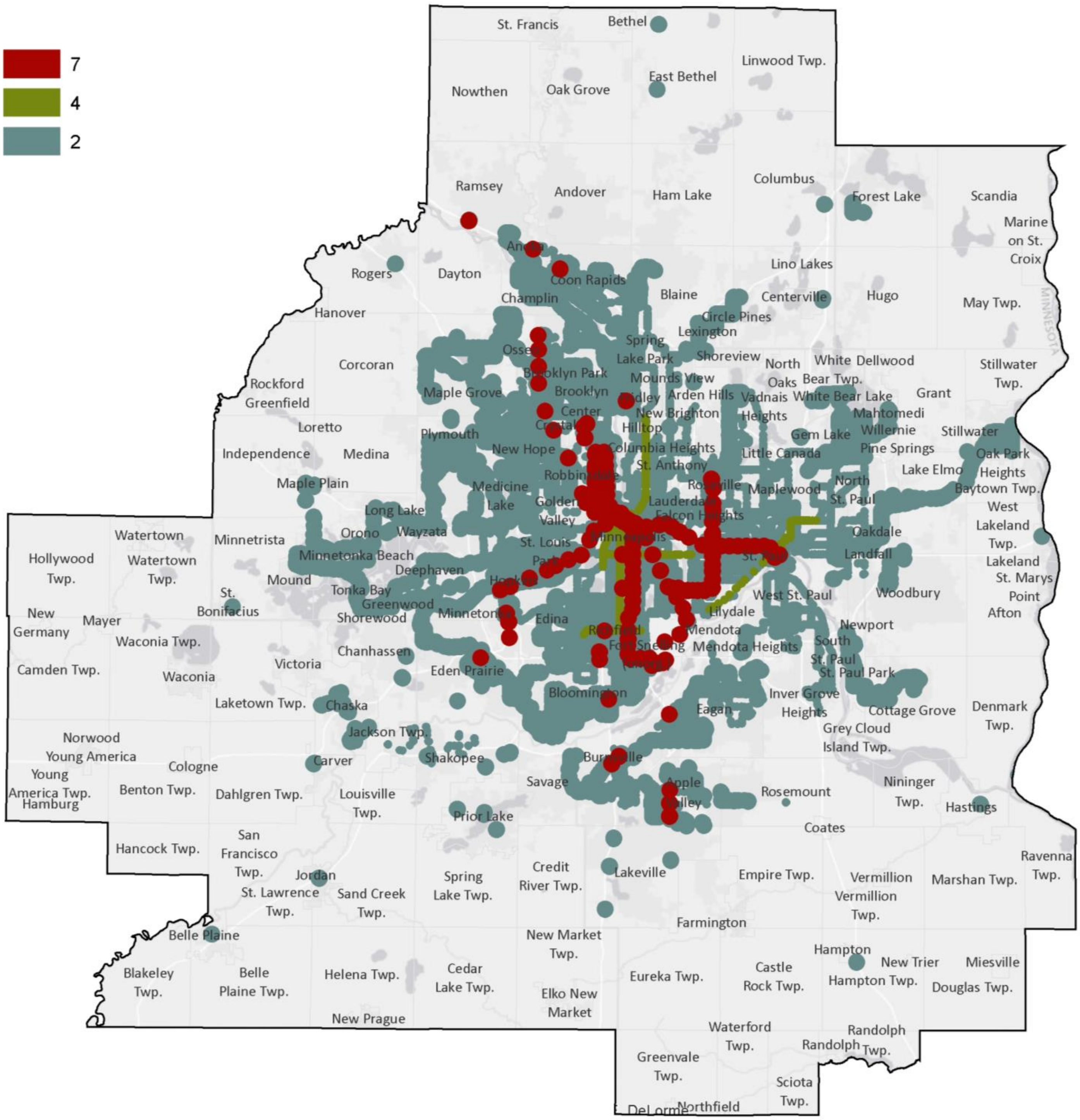
The following map shows areas with access to transit. An interactive version of this map is accessible at: www.mnhousing.gov > Policy & Research > Community Profiles.

[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~~ completion of a~~ draft~~n Environmental Impact Statement~~IS~~, 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 Metro Transit data on Hi-Frequency Network, Planned and Existing Transit Lines, bus service, and park and rides (obtained May~~January 2018~~2019)

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 total. Applicants can claim points for ~~with a combination of~~ access to fixed route transit and walkability together, or for either category separately. 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

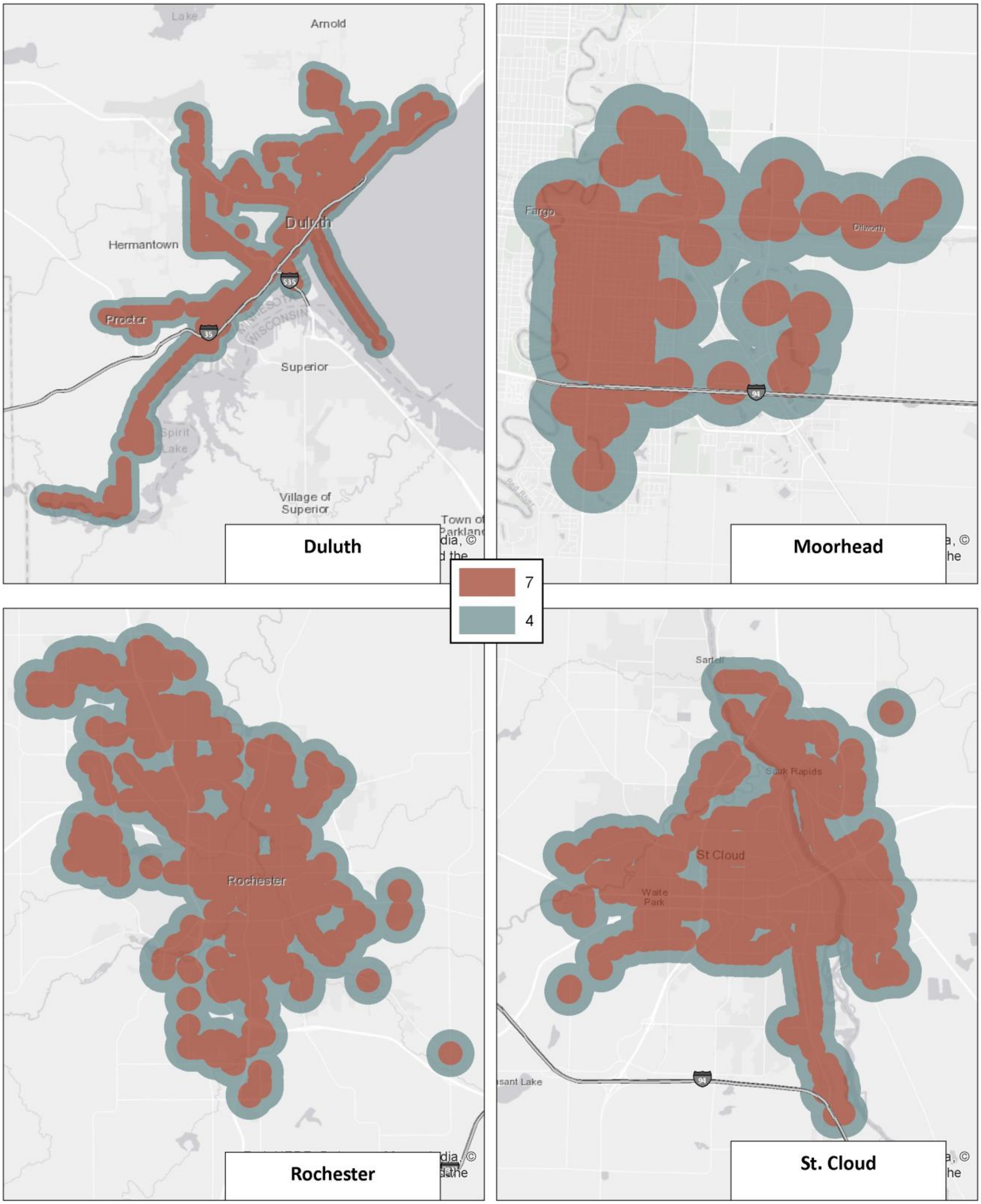
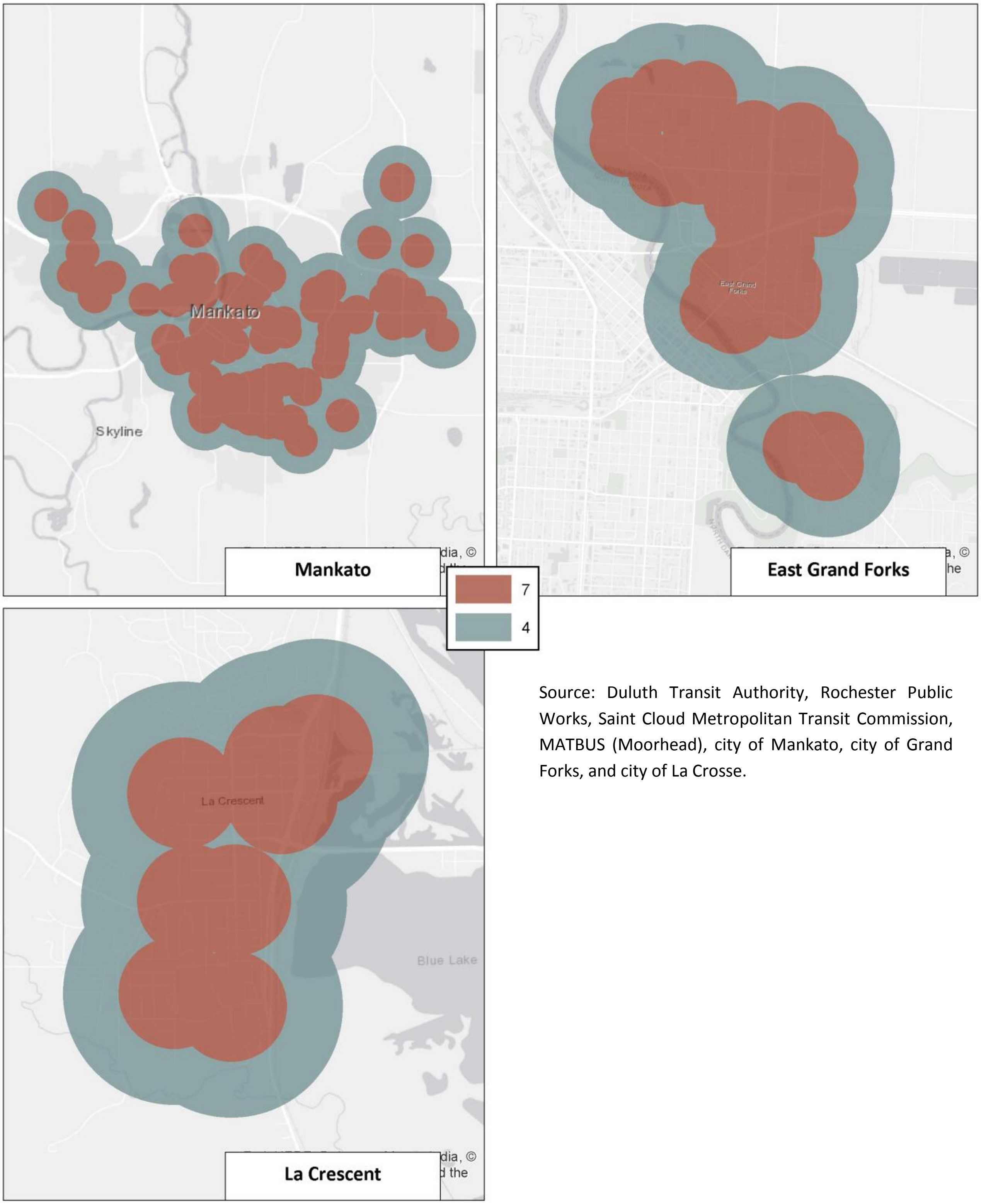


Figure 2: Transit Access Point Levels in Greater Minnesota



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 total. Applicants can claim points for ~~by having~~ access to route deviation service or demand response/dial-a-ride~~,~~ and walkability together, or for either category separately. 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").

Go to MnDOT's website (http://www.dot.state.mn.us/transit/riders/index.html) to locate a projects transit service provider.

~~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 ½ ~~¼~~ mile of an existing or planned designated stop that has service every 60 minutes[7] **OR** within ½ mile of a ~~Northstar~~ ~~c~~Commuter ~~r~~Rail ~~s~~Station **OR** served by demand response/dial-a-ride with same day ~~notice~~ service available~~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**~~ ~~S~~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 existing or 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 existing or planned stop must be available Monday through Friday and provide service every 60 minutes for a minimum of 10 hours per day, with the exception of the ~~Northstar~~ commuter rail transit stations serviced by Metro Transit.

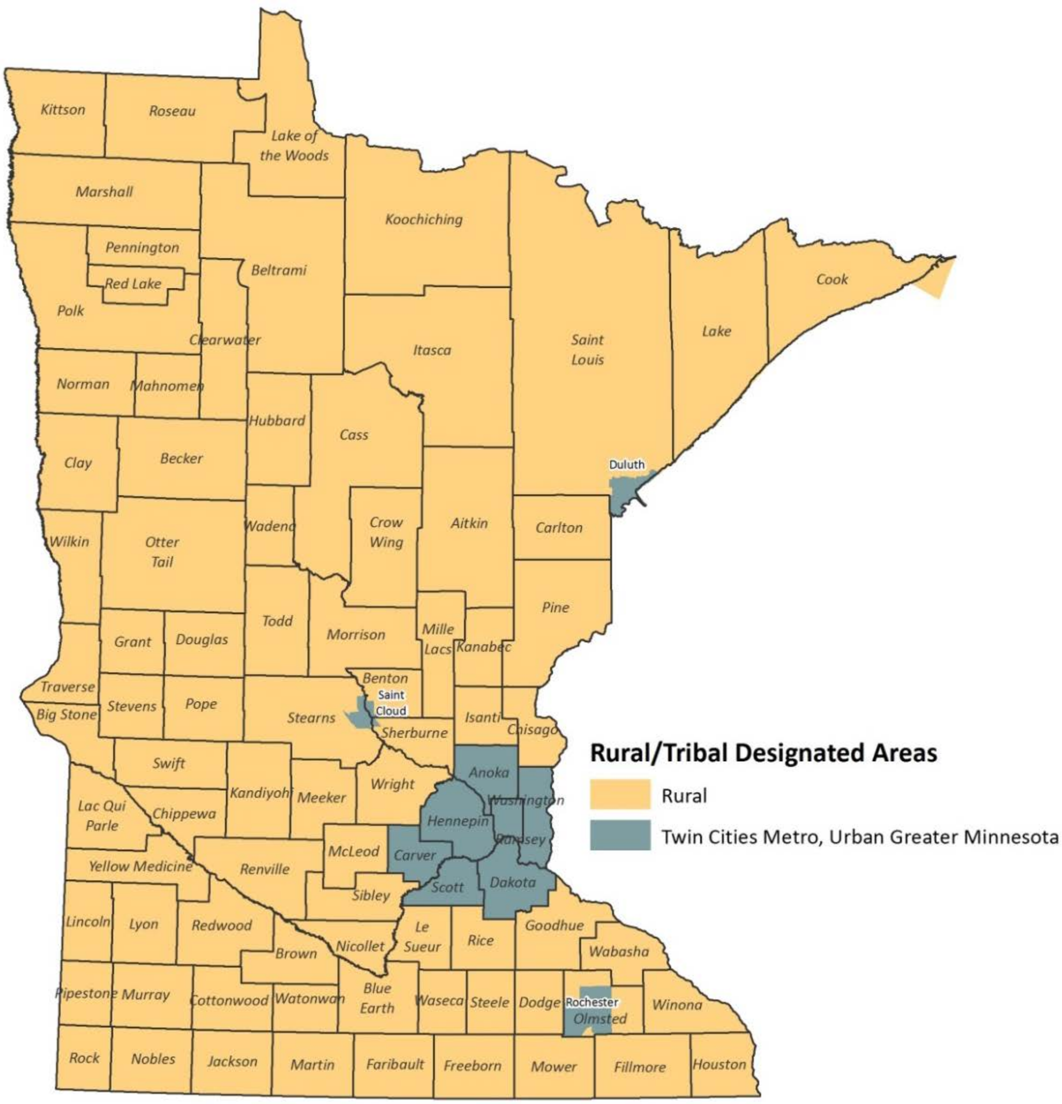
[8] If applicants would like to request revisions of a location's Walk Score, they may contact Walk Score directly with details of the request to mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If address cannot be found in the Walk Score tool, use the closest intersection within ¼ mile of the proposed location.

2021 QAP - Rural/Tribal Designated Areas Methodology

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
7701
7702
7703
7704
7905.01
7905.02
Becker
4501
4502
4503
4504
4505
4506
4507
4508
4509
9400
Beltrami
4501
4502
4503
4504
4505
4506
4507.01
4507.02
9400.01
9400.02
Benton
201
202.02
202.03
202.05
203
Big Stone
9501
9502
9503
Blue Earth
1701
1702
1703
1704
1705
1706
1707
1709
1710
1713
1714
1715
1708
1712.02
1716
1711.01
Brown
9601.01
9601.02
9602
9603
9604
9605
9606
9607
Carlton
701
702
703
704
705
706
9400
Cass
9400.01
9400.02
9601
9602
9603.01
9603.02
9606
9607
9608.01
9608.02
Chippewa
9503
9504
9505
9506
Chisago
1101
1102
1103.01
1103.02
1104.02
1105.01
1105.02
1106
1107
1104.01
Clay
201
202.02
203
204
205
206
301.02
301.07
302.01
302.02
301.06
301.03
301.04
Clearwater
1
2
3
Cook
4801
4802
Cottonwood
2701
2702
2703
2704
Crow Wing
9501
9502.04
9504
9505.01
9505.02
9507
9508
9509
9510
9511
9512
9513.01
9513.02
9514
9516
9517
Dodge
9501
9502
9503
9504
9505
Douglas
4501
4502
4505
4506
4507.01
4507.02
4508
4509
4510
Faribault
4601
4602
4603
4604
4605
4606
Fillmore
9601
9602
9603
9604
9605
9606
Freeborn
1801
1802
1803
1804
1805
1806
1807
1808
1809
1810
Goodhue
801.01
801.02
802
803
804
805
806
807
808
809
Grant
701
702
Houston
201

202
203
205
209
Hubbard
701
702
703
704
705
706
707
Isanti
1301
1302
1303.01
1303.02
1304
1305.01
1305.02
1306
Itasca
4801
4803
4804
4805
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
803
804
Martin
7901
7902
7903
7904
7905
7906
McLeod
9501
9502
9503
9504
9505
9506
9507
Meeker
5601
5602
5603
5604
5605

5606
Mille Lacs
1704
1705
1706
1707
9701
9702
9703
Morrison
7801
7802
7803
7804
7805
7806
7807
7808
Mower
1
2
3
10
12
13
14
4.1
6
8
9
Murray
9001
9002
9003
Nicollet
4801
4802
4803
4804
4806
4805.01

4805.02
Nobles
1051
1052
1053
1054
1055
1056
Norman
9601
9602
9603
Olmsted
18
19
20
21
Otter Tail
9601.02
9601.03
9603
9604
9605
9606
9607
9608
9609
9610
9611
9612
9613
9614
9615
9616
9617
Pennington
901
902
903
904
905

Pine
9501
9502
9503
9504
9505
9506
9507
9508
Pipestone
4601
4602
4603
4604
4605
Polk
201
202
203
204
205
206
207
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
704
705.01
705.03
705.04
706.01
706.02
707
708
709.01
709.02
Rock
5701
5702
5703
Roseau
9701
9702
9703
9704
9705
Saint Louis
104
105
106
111
112
113
114
126
127

128
130
131
132
133
134
135
136
138
139
140
141
151
152
153
154
155
121
122
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
104.03
105
106
109
110
111
112
113.02
113.04
114
115
Steele
9601
9602
9603
9604
9605
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2021 QAP - Qualified Census Tracts (QCT), Tribal Equivalent Areas Methodology

QCTs are based on Census Tract boundaries, but the boundaries of larger Census Tracts and reservations in ~~greater~~ 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 for scoring purposes 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 (3 Points)

The reservations in the table below and identified on the map on the following page are eligible as Tribal QCT ~~equivalent~~ Equivalent ~~areas~~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~~ 2014-2016).
- Areas are eligible based on the poverty threshold if the poverty rate is 25% or higher for at least two of three evaluation (~~2013-2015~~ 2014-2016).

Indian Reservations or Trust Land in Minnesota Based on Characteristics of Eligibility for Qualified Census Tracts

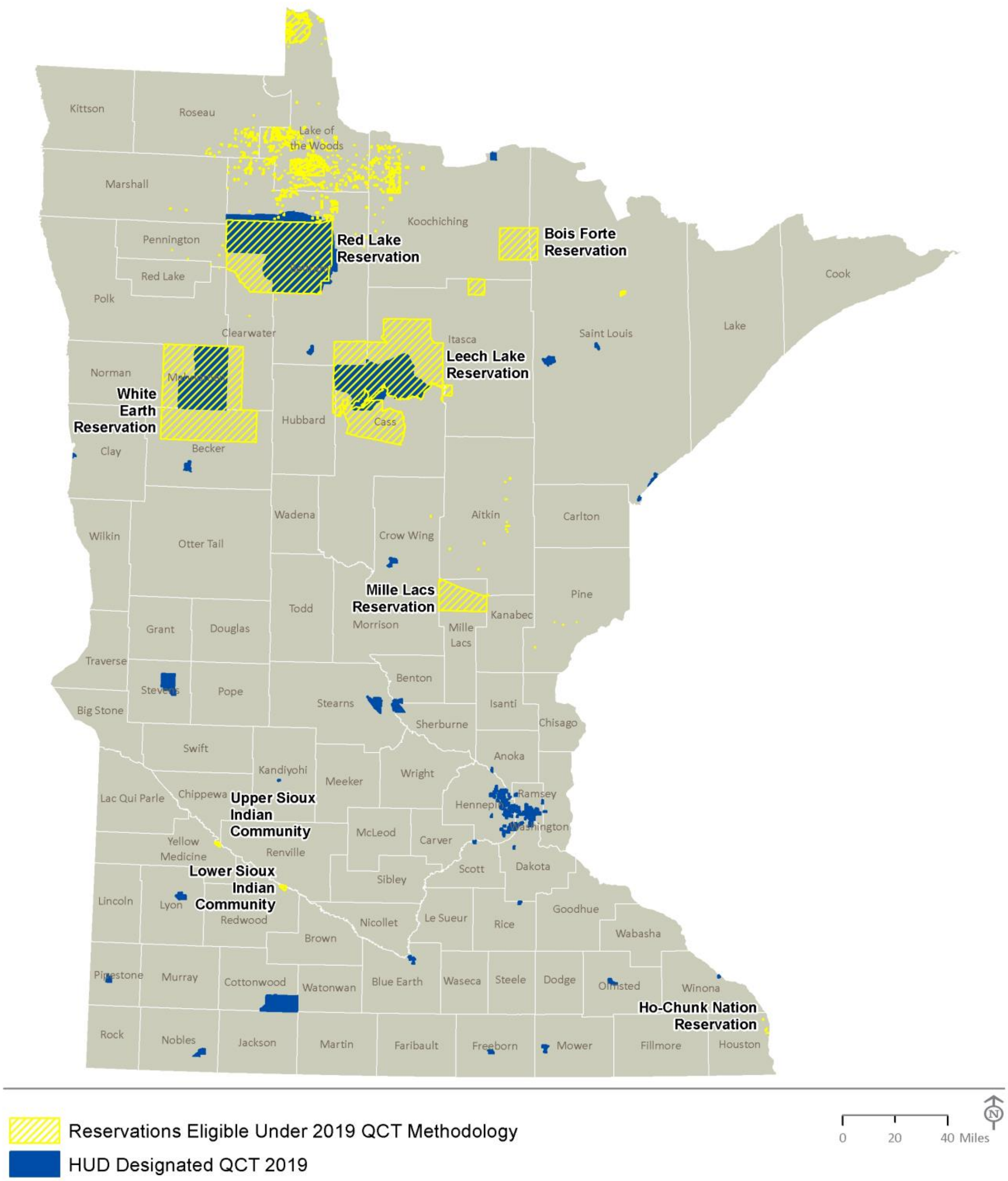
Indian Reservation	Years Eligible Based on Income	Years Eligible based on Poverty
Bois Forte Reservation, MN	3	0
~~Fond du Lac Reservation and Off-Reservation Trust Land, MN--WI~~	~~0~~	~~1~~
Ho-Chunk Nation Reservation and Off-Reservation Trust Land, WI--MN	3	~~3~~2
Leech Lake Reservation and Off-Reservation Trust Land, MN	1	3
Lower Sioux Indian Community, MN	0	~~3~~2
Mille Lacs Reservation and Off-Reservation Trust Land, MN	3	~~1~~0
Red Lake Reservation, MN	3	3
Upper Sioux Community and Off-Reservation Trust Land, MN	0	2
White Earth Reservation and Off-Reservation Trust Land, MN	3	~~3~~1

Sources: Decennial Census, HUD Income Limits (Statewide for Very Low Income, 50%), American Community Survey ~~2009~~2010-~~2013~~2014, ~~2010~~2011-~~2014~~2015, and ~~2011~~2012-~~2015~~ 2016 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_2019~~8~~.htm

Qualified Census Tracts and Tribal Lands Eligible Under QCT Methods



Source: Minnesota Housing Analysis of American Community Survey Data for three periods, 2012-2016, 2011-2015, and 2010-2014. Tribal lands are 2018 boundaries from the US Census of American Indian, Alaska Native, and Native Hawaiin geographies.

MINNESOTA HOUSING

2021 QAP - Workforce Housing Communities Methodology

Communities with a need for workforce housing are identified using data on: (1) total jobs in 2017, (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)~~Twin Cities 7-County Metropolitan Area 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~~ 7-County Metropolitan Area as of 2017 as defined by total jobs. *Communities are buffered by 10 miles in Greater Minnesota and 5 miles in the Twin Cities ~~Metro~~ 7-County Metropolitan Area to account for a modest commuteshed.*

(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~~ 7-County Metropolitan Area 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, 2012-2017; but will add additional communities when more current data becomes available by April 2020 for the 2021 QAP. *Communities are buffered by 10 miles in Greater Minnesota and 5 miles in the Twin Cities ~~Metro~~ 7-County Metropolitan Area to account for a modest commuteshed.*

(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) in that community 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 has at least 2,000 jobs in the current year and 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. *Communities are buffered by 10 miles in Greater Minnesota and 5 miles in the Twin Cities ~~Metro~~ 7-County Metropolitan Area to account for a modest commuteshed.*

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[1]The 5 year job growth communities presented in this methodology are for 2012-2017. Minnesota Housing will also add eligible 2013-2018 growth communities by application release of the 2021 QAP. Data source: https://mn.gov/deed/data/data-tools/qcew/

[2] Data from LEHD are current to 2016. Minnesota Housing will also add eligible communities with more current data available by application release of the 2021 QAP. Data source: https://lehd.ces.census.gov/data/.

The maps and tables below and on following pages list and display eligible areas for the Twin Cities ~~Metro~~ 7-County Metropolitan Area (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 2021 QAP lists; no communities will be subtracted from the 2021 QAP lists with the update.

Twin Cities ~~Metro~~ 7-County Metropolitan Area Job Centers and Ranked Job Growth Communities 2012-2017 (6 Points)

Twin Cities ~~Metro~~ 7-County Metropolitan Area Top 5 Job Centers (2017)
Minneapolis, Hennepin
Saint Paul, Ramsey
Bloomington, Hennepin
Eden Prairie, Hennepin
Eagan, Dakota

Twin Cities ~~Metro~~ 7-County Metropolitan Area Communities With Net Growth of 500 Jobs or More (2012-2017)	
Andover, Anoka	Lino Lakes, Anoka
Anoka, Anoka	Maple Grove, Hennepin
Apple Valley, Dakota	Maple Plain, Hennepin
Bayport, Washington	Minneapolis, Hennepin
Blaine, Anoka	Minnetonka, Hennepin
Bloomington, Hennepin	New Brighton, Ramsey
Brooklyn Center, Hennepin	New Hope, Hennepin
Brooklyn Park, Hennepin	Oakdale, Washington
Burnsville, Dakota	Plymouth, Hennepin
Chanhassen, Carver	Ramsey, Anoka
Chaska, Carver	Rogers, Hennepin
Cottage Grove, Washington	Roseville, Ramsey
Eagan, Dakota	Saint Paul, Ramsey
Eden Prairie, Hennepin	Savage, Scott
Falcon Heights, Ramsey	Shakopee, Scott
Farmington, Dakota	Shoreview, Ramsey
Forest Lake, Washington	Stillwater, Washington
Golden Valley, Hennepin	Vadnais Heights, Ramsey
Ham Lake, Anoka	Waconia, Carver
Hopkins, Hennepin	West Saint Paul, Dakota
Inver Grove Heights, Dakota	White Bear Lake, Ramsey
Lake Elmo, Washington	Woodbury, Washington
Lakeville, Dakota	

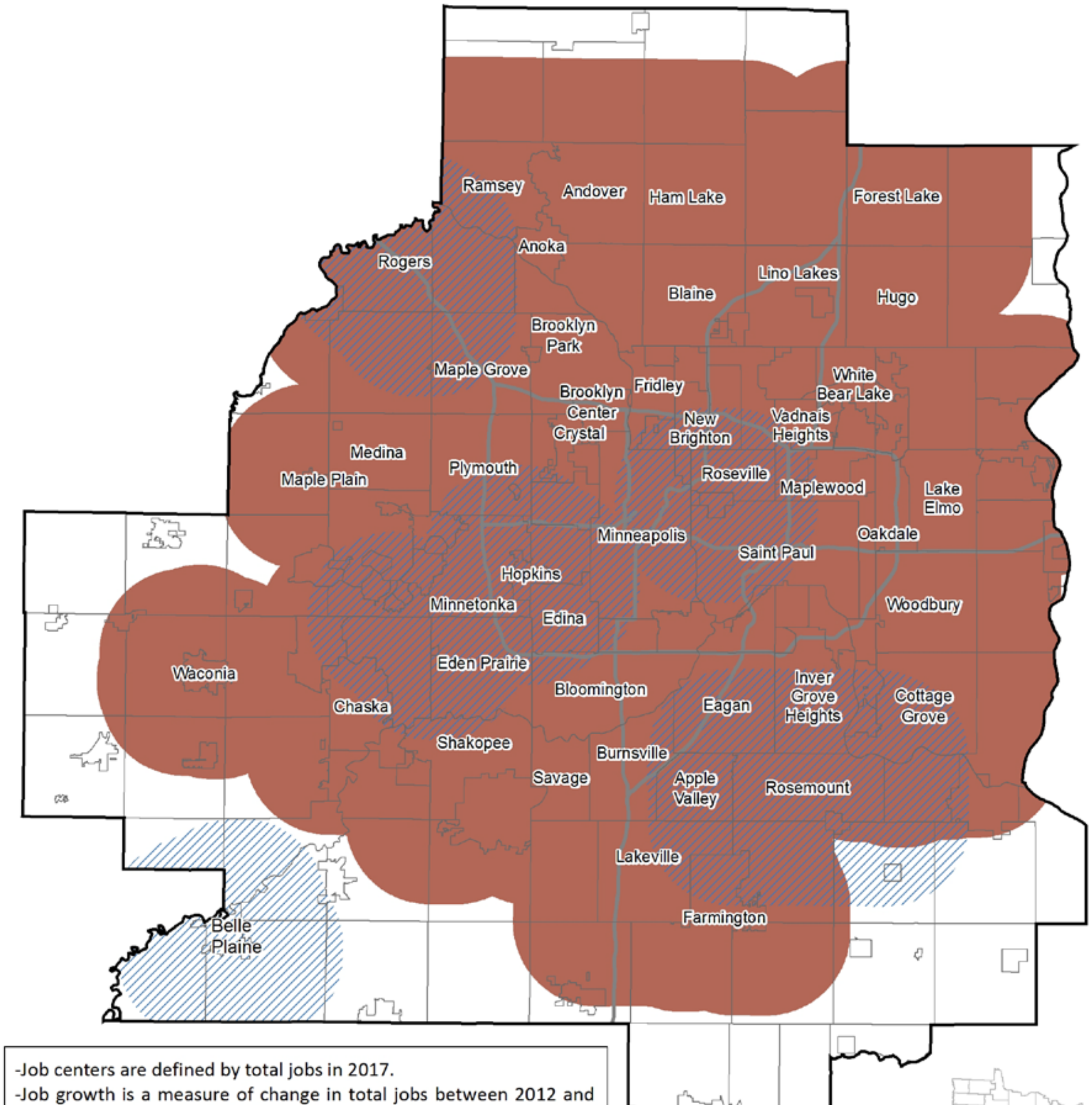
Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2012-2017).

Twin Cities ~~Metro~~ 7-County Metropolitan Area 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 2021 QAP



-Job centers are defined by total jobs in 2017.
-Job growth is a measure of change in total jobs between 2012 and 2017.
-To be eligible as a job growth community, a community must have 2,000 or more jobs in 2017.
-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

MINNESOTA HOUSING

Source: Minnesota Housing analysis of MN Department of Employment and Economic Developments Quarterly Census of Employment and Wages. Date: 12/27/2018

Greater Minnesota Job Centers and Job Growth Communities 2012-2017 (6 Points)

Greater Minnesota Top 10 Job Centers (2017)
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, 2012-2017	
Aitkin, Aitkin	Mankato, Blue Earth
Albertville, Wright	Monticello, Wright
Alexandria, Douglas	Moorhead, Clay
Austin, Mower	Mountain Iron, Saint Louis
Baxter, Crow Wing	New Ulm, Brown
Becker, Sherburne	North Branch, Chisago
Bemidji, Beltrami	North Mankato, Nicollet
Big Lake, Sherburne	Northfield, Rice
Brainerd, Crow Wing	Otsego, Wright
Buffalo, Wright	Park Rapids, Hubbard
Cloquet, Carlton	Pipestone, Pipestone
Cold Spring, Stearns	Princeton, Mille Lacs
Delano, Wright	Redwood Falls, Redwood
Detroit Lakes, Becker	Rochester, Olmsted
Dodge Center, Dodge	Saint Cloud, Stearns
Duluth, Saint Louis	Saint Joseph, Stearns
Elk River, Sherburne	Saint Michael, Wright
Faribault, Rice	Saint Peter, Nicollet
Glenwood, Pope	Sartell, Stearns
Hermantown, Saint Louis	Sauk Rapids, Benton
Lake City, Goodhue	Thief River Falls, Pennington
Le Sueur, Le Sueur	Waite Park, Stearns
Litchfield, Meeker	Willmar, Kandiyohi
Long Prairie, Todd	Worthington, Nobles
Luverne, Rock	Wyoming, Chisago

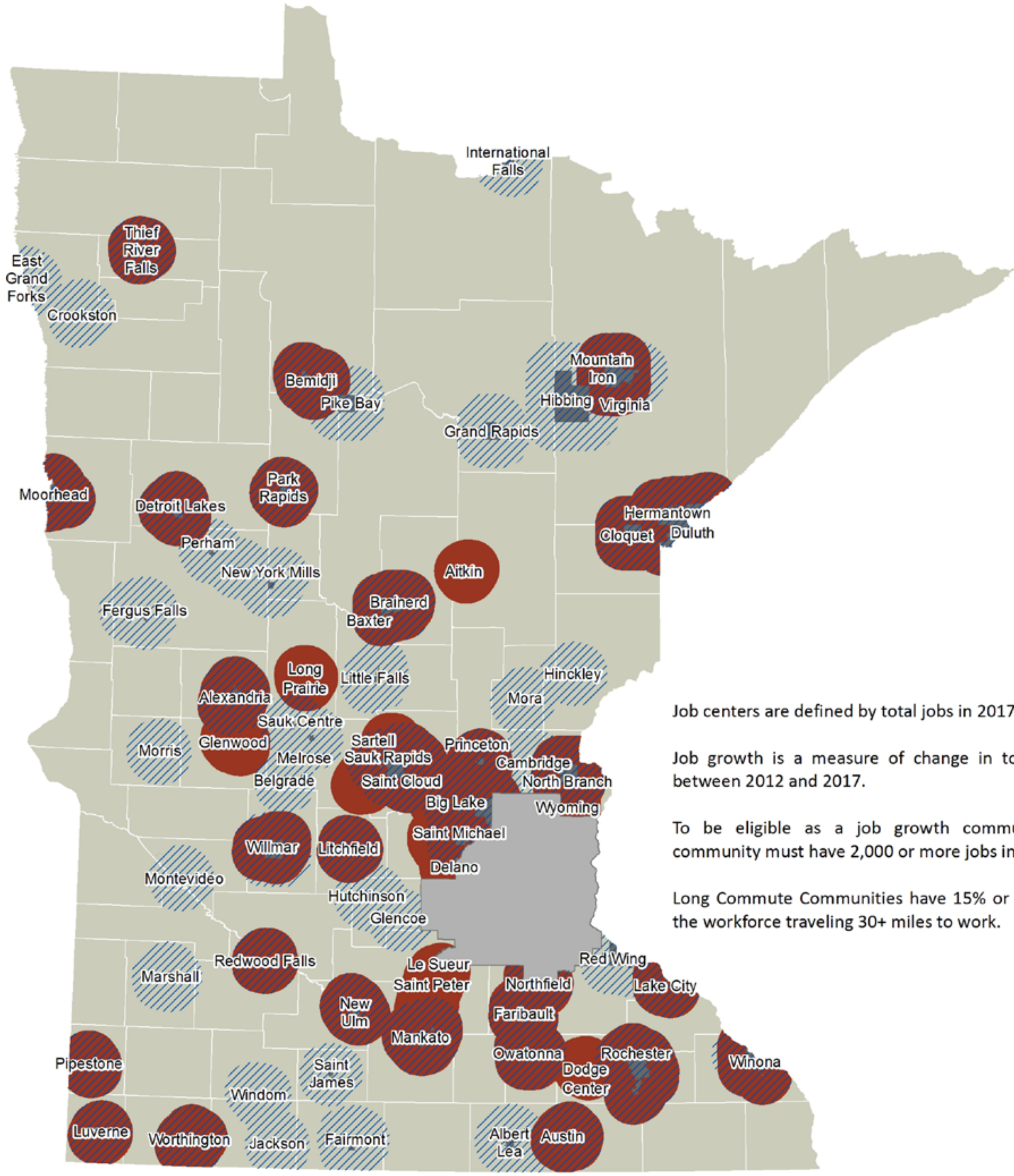
Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2012-2017).

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 2021 QAP



Job centers are defined by total jobs in 2017.

Job growth is a measure of change in total jobs between 2012 and 2017.

To be eligible as a job growth community, a community must have 2,000 or more jobs in 2017.

Long Commute Communities have 15% or more of the workforce traveling 30+ miles to work.

Long Commute Community (3 Points)
Top 10 Job Center or Growth >=100 Jobs (6 Points)

MINNESOTA HOUSING

Source: Minnesota Housing analysis of MN Department of Employment and Economic Developments Quarterly Census of Employment and Wages. Date: 12/27/2018

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2021 QAP - Continuum of Care (CoC) Priorities

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~~Families
Morrison	Singles
Pine	~~Singles~~Families
Sherburne	Singles
Stearns	Singles
Todd	Singles
Wright	Singles
Hennepin County	
Hennepin	Singles
Northeast	
Aitkin	Singles
Carlton	~~Families~~Singles
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~~Youth w/children
Faribault	Families
Fillmore	Singles
Freeborn	Families
Goodhue	Singles
Houston	~~Families~~Singles
Le Sueur	~~Singles~~Families
Martin	~~Singles~~Families
Mower	~~Families~~Singles
Nicollet	Singles
Olmsted	Singles
Rice	~~Singles~~Families
Sibley	~~Singles~~Families
Steele	~~Singles~~Families
Wabasha	~~Singles~~Families
Waseca	Families
Watonwan	Families
Winona	Singles
Southwest	
Big Stone	Families
Chippewa	Families
Cottonwood	Families
Jackson	~~Families~~Singles
Kandiyohi	~~Families~~Singles
Lac qui Parle	Families
Lincoln	~~Families~~Singles
Lyon	~~Families~~Singles
McLeod	Families
Meeker	Families
Murray	Families
Nobles	Families
Pipestone	Families
Redwood	Families
Renville	~~Families~~Singles
Rock	~~Families~~Singles
Swift	Families
Yellow Medicine	Families

Suburban Metro Area	
County	**Household Type**
Anoka	~~Families~~Singles
Carver	~~Families~~Singles
Dakota	~~Families~~Singles
Scott	~~Families~~Singles
Washington	~~Families~~Singles
West Central	
Becker	Families
Clay	Families
Douglas	Families
Grant	~~Families~~Singles
Otter Tail	~~Families~~Singles
Pope	~~Families~~Singles
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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MINNESOTA HOUSING

Board Agenda Item: 7.B
Date: 10/17/2019

Item: Approval, 2020-23 Strategic Plan

Staff Contact(s):
John Patterson, 651.296.0763, john.patterson@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☐ Resolution	☐ Information

Summary of Request:
Staff is providing the 2020-23 Strategic Plan for your review and approval. This version shows the changes that staff made to the public comment draft that you previously reviewed and discussed. We have also added a short section near the start of the plan that shows how our plan is aligned with and supports the Walz-Flanagan Administration's One Minnesota Plan. Staff will provide the fully-formatted plan in our desktop publishing at the Board meeting.

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):
- 2020-21 Strategic Plan

2020-22

Strategic Plan

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Changes Since the Public Comment Draft

October 10, 2019

The Future: The 2020-22 Strategic Plan

Everyone wants a home they can afford in a community of their choice because it provides the foundation for success, supporting educational achievement, stable employment, health and prosperity. Minnesota Housing is in a strong position to support individuals, families and communities. We are recognized as one of the leading housing finance agencies in the country, with a wide range of effective programs and a strong balance sheet. With the support of partners, over the last eight years, we have increased our:

- Annual program investment from about $700 million to over $1.3 billion;
- Home mortgage lending from 2,245 loans to 5,100;
- Lending to first-time homebuyers of color or from indigenous communities from 549 to 1,400; and
- Financing of new rental housing from 703 units to about 1,100.

We also have great partners and community resources to leverage. We have homeownership advisors, lenders, and real estate agents committed to serving homebuyers of color and from indigenous communities. We have developers and builders who are finding innovative ways to lower the cost of housing construction. We have businesses who invest in housing opportunities for their employees. We have outreach workers who tirelessly find housing for people experiencing homelessness. We have communities of all types with the expertise, insights and commitment to take on the toughest housing issues. We have staff, a Governor and Lt. Governor dedicated to this work.

While opportunities exist, the housing market continues to evolve and produce barriers, so we need to:

Go Big So Everyone Can Go Home.

We need to go big because many Minnesotans struggle with housing instability.

- 448,000 lower-income households in Minnesota are spending more than 30% of their income on housing;[1]
- Minnesota has the fourth largest disparity in homeownership rates in the country for households of color and indigenous communities;[2]
- An American Indian is over 20 times more likely to experience homelessness than a person who is white;[3] and
- Research funded by the Family Housing Fund found that the housing shortage in the Twin Cities metro area could limit job growth and result in a loss to the Gross Regional Product of $215 million annually.[4]

While we have done great work over the last several years and our existing vision and mission hold true, we will do even more over the next three years and focus our work on the toughest housing challenges that the state faces.

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<#>We are at a critical moment for housing in Minnesota. The lack of housing that is affordable is having an increasing impact on the economy. While the worst impact is homelessness, many Minnesotans are experiencing the effects of the housing shortage and the high price of renting or buying a home. Over the next four years, we want to:¶
¶
Go Big So Everyone Can Go Home.¶
¶
Minnesota Housing has a strong base from which to build, but more is needed. We are recognized as one of strongest housing finance agencies in the country, with a range of strong programs and a strong balance sheet. With the support of partners, over the last eight years, we have increased our:¶
Annual program investment from about $700 million to over $1.3 billion;¶
Home mortgage lending from 2,245 loans to 5,000;¶
Lending to first-time homebuyers of color from 549 to 1,400; and¶
Financing of new rental housing from 703 units to 1,100.¶
Despite these results, we are facing headwinds that require more action. Fortunately, we have great partners and community resources to leverage. We have homeownership advisors, lenders, and real estate agents committed to serving homebuyers of color. We have developers and builders who are findings innovative ways to lower the cost of housing construction. We have businesses who invest in housing opportunities for their employees. We have outreach workers who tirelessly find housing for people experiencing homelessness. We have communities of all types with the expertise, insights, and commitment to take on the toughest housing issues. We have staff, a ...

Deleted: With new leadership, Minnesota Housing is focusing on what we can do to solve the housing challenges that face the state. The vision and the mission hold true.¶

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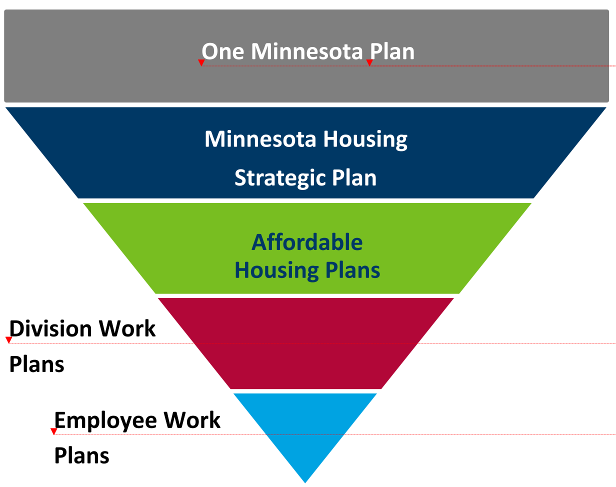
Strategy Management: How We Direct and Align Our Work

To go big, we need every Minnesota Housing employee and housing partner working toward the same goals. A set of planning documents and processes direct and align our work. The structure starts with the strategic direction set by the Walz-Flanagan Administration and culminates in the work of every individual employee. The strategic and supporting plans align the work of every employee, and every employee sees how their work supports the strategic plans.



Sets the strategic direction for all state agencies in the Walz-Flanagan Administration for 2020-22

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Sets the strategic direction for Minnesota Housing for 2020-22

Two-year business plans to implement the Strategic Plan, which includes key policy, program, and operational initiatives

One-year plans outlining division activities to implement the Affordable Housing Plan and core work

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One-year individualized work plans for every employee

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In the following sections, we first present the building blocks of the Walz-Flanagan Administration's One Minnesota Plan and then present Minnesota Housing's strategic plan. The state can accomplish more if all state agencies and employees are focused on and working toward the same goals. To achieve these outcomes, the Walz-Flanagan Administration established mission and vision statements, principles and priorities. We developed our 2020-22 Strategic Plan, with its own mission, vision, principles and objectives, to be aligned with and fulfill this strategic direction. Our Strategic Plan focuses on the housing component of this endeavor and reflects the input we received from across the state as we developed the plan. Our plan also highlights where and how we will work with other state agencies and sectors to achieve the broader vision.

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One Minnesota Plan: Building Blocks

Mission: Improve the lives of all Minnesotans by working collaboratively to implement policies that achieve results.

Vision: Minnesota is the best state in the country for children to grow up in – those of all races, ethnicities, religions, economic statuses, gender identities, sexual orientations, abilities, and zip codes.

Guiding Principles:

- Practice servant leadership
- Treat everyone with respect and dignity
- Do the right thing, especially when it is difficult
- Ask how your actions are reinforcing or removing structural inequity
- Promote the common good over narrow special interests
- Be accessible, transparent, and accountable
- Include voices from communities who will be most impacted

One Minnesota Priorities:

- **Thriving Communities**

  A key objective of Minnesota Housing is to focus on the people and places most impacted by housing instability (page 9). If we are to achieve the concept of **One Minnesota**, where everyone thrives, we will:
    - Make communities most impacted by housing instability the priority of each program
    - Support housing solutions developed by communities
    - Finance housing to support economic development and job growth
    - Strengthen disinvested communities
    - Support Tribal nations and indigenous communities

- **Equity and Inclusion**

  Another key objective is to create an inclusive and equitable housing system (pages 10-11). We will:
    - Increase Minnesota Housing's diversity and cultural competency
    - Empower communities to co-develop solutions
    - Address systemic barriers
    - Make our programs more inclusive and equitable
    - Diversify the partners with which we work

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- **Children and Families**

  If children and families live in safe, stable homes that they can afford in communities of their choice, they will thrive. Our strategic plan is built to support that goal. We will:
  - Emphasize serving children as we focus on the people and places most impacted by housing instability
  - Finance the development and preservation of housing with three or more bedrooms to serve larger families with children
  - Expand the Homework Starts with Home program, which provides rent assistance and other supports to families experiencing homelessness with school-age children
  - Collaborate with the Interagency Council on Homelessness and Children's Cabinet to prevent and end homelessness among children, youth and families

- **Fiscal Accountability and Measurable Results**

  Minnesota Housing is a financial institution with a mission. We will:
  - Maintain a strong balance sheet and increase our assets so that we have the resources to not only address current housing needs but also future needs
  - Maintain a strong bond rating
  - Track progress on each of our strategic objectives with a set of metrics and develop Specific, Measurable, Achievable, Relevant, and Time-bound (SMART) goals for a set of the objectives to hold ourselves accountable for achieving specific goals

- **Minnesota's Environment**

  Sustainable housing that utilizes both energy efficiency and clean energy solutions plays a key role in mitigating climate change, improving Minnesota's environment, reducing utility bills for residents, and providing a healthier place to live (pages 11-12). We will:
  - Actively participate in the Governor's Climate Subcabinet and develop a more comprehensive climate strategy for Minnesota Housing
  - Enhance our existing sustainability standards for the buildings we finance, which are primarily based on Enterprise Green Communities, to promote the development and rehabilitation of sustainable and resilient homes
  - Work with our asset management team to continue providing sustainability education and supporting owners, managers and residents of existing buildings
  - Assess our work with an environmental justice lens, finding equitable housing solutions to minimize the impact of climate change on the most vulnerable populations
  - Leverage all available resources, such as utility incentives, city-based sustainability programs, and other partnerships

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Our Vision: The Big, Audacious Goal

All Minnesotans live and thrive in a stable, safe home they can afford in a community of their choice

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Our Mission: The Core Purpose

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

Our Principles and Values: How We Work

How we work and with whom we engage and partner can be as important as what we do. Our processes and partnerships impact not only what housing is built, but also where it is built, for whom, and who benefits from the work. To achieve the concept of **One Minnesota** where everyone thrives, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from the housing economy.

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We will center the **people and places most impacted** by housing instability at the heart of our decision making.
We will **listen, empower and support.**
We will be **inclusive, equitable and just** in our actions.
We will be **innovative and creative** problem solvers.
We will be **flexible, nimble and responsive**.
We will make **data-driven and evidence-based** decisions.
We will pursue **continuous improvement**.
We will **build and leverage** resources.
We will be **accountable** for our results.

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Our Core Activities: The Day-to-Day Work

Minnesota Housing's core work involves these seven activities:

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- **Promote and Support Successful Homeownership.** We finance pre- and post-purchase counseling, education, coaching, and financial empowerment; mortgages and downpayment/closing-cost assistance; and home improvement loans.

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- **Finance New Affordable Rental Opportunities.** We finance the construction of new rental housing through amortizing first mortgages, housing tax credits, and zero-interest, deferred loans. We also provide rental assistance.

- **Preserve the Existing Housing Stock.** We provide financing to meet a range of rehabilitation and refinancing needs for both homeownership and rental, provide technical assistance and support to those needing help accessing preservation resources, support effective rental property management after we have financed a property, and manage HUD's Project-Based Section 8 rental assistance contracts in Minnesota.

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- **Support Housing Stability.** We fund assistance that helps people find and stay in their housing, finance housing with services, and work with local Continuums of Care to connect people experiencing homelessness to the housing and services they need.

- **Support Community and Economic Development.** We engage communities, provide tools to help assess local needs, and support communities with technical assistance and capacity building resources.

- **Lead and Take Action on Critical Housing Issues.** We identify housing issues and needs, work with community partners to advocate for solutions, and leverage both public and private resources.

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- **Strengthen the Financial and Organizational Capacity of the Agency.** We are only as strong as our staff, partnerships, systems and balance sheet. We finance our programs through a combination of state and federal appropriations, tax credits, bonding and Agency earnings. We attract and retain skilled, committed and diverse staff. We partner with over 400 organizations across the state to administer the programs that we finance. We create, maintain and operate systems that effectively manage our programs and finances.

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Our Strategic Objectives

Over the next three years, we will pursue the following 14 strategic objectives, which fall into five areas of focus.

Improve the Housing System

- Focus on the people and places most impacted, especially children
- Create an inclusive and equitable housing system
- Finance housing to support all areas of life

Preserve and Create Housing Opportunities

- Preserve the condition and affordability of existing housing
- Increase the development of new housing that is affordable
- Increase access to rental assistance
- Support and preserve manufactured housing

Make Homeownership More Accessible

- Address homeownership barriers and reduce disparities

Support People Needing Services

- Effectively link services with housing
- Prevent and end homelessness
- Support people with disabilities
- Support older Minnesotans

Strengthen Communities

- Strengthen disinvested communities
- Support Tribal nations and indigenous communities

Strategic Goals

What gets measured and tracked gets done. Specific, Measurable, Achievable, Relevant and Time-bound (SMART) goals provide clarity and accountability, inspire action and make a strategic plan tangible. For example, by having a goal of 35% of our first-time homebuyer mortgages going to households of color and indigenous communities, we significantly increased our lending to these communities and are on the cusp of achieving it. Creating SMART goals takes careful analysis, thought and collaboration. We will develop them for a key set of these objectives over the next year. We have also identified one to three key metrics for tracking each of the objectives identified in the plan to drive results and accountability.

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IMPROVE THE HOUSING SYSTEM

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Focus on the People and Places Most Impacted, Especially Children

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Key Metric: Share of households from these communities that are cost burdened or overcrowded (lowest income, households of color, indigenous communities, seniors, children, large families, and people with disabilities)

Some people and places are far more likely to be impacted by housing instability, which includes being cost-burdened or homeless, living in overcrowded or substandard housing, moving frequently or not having access to homeownership. Communities facing housing challenges and disparities are our priority because the current market is not working for them. Examples include:

PEOPLE		PLACES
• Lowest Income (e.g. <= 30% of area median income (AMI)) • People of Color • Indigenous Individuals • LGBTQ • People Experiencing Homelessness • People with Disabilities • Immigrants • Large Families • Seniors • Children	People Facing Barriers and/or Limited Choices: • Poor Credit • Limited Savings • Criminal History • Evictions • Transitioning Out of Foster Care, Prison, Other Systems	• Disinvested Communities in the Metro Area and Greater Minnesota • Tribal Nations / Indigenous Communities • Manufactured Home Communities • Communities with Job Growth and a Limited Housing Supply

Children are often among those most impacted by housing instability, and the impact can last a lifetime through reduced educational achievement, poor health, and even trauma. If all children were stably housed in a safe, affordable home in a community of their family's choice, Minnesota would be a great place for everyone to live.

- **Make the Most Impacted the Priority of Each Program**

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  Examples of Actions: (1) Understand the impact that market conditions and failures have on the people and places most impacted; (2) continually engage these communities; (3) prioritize resources to serve them

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- **Advocate Alongside Communities**

  Examples of Actions: (1) Be a convener and connector; (2) identify and advocate for new and innovative solutions, particularly when a housing need cannot be met with one of our existing programs

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Create an Inclusive and Equitable Housing System

Key Metric: Disparities for housing cost burden, homeownership, poverty, and homelessness, by race
Key Metric: Disparities for housing cost burden, homeownership, poverty, and homelessness, by disability status
Key Metric: Number and share of developments that Minnesota Housing finances that have a minority-owned or women-owned business on the development team

Minnesota has vibrant, resourceful communities, including people with disabilities who overcome daily barriers, immigrants who are determined to make a new life, communities of color and indigenous populations who have endured generations of discrimination, and the LGBTQ community that is out and proud. These groups have struggled to thrive. Minnesota has some of the worst disparities in the country, including in housing, health, education, income and wealth. If we are truly to achieve the concept of **One Minnesota**, everyone must thrive, not just some. Because the root causes of these disparities are deep and systemic, our strategies will be deep and systemic, starting with Minnesota Housing itself.

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- **Increase Minnesota Housing's Diversity and Cultural Competency**

  Examples of Actions: (1) Increase in the number of our leaders and staff who are from communities most impacted by disparities; (2) continue and enhance our journey to become more culturally competent and incorporate these practices into everything we do

- **Empower Communities to Co-Develop Solutions**

  Examples of Actions: (1) Continually engage and empower communities facing barriers; (2) create more opportunities for participation in program decision making; (3) listen; (4) act on what we learn

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- **Address Systemic Barriers**

  Examples of Actions: (1) Identify the systemic barriers creating housing inequities; (2) develop a policy agenda; (3) support solutions that increase housing stability and access, such as renter protections and renter screening that is guided by evidence-based research; (2) support efforts to mitigate displacement; (3) support laws, local ordinances and practices that create a full range of housing options that are affordable in all communities

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- **Make Our Programs More Inclusive and Equitable**

  Examples of Actions: (1) Review all program structures, processes, requirements and restrictions with a renewed lens on inclusion and equity; (2) identify programs and processes that are not working for everyone; (3) make programs easier to access and administer so that they better serve households with different needs and from different backgrounds

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- **Diversify the Partners with which We Work**

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Examples of Actions: (1) Invest in organizations led by disproportionately impacted communities, build their capacity and provide more opportunities for them to compete for funding, which will lead to culturally appropriate work and direct benefits to disproportionately impacted communities; (2) encourage program partners to assess their leadership and staff composition, their cultural competency and how they incorporate equity practices into their work, learning from partners who are doing this well

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- **Continually Analyze Outcomes and Program Processes**

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Examples of Actions: (1) Collect and analyze data at the most disaggregated level possible; (2) thoroughly analyze outcomes and program processes by race/ethnicity, disability status and other characteristics that reflect inequity; (3) adjust and act where populations are not being served equitably

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Finance Housing to Improve All Areas of Life

Deleted: Outcomes in Education, Employment, Health and Other

Key Metric: Number of programs that we administer in partnership with other state agencies
Key Metric: Number of households served by Homework Starts with Home

Stable and affordable homes support educational achievement, stable employment, health, and success in other areas of life. Societal challenges involve complex interactions across issues and sectors, and we need cross-sector solutions. We will act holistically.

- **Build Interagency and Cross-Sector Relationships and Partnerships**

Examples of Actions: Build and strengthen relationships with: (1) the Department of Education, school districts, and the Office of Higher Education to improve educational outcomes; (2) the Department of Health, the Department of Commerce, the Department of Human Services, the health sector, and community organizations to improve health outcomes; (3) the Department of Employment and Economic Development, local community and economic development agencies, the Itasca Project, and employers to improve economic development and employment; (4) the Department of Corrections and local correctional facilities to support successful community reintegration and reduce recidivism

- **Align and Leverage Resources and Programs**

Examples of Actions: (1) Create cross-sector programs, such as Homework Starts with Home, which provides housing assistance to support homeless families with school age students; (2) work with the health sector and encourage investment in housing to improve health outcomes

- **Improve Minnesota's Environment**

Deleted: Promote Programs and Policies to Address Climate Change

Examples of Actions: (1) Actively participate in the Governor's Climate Subcabinet and develop a more comprehensive climate strategy for Minnesota Housing; (2) enhance our existing sustainability standards, such as Enterprise Green Communities, to promote the development and rehabilitation of sustainable and

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resilient homes; (3) work with our asset management team to continue providing sustainability education and supporting owners, managers and residents of existing buildings; (4) assess our work with an environmental justice lens, finding equitable housing solutions to minimize the impact of climate change on the most vulnerable populations; (5) leverage all available resources, such as utility incentives, city-based sustainability programs and other partnerships

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- **Actively Participate in the Walz-Flanagan Administration's Interagency Initiatives**
  Examples of Actions: (1) Fully engage in the homelessness, equity and inclusion, children, criminal justice, and climate initiatives; (2) take a leadership role in the work to end homelessness

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PRESERVE AND CREATE HOUSING OPPORTUNTIES

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Preserve the Condition and Affordability of Existing Housing

Key Metric: Number of existing rental units affordable to households with an income at or below 50% of the area median income (AMI)
Key Metric: Number of units with federal project-based rent assistance
Key Metric: Number of existing homes valued at $250,000 or less

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Existing housing is typically the most affordable, and preserving it is more cost effective than building new. Segments of existing affordable housing are at risk of being lost, either to rent or price increases or to deterioration. For example, project-based Section 8 units were built about 40 years ago and often have deferred maintenance; and about 10,000 of the 30,000 Section 8 units in Minnesota have contracts that expire in the next four years, when they could convert to market-rate rents. Fortunately, we have had great success in renewing contracts. We also estimate that Minnesota annually loses about 2,000 units of naturally occurring affordable housing (NOAH) after a sale, rehabilitation, and rent increases occur, which often results in the displacement of lower-income residents. Finally, 18% of the state's owner-occupied homes have a value of less than $125,000.[5] While quite affordable, these homes often need significant repairs.

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- **Identify the Housing Most at Risk of Being Lost**

  Examples of Actions: (1) Use data from our systems, U.S. Department of Housing and Urban Development, U.S. Department of Agriculture – Rural Development, Census Bureau, Minnesota Department of Revenue, HousingLink, CoStar, and local data sources; (2) work with interagency stabilization teams and preservation groups to assess needs and risks

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- **Streamline, Simplify and Expand Programs**

  Examples of Actions: (1) Make programs and funds easier to access and use; (2) increase program flexibility so that they can be used to meet evolving needs in different situations; (3) expand financing options for Naturally Occurring Affordable Housing (NOAH); (4) expand existing programs, such as the Rehabilitation Loan and Rental Rehabilitation Deferred Loan programs, to better serve communities

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- **Market and Provide Information about Preservation Resources**

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Examples of Actions: (1) Find simple ways to summarize and present the full range of preservation resources that are available; (2) systematically get the information into the hands of the people needing the resources for themselves or their community

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- **Increase Preservation Capacity Across the State**

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Examples of Actions: (1) Help communities to identify their preservation needs; (2) support efforts to increase the number of developers in Greater Minnesota and contractors statewide doing preservation work

- **Secure Additional Resources**

Examples of Actions: (1) Advocate for new and/or expanded funding from federal and state sources; (2) encourage localities to invest in housing; (3) explore options for expanding the availability of purchase-rehabilitation loans for owner-occupied homes; (4) make resources available to serve homeowners with extremely-low to moderate incomes.

Increase the Development of New Housing that is Affordable

Key Metric: Number of new rental units funded by Minnesota Housing with rents affordable to households with incomes (1) at or below 30% of the area median income (AMI), and (2) between 31% and 50% of AMI **Key Metric:** Number of new owner-occupied homes funded by Minnesota Housing selling for $250,000 or less **Key Metric:** Number of new owner-occupied and rental homes financed by Minnesota in Greater Minnesota communities with substantial job growth

To create and sustain a healthy housing market, the 2018 Housing Task Force called for the development of 300,000 new housing units in Minnesota by 2030 across all types and price points; however, the greatest need is for housing that is affordable for low-income families. Only 24% of renter households with an income at or below 30% of the area median income are in a home they can afford.[6] The month-supply of homes selling for $250,000 or less is only 1.4 months, when a five-month supply is considered a healthy and balanced market.[7] Expanding the supply of housing that is affordable is critical because most lower-income households just need an affordable place to live.

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- **Increase Funding**

Examples of Actions: (1) Demonstrate the impact that housing investments have on people's lives and community prosperity; (2) work with Congress and the State Legislature to increase funding; (3) encourage localities to invest in housing; (4) partner with and encourage businesses and employers to invest in housing, recognizing that housing affordable for their workforce is a competitive advantage; (5) effectively leverage existing funding

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- **Innovate and Reduce the Cost of Housing Production**

  Examples of Actions: (1) Partner with others to use technology and innovation to increase housing construction productivity, which could include modular or panelized construction and even 3-D printing; (2) support strategies to increase the number of contractors and people working in the building trades; (3) review and adjust our design and construction standards; (4) encourage local units of government to evaluate their policies and regulatory costs to promote a full range of housing options in their communities, including duplexes, triplexes, quads, condominiums, townhomes, accessory dwelling units and other higher density housing; (5) focus on life-cycle costs, including durability, maintenance and utility costs

- **Streamline and Simplify Programs**

  Examples of Actions: Carry out the same actions listed under this strategy in the previous preservation section, with a focus on new construction

Increase Access to Rental Assistance

Key Metric: Number of rental assistance vouchers or Housing Supports in Minnesota
Key Metric: Share of Housing Choice Vouchers successfully placed

Rental assistance is the most direct approach to making housing affordable. Renters pay what they can afford, and the subsidies cover the rest. However, demand for the assistance grossly outstrips the supply. Minnesota has only 42,000 vouchers or similar supports for renter households,[8] while another 220,000 households with very-low incomes currently have rents that are unaffordable.[9] In addition, a voucher does not guarantee success in finding a unit in today's competitive rental market. In 2018, 54% of renters served by the Metro HRA who started receiving a Housing Choice Voucher were unable to find a home to use it.[10] With very low vacancy rates and multiple people competing for an available home, landlords can be very selective, and some refuse to rent to people with vouchers.

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- **Manage and Target Existing Assistance**

  Examples of Actions: (1) Better understand the full scope and nature of the assistance that is available, including Housing Choice Vouchers, Housing Trust Fund, Bridges, Section 811, HUD-VASH, Housing Supports, Rapid Rehousing and others; (2) maximize the benefit of existing resources by working with partners to match tenants with the type of assistance that will be most effective for them

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- **Increase the Acceptance of Vouchers**

  Examples of Actions: (1) Incentivize landlords to accept households with rental assistance; (2) support solutions that increase acceptance of vouchers and make it illegal to discriminate against individuals and families that have vouchers; (3) advocate for housing navigation services

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- **Advocate for Additional Rental Assistance**

  Examples of Action: (1) Advocate for new and/or expanded funding from federal, state and local sources; (2) evaluate the effectiveness of rental assistance in improving people's lives, including in the areas of education, employment and health

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Support and Preserve Manufactured Housing

Key Metric:	Number of Minnesota households living in manufactured housing
Key Metric:	Number of manufactured home communities lost annually in Minnesota

Manufactured housing is a critical component of Minnesota's housing supply. The median monthly housing cost for someone owning a manufactured home with a mortgage is only $982, versus $1,502 for other homeowners with a mortgage and $937 for renters.[11] Currently, about 57,000 Minnesota households live in manufactured housing,[12] and Minnesota has 45,000 sites in manufactured home communities where the land is leased.[13] Other homes are on private land. In the last three years, Minnesota has lost 770 manufactured home sites through closures.[14] Manufactured home residents face challenges that are not easily addressed through traditional housing finance tools. The challenges include home conditions and a backlog of infrastructure needs, such as utility and road maintenance, in manufactured home communities.

- **Create a Manufactured Housing Team and Structure**

  Examples of Actions: (1) Bring together expertise from different parts of Minnesota Housing; (2) deploy resources proactively to address issues as they arise

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- **Enhance External Partnerships and Collaborate**

  Examples of Actions: (1) Partner with local governments and communities, Northcountry Cooperative Foundation, All Parks Alliance for Change, ROC USA, the Manufactured and Modular Home Association of Minnesota, Pueblos de Lucha y Esperanza and others; (2) develop and implement cross-sector strategies

- **Create a Comprehensive Strategy**

  Examples of Actions: (1) Finance manufactured home communities, including purchase and infrastructure improvements; (2) finance individual homes, including purchase, rehabilitation, relocation, and replacement; (3) identify and support regulatory changes and model ordinances that address zoning and the rights of residents; (4) support cooperatively-owned manufactured home communities and build capacity for sustainable management; (5) work with other state and local agencies and community organizations to coordinate funding for community needs, such as storm shelters, community rooms and playgrounds

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MAKE HOMEOWNERSHIP MORE ACCESSIBLE

Address Homeownership Barriers and Reduce Disparities

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Key Metric:	Annual number of home mortgages purchased by Minnesota Housing
Key Metric:	Minnesota Housing's annual lending to households of color and indigenous communities
Key Metric:	Homeownership rates by race and ethnicity by income level

Homeownership is the primary way that most Minnesotans build wealth. According to the Joint Center for Housing Studies at Harvard University, each year of successful homeownership increases household wealth by about $10,000.[15] However, poor credit, limited savings and income, limited knowledge and trust of the mortgage industry, discrimination, limited access to financing, and other factors create barriers to successful homeownership. While Minnesota has the third highest homeownership rate in the country, it also has the fourth largest disparity in homeownership rates between white/non-Hispanic households and households of color, and the disparity has been persistent.[16] While we have made significant progress in increasing our lending to households of color and indigenous communities, the entire industry needs to do more to reduce the disparity. With about 64,000 renter households of color or from indigenous communities in Minnesota between the ages of 25 and 44 (prime first-time homebuyers) who are potentially income-ready to buy, there is the opportunity for significant improvement.[17]

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- **Model What it Will Take to Significantly Reduce the Homeownership Disparity**

  Examples of Actions: (1) Identify how many additional households of color or from indigenous communities would need to become successful homeowners to achieve a homeownership rate goal; (2) determine the share that we will address versus the overall industry; and (3) identify the program changes that we will make to achieve the goal; (4) determine how we can support the overall industry to do its part

- **Improve Marketing and Outreach**

  Examples of Actions: (1) Continue to refine and enhance the work of our Business Development (outreach) team; (2) pursue more direct-to-consumer marketing, social media, and events to dispel myths and increase awareness of our programs and that homeownership is possible, particularly for millennials, who are the prime first-time homebuyers; (3) create specific marketing strategies to reach the 64,000 households of color or from indigenous communities who may be ready to buy; (4) increase awareness of our programs among real estate agents and lenders; (5) engage more homeownership advisors, real estate agents, lenders and other industry professionals to serve more households of color and indigenous communities; (6) engage employers and community groups with employees and members of color or from indigenous communities

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- **Provide Comprehensive Homebuyer and Post-Purchase Support**

Deleted: , including Education, Counseling, and Financial Coaching

  Examples of Actions: (1) Find ways to bring training and education into schools; (2) work with the Homeownership Center and its network of homeownership advisors in providing education, counseling and financial coaching that meets the needs of homebuyers/owners, particularly households of color and

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indigenous communities; (3) expand our Homeownership Capacity program, which is intensive and longer-term financial coaching that is effectively reaching and serving households of color and indigenous communities

- **Increase the Inventory of Affordable Homes for Sale**

  Examples of Actions: (1) Support the creation of more affordable options, including manufactured or modular housing, townhomes, condominiums, cooperatives, etc.; (2) advocate for more funding to develop and subsidize owner-occupied housing; (3) work with others to reduce the cost of housing development, which could include reducing regulatory costs and increasing construction productivity; (4) support strategies to increase the number of contractors and people working in the building trades

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- **Provide Affordable and Accessible Financing**

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  Examples of Actions: (1) Continue refining our homebuyer and home-improvement programs each year to match market conditions and borrower needs, particularly for households of color and indigenous communities, (2) build off of our current successes, which includes 65% of our Deferred Payment Plus Loans (enhanced downpayment assistance) going to households of color and indigenous communities; (3) explore options for expanding the availability of purchase-rehabilitation loans; (4) expand our lender network to support more lending throughout the state, particularly in communities of color and indigenous communities

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- **Lead the Overall Mortgage Industry**

  Examples of Actions: (1) Demonstrate to the mortgage industry strategies and programs that successfully serve households of color and indigenous communities; (2) provide leadership for the Homeownership Opportunity Alliance (HOA), an industrywide coalition, to increase homeownership by households of color and indigenous populations

SUPPORT PEOPLE NEEDING SERVICES

Effectively Link Services with Housing

Key Metric: Share of service providers in our supportive housing portfolio that have the capacity to bill Medical Assistance for housing-related services

Housing with services is an important part of our work, particularly the interagency work through the Office to Prevent and End Homelessness and the Olmstead Implementation Office, which coordinates state agencies' work to help people with disabilities live, learn and work in integrated settings. For some people, effectively linking services with housing is critical to obtaining and maintaining housing stability. On a given day, 77% of adults experiencing homelessness suffer from a mental illness, chemical dependency, and/or a chronic health condition.[18]

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We have contracted with an external consultant to evaluate the portfolio of permanent supportive housing that we have financed, which has reached about 5,000 housing units. The evaluation recommendations, which are due early in 2020, will inform and refine the following strategies and actions.

- **Better Align Housing and Services Funding**

  Examples of Actions: (1) Work with the Department of Human Services (DHS) to better align its service funding and our funding for housing development; (2) collaborate with DHS to promote and implement the new authority that the state received in 2019 from the federal government to use Medical Assistance to pay for certain housing-related services; (3) support efforts to increase the capacity of housing and service providers to access, use and bill for support services, including Medical Assistance and Housing Supports

- **Build the Capacity of Developers to Provide Supportive Housing**

  Examples of Actions: (1) Encourage developers who are new to providing supportive housing to receive training so they can create and manage supportive housing successfully; (2) expand the use of our Supportive Housing Information and Resources guide; (3) provide technical assistance and resources; (4) review Agency assumptions regarding supportive housing financing and cash flow

- **Build the Capacity of Service Providers to Deliver Effective Services**

  Examples of Actions: (1) Support providers in obtaining training and increasing their service fidelity; (2) provide fidelity standards for supportive housing services; (3) support efforts to increase the cultural competency of service providers and the services they provide; (4) explore the possibility of incorporating technology and telehealth into supportive housing; (5) support efforts to increase the number of people working in supportive services

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Prevent and End Homelessness

Key Metric: Number of people experiencing homelessness, by population (chronic, families with children, veterans, youth, sleeping outside, etc.) **Key Metric**: Homelessness disparities by race and disability status

In Minnesota, roughly 8,000 people are homeless each night. While over 6,000 of them find shelter for the night, an estimated 1,650 people sleep outside without shelter, an increase of 125% since 2015.[19] A person of color or indigenous individual in Minnesota is nearly ten times more likely to experience homelessness than a person who is white/non-Hispanic.[20] Because homelessness can be traumatic for children and have a life-long impact, we will collaborate with the Interagency Council on Homelessness and Children's Cabinet to prevent and end homelessness among children, youth and families.

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Homelessness is the most severe form of housing instability and encompasses many societal failures – a woefully inadequate supply of housing that is affordable, an unequitable housing system, disparities, trauma, and the intersection of housing, physical and behavioral health, employment, and education. The state has responded, but the severity of the housing crisis remains a significant challenge.

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- **Lead the Interagency Council on Homelessness**

  Examples of Actions: (1) Implement *Heading Home Together: Minnesota's 2018 – 2020 Action Plan to Prevent and End Homelessness* and subsequent plans; (2) build support to end homelessness across the state, (3) coordinate, align, and leverage work across state agencies, systems and sectors; (4) make data-driven and evidence-based decisions

- **Create more Deeply Affordable Housing Opportunities**

  Examples of Actions: (1) Build more permanent supportive housing, especially for populations that have been historically underserved; (2) advocate for expanding the availability of rental assistance, including Housing Trust Fund, Bridges and Housing Supports; (3) incentivize building more deeply affordable housing that is affordable for those with the lowest-incomes

- **Preserve Existing Housing that is Deeply Affordable**

  Examples of Actions: (1) Carry out the actions in the housing preservation section of this plan, prioritizing deeply affordable housing; (2) implement recommendations from the evaluation of our permanent supportive housing portfolio, which will be released early in 2020

- **Focus and Target Resources**

  Examples of Actions: (1) Prioritize coordinated grant-making by streamlining, coordinating and consolidating homeless funding processes so that community partners can more effectively access resources; (2) improve the effectiveness of Coordinated Entry, which is a process for matching people with available resources; (3) evaluate, improve and expand the homeless prevention targeting tool; (4) continue implementing "Step Down", which is a process of reducing assistance for people who no longer need full supportive housing, freeing up resources for others

- **Reduce Barriers to Accessing Housing**

  Examples of Actions: (1) Support solutions that increase housing stability and access such as renter protections and renter screening that is guided by evidence-based research; (2) advocate for additional housing navigation services; (3) expand incentives for landlords to house people facing barriers (for example, Landlord Risk Mitigation Funds)

Support People with Disabilities

Key Metric: Share of people participating in Minnesota Housing programs who have a disability

The State of Minnesota is committed to ensuring that people with disabilities have meaningful opportunities to live, learn, and work in integrated settings. A crucial component of that commitment is access to affordable, accessible housing that is supported by appropriate services. People with disabilities should have the

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opportunity to choose where they live, with whom, and in what type of housing. Individuals should have a meaningful opportunity to choose to have a lease or own their own home, and to live in the most integrated setting appropriate to their needs. Supports and services should allow sufficient flexibility to support individuals' choices on where they live and how they engage in their communities.

Minnesota adopted an Olmstead Plan in 2015, which includes measurable goals related to housing, services, transportation, and a number of other factors that impact the ability of individuals with disabilities to live in integrated settings. Progress has been made, and between July 2014 and June 2018, there were an additional 3,852 people with disabilities living in integrated housing of their choice. But much more work needs to be done, and the continued shortage of affordable housing across the state is a barrier that must be addressed.

- **Create more Housing Opportunities for People with Disabilities**

  Examples of Actions: (1) Facilitate the development of affordable housing for individuals with disabilities; (2) identify resources, such as HIB, that can provide supportive housing for individuals with disabilities; (3) identify new models and funding sources that can be used to increase affordable, accessible, and integrated housing options across the state, including both rental and homeownership

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- **Link Housing with Services**

  Examples of Actions: (1) Coordinate with the Department of Human Services and other state agencies to help ensure affordable housing units financed by us can include appropriate services for individuals with disabilities; (2) support and build the capacity of developers to create and operate affordable housing options for individuals with disabilities

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- **Reduce Barriers to Accessing Housing**

  Examples of Actions: (1) Identify opportunities to facilitate accessibility improvements in existing units and promote the development of new accessible units; (2) pursue resources to provide rental assistance and other financial options to make housing more affordable for individuals with disabilities; (3) continue to seek federal Section 811 resources; (4) promote less restrictive tenant screening practices and the landlord risk mitigation fund to increase access to housing options

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- **Facilitate Interagency Actions**

  Examples of Actions: (1) Continue to actively participate in and chair the Olmstead Subcabinet; (2) host and staff the Olmstead Implementation Office, which helps administer the Minnesota Olmstead Plan; (3) seek, and actively participate in, cross-agency initiatives to improve opportunities for individuals with disabilities to live in integrated housing options of their choosing; (4) meaningfully engage with individuals with disabilities to identify housing-related needs and propose solutions

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Support Older Minnesotans

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Key Metric:	Number of senior homes rehabilitated through the Rehab Loan Program, Fix-Up Fund, and Impact Fund
Key Metric:	Number of senior rental housing units developed with Minnesota Housing funds

Over the next 17 years, the number of Minnesotans age 65 or older will increase by about 400,000, which will create new housing challenges.[21] Initially, as baby boomers retire, they likely will live independently and age-in-place, but as they get older and disabilities increase, the housing demands will become more complex. We will take steps to provide older Minnesotans with a range of housing and support options as their needs change.

- **Support Older Minnesotans to Age in Place**

  Examples of Action: (1) Assist seniors in retrofitting and repairing their homes through the Rehabilitation Loan Program, Fix-Up Fund, and Impact Fund; (2) rehabilitate existing senior rental housing; (3) partner with the Department of Human Services (DHS), Minnesota Board on Aging, Community Action Agencies, and others to assist seniors in receiving the in-home services they need; (4) find innovative models that holistically combine home repair and in-home services

- **Develop More Housing for Older Minnesotans that is Affordable**

  Examples of Actions: (1) Build more senior rental housing; (2) require the housing to have a services component – at a minimum, a tenant service coordinator; (3) focus on deeply affordable units for the lowest-income seniors; (4) develop smaller, owner-occupied homes with accessibility features to enable seniors to downsize.

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- **Investigate Alternative and Innovative Approaches**

  Examples of Actions: (1) Support the use of existing housing, including accessory dwelling units (mother-in-law apartments), home sharing (older Minnesotans renting a room to a younger roommate, who can help with household chores), shared housing (seniors living in a home together), and multigenerational housing; (2) examine models that effectively combine housing and health care and lower overall costs, such as the Support and Services at Home (SASH) model in Vermont

- **Partner with the Department of Human Services (DHS) and Others**

  Examples of Actions: (1) Develop a coordinated strategy with DHS that aligns and leverages each agency's expertise and resources; (2) collaborate to address shortages in home improvement contractors and in-home service staff

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STRENGTHEN COMMUNITIES

Strengthen Disinvested Communities

Key Metric: Number of RFP development awards going to Greater Minnesota communities that have not received an award in the last five years **Key Metric:** Number of census tracts in Minnesota that are classified as Qualified Census Tracts, which are low-income, high-poverty areas

Some communities in Minnesota struggle to receive the investments they need to thrive, which includes communities with lower incomes, limited job growth, declining populations, market rents that do not support the cost of new construction, a stagnant housing market, and/or a limited capacity to access resources. These communities have housing needs, and the market is not addressing them.

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- **Improve Community Engagement**

  Examples of Actions: (1) Engage disinvested communities on a regular and ongoing basis; (2) listen; (3) act on what we learn

- **Enhance Capacity-Building Efforts**

  Examples of Actions: (1) Support communities in assessing their housing needs and then develop and carry out solutions; (2) expand our program delivery structure by supporting organizations from disinvested communities in accessing and using housing resources; (3) better coordinate and leverage the work of the housing intermediaries that we fund to build capacity; (4) work with communities to enhance and leverage their resources, including stronger connections, partnerships, and supports

- **Make Programs Easier to Access**

  Examples of Actions: (1) Simplify and streamline existing programs that serve these communities; (2) explore options for creating programs that work better for smaller organizations and communities and in rural Minnesota

- **Bolster Cross-Sector Community Development Work**

  Examples of Actions: (1) Support communities in carrying out comprehensive development strategies that incorporate housing, employment, education and services by better coordinating our work with the Departments of Employment and Economic Development, Education, Health, and Human Services, as well as the Metropolitan Council; (2) focus investments on benefitting people currently in the communities and minimize displacement.

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Support Tribal Nations and Indigenous Communities

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Key Metric: American Indian disparities in housing cost-burden, homeownership, poverty, and homelessness

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American Indians and Tribal nations have the wisdom and commitment to meet their housing needs; however, oppression, historical trauma, discrimination, and disinvestment have held them back. Compared with non-Hispanic whites in Minnesota, American Indians are two times less like to be homeowners, four times more likely to be in poverty, and over 20 times more likely to experience homelessness.[22] Recognizing the sovereignty of Tribal nations, we must do a better job of working with them in meeting the housing needs of American Indians living on Tribal lands and throughout Minnesota.

- **Implement our Tribal Consultation Policy and Create an Implementation Plan**

  Examples of Actions: (1) Building off the recently-revised Tribal Consultation Policy, create and implement a plan that focuses on engagement, trust, empowerment, support, action, and outcomes

- **Support Tribal Housing Plans**

  Examples of Actions: (1) Understand each Tribe's housing plan; (2) on a plan-by-plan basis, work with Tribes to identify ways we can support them

- **Increase Tribal Access to Program Resources**

  Examples of Actions: (1) Allocate more resources directly to Tribes (for example, Tribes recently became an administrator of the Family Homelessness Prevention and Assistance Program); (2) provide Tribes sufficient resources to administer these programs; (3) for other programs, contract with administrators with a history of effectively partnering with Tribes and serving American Indians

- **Support Tribes in Building their Program Capacity**

  Examples of Actions: Tailor capacity building efforts to the needs of Tribes

- **Increase the Tribal Expertise of Minnesota Housing Staff**

  Examples of Actions: (1) Increase staff participation in Tribal training; (2) have staff who effectively work with Tribes serve as mentors for other staff; (3) regularly engage and visit Tribes and communities

Conclusion

Minnesota Housing has just over 250 staff. These objectives and actions are a lot for a mid-sized agency to implement, even over the course of the next three years. We believe that if we and our partners do this work together with the right investments, these actions could reverse the growing housing challenges that face Minnesotans in all parts of the state. Collectively, they would correct the inequities that impact communities of color, indigenous populations, and people with disabilities, and anticipate the housing needs of the growing number of seniors. And if we are able to accomplish these objectives, we would help all Minnesotans thrive.

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This document is available in alternative formats to individuals with disabilities by contacting Kristy Zack at 651-296-3735.

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Endnotes

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[1] Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample, 2018). Lower-income is defined as less than $50,000 of annual income.

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[2] Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample, 2018).

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[3] Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample, 2017), and HUD's 2018 Point-in-Time count of the homeless population.

[4] Family Housing Fund, *Housing and Economic Growth in the Twin Cities Region* (Minneapolis: Family Housing Fund, 2019), p. 6.

[5] Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample Microdata, 2017).

[6] U.S. Department of Housing and Urban Development (HUD), 2012-2016 CHAS data.

[7] Minneapolis Area Association of REALTORS, June 2019 supply.

[8] This includes about 38,000 rent assistance vouchers (Housing Choice Vouchers, HUD-VASH, Section 811, Housing Trust Fund, Homework Starts with Home, and Bridges) and 4,000 Housing Supports in a community setting. In Minnesota, another 50,000 households receive project-based rental assistance or are in public housing.

[9] U.S. Department of Housing and Urban Development (HUD), 2012-2016 CHAS data. "Very-low income" is defined as 50% of the area median income (AMI) or less. Affordability is defined as spending no more than 30% of gross income on housing.

[10] Based on vouchers administered by the Metro Housing and Redevelopment Authority (HRA).

[11] Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample Microdata, 2017). The American Community Survey uses the term mobile home or trailer.

[12] Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample Microdata, 2017). The American Community Survey uses the term mobile home or trailer.

[13] Victoria Clark, *Data Matters: Understanding the Role of Manufactured Home Communities in the Affordable Housing Continuum* (Northcountry Cooperative Foundation and the Center for Urban and Regional Affairs (CURA) at the University of Minnesota: March 2019).

[14] Victoria Clark, *Data Matters: Understanding the Role of Manufactured Home Communities in the Affordable Housing Continuum* (Northcountry Cooperative Foundation and the Center for Urban and Regional Affairs (CURA) at the University of Minnesota: March 2019), p. 7.

[15] Christopher E. Herbert, Daniel T. McCue, and Rocio Sanchez-Moyano, *Is Homeownership Still an Effective Means of Building Wealth for Low-Income and Minority Households? (Was it Ever?)* (Harvard University, Joint Center for Housing Studies, September 2013), p. 46.

[16] U.S. Census Bureau, *American Community Survey* (2018, 1-yr Sample).

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[17] Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample Microdata, 2017).

[18] Wilder Research, *Homelessness in Minnesota: Findings from the 2015 Minnesota Homelessness Study* (November 2016), p. 33.

[19] HUD's 2019 Point-in-Time count of the homeless population

[20] Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample, 2017), and HUD's 2018 Point-in-Time count of the homeless population.

[21] Minnesota Housing analysis of projection data from the Office of the State Demographer.

[22] Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample, 2017), and HUD's 2018 Point-in-Time count of the homeless population.

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MINNESOTA HOUSING

Board Agenda Item: 7.C
Date: 10/17/2019

Item: Approval, 2020-21 Affordable Housing Plan

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 is providing the 2020-21 Affordable Housing Plan for your review and approval. This version shows the changes that staff made to the public comment draft that you previously reviewed and discussed. Staff will provide the fully-formatted plan in our desktop publishing at the Board meeting.

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):
- 2020-21 Affordable Housing Plan

MINNESOTA HOUSING

2020-21
Affordable Housing Plan

Changes Since the Public Comment Draft

October 10, 2019

Table of Contents

Summary – 2020 and 2021 at a Glance

This Affordable Housing Plan (AHP) identifies the actions we will carry out over the next two years and provides an estimate of the financial resources that we expect to deploy. We have an ambitious agenda because there is a critical shortage of housing that is affordable and we are in a strong position to address it. We provide a wide range of strong programs and have a strong balance sheet. This $3 billion AHP is our largest ever, and we expect to deploy roughly $1.5 billion and serve nearly 73,000 households in each of the two years. In 2011, our program investment plan was $700 million.

Table 1: Expected Investments by Activity in 2020-21

Program Category	Funding
Homebuyer Financing and Home Refinancing	$2,115,770,000
Homebuyer/Owner Education and Counseling	$6,064,000
Home Improvement Lending	$61,544,000
Rental Production - New Construction and Rehabilitation	$272,432,000
Rental Assistance Contract Administration	$374,000,000
Housing Stability for Vulnerable Populations	$63,014,000
Multiple Use Resources	$182,140,000
Total	**$3,074,964,000**

In the first year of this AHP, we will determine more precisely how we will implement the strategies in our new 2020-22 Strategic Plan and put in place the structures to carry out those actions. We will:

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- Enhance our community development and engagement strategy
- Simplify and streamline programs
- Build partner capacity
- Focus on the people and places most impacted by housing instability, especially children
- Start creating an inclusive and equitable housing system
- Collaborate with other state agencies and partners
- Identify, secure and leverage resources
- Create and preserve more affordable housing opportunities

These enhancements are needed for all Minnesotans to live in a stable, safe home they can afford in a community of their choice. While the critical shortage of housing affects most Minnesotans, it is much worse for some people. The number of Minnesotans living outside without shelter is rising at an alarming rate, and the state has large housing disparities for people of color, indigenous communities, individuals with disabilities, and other people disproportionally impacted.

As our 2020-22 Strategic Plan states, we will:

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Go Big So Everyone Can Go Home

Chapter 1 – Implementing Our Strategic Direction

This Affordable Housing Plan (AHP) is our business plan for implementing the first two years of our new 2020-22 Strategic Plan. It covers October 1, 2019 through September 30, 2021.

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In recent years, we have significantly improved our program results. Coming out of the Great Recession and the financial crisis, we retooled our programs to work effectively in the new reality of the post-crisis housing market, which allowed us to access and distribute a lot more assistance. Between 2011 and 2019, we increased our:

- Annual investment plan from about $700 million to over $1.3 billion;
- Home mortgage lending from 2,245 loans to 5,100 ;
- Lending to first-time homebuyers of color or from indigenous communities from 549 to 1,400; and
- Financing of new rental housing from 703 units to about 1,100.

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While we went substantially bigger with these improvements, we have not gone big enough to address the persistent issues in the housing market.

- 448,000 lower-income households in Minnesota are cost burdened by spending more than 30% of their income on housing;[1]
- Minnesota has the fourth worst homeownership disparity in the country for households of color and indigenous communities;[2] and
- An American Indian is over 20 times more likely to be homeless than a person who is white.[3]

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We are in a strong position to address these issues and go even bigger.

In the first year of this AHP, we will determine more precisely how we will implement our new strategies and put in place the structures, such as a new community development and engagement strategy, to carry out those actions. While previous AHPs identified specific policy and program initiatives to carry out established strategies, this AHP initially focuses on launching our new strategies and refining how we work.

With this AHP, we also switch from a one-year to a two-year plan. We received our two-year appropriations from the state, and our annual funding from the federal government continues to be relatively consistent, despite uncertain federal budgets. A two-year AHP provides our staff and partners with direction about what we expect our funding to be for two years, not just one, which is helpful for program planning. With a two-year AHP, we leave open the possibility of updating the plan after the first year if circumstances substantially change, including the availability of additional resources from the state or federal government. We will likely provide a second-year update to the 2020-21 AHP after we determine more precisely how we will implement our new strategies and identify specific policy and program initiatives for 2021.

The following sections outline our work and commitments to action for the next two years.

Establish SMART Goals for a Key Set of our Strategic Objectives

Our 2020-22 Strategic Plan identifies 14 objectives for the next three years, which are helpful for communicating our strategic direction, but are not always tangible. In contrast, Specific, Measurable, Achievable, Relevant, and Time-bound (SMART) goals provide focus, inspire action and create accountability. In 2020, we will set SMART goals for a key set of our strategic objectives.

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We currently have the SMART goal of 35% of our first-time homebuyer mortgages going to households of color and indigenous communities, which we are on the verge of achieving. This goal and earlier versions were a key driver behind our success in more than doubling our lending to households of color and indigenous communities.

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These goals will articulate specifically how big we will go.

Our Commitment to Action in 2020-21

- Establish SMART goals for a key set of our objectives, which will likely cover:
    - Lending to households of color and indigenous communities,
    - Preventing and ending homelessness,
    - Creating additional housing opportunities for renters with incomes at or below 30% of the area median income (AMI), and
    - Other objectives

- Create and start implementing action plans to achieve each goal. For example, we are already partnering with the Minnesota Department of Veteran Affairs and others on an action plan to be the fourth state to end veteran homelessness.

Enhance our Community Engagement Strategy

As a finance agency, we rely on developers, lenders, program administrators, and service providers to implement the programs that we finance, and we have developed strong relationships with them to create and improve programs. However, we need to improve our engagement with the people who need the housing and services that we finance. They have insights and expertise about what strategies and programs will best meet their needs. This type of engagement requires a different approach, including working with community leaders and organizers to bring people together and being flexible about when and where meetings occur. For example, we should attend existing community meetings. Most importantly, it involves creating more opportunities for participation in program decision-making, listening, and taking action on what we learn. For example, we are currently evaluating the performance and management of the permanent supportive housing that we have financed, and the evaluation includes surveys and meetings with tenants to gain their insights and perspective. However, this type of engagement needs to be ongoing and not a one-time effort for an evaluation or the development of a plan.

Our Commitment to Action in 2020-21

- Create and implement a new community development and engagement strategy
- Create the capacity, structure, partnerships and expertise to carry out this work effectively

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Simplify and Streamline Programs

A key strategy repeated throughout our new strategic plan is to simplify and streamline our programs to make them easier to access and use and increase their flexibility so that they will meet evolving needs and work in different situations. In conversations across the state, community members have repeatedly suggested these actions. An analysis of our programs shows proportionally less activity in some areas of the state, including some rural counties, particularly along the western and southern borders. These communities are typically smaller and less densely populated and often served by smaller program administrators. We will balance this streamlining, simplifying and increasing flexibility with a program's statutory, policy and fiduciary requirements. In recent years, we have already simplified the single-family Home Improvement Loan Program and Rehabilitation Loan Program. In 2019, we expect lending under the Home Improvement Loan Program to increase from 673 to about 830 borrowers with the changes. We are also in the process of restructuring the multifamily Rental Rehabilitation Deferred Loan (RRDL) program by adjusting the program requirements and underwriting criteria to better serve the borrowers. We will carry out similar activities for other programs.

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Our Commitment to Action in 2020-21

- Create and start a process for systematically going through our programs to streamline and simplify them and increase their flexibility
- Identify and explore options for creating programs that work better in smaller communities and rural Minnesota

Build Partner Capacity

In recent years, we have partnered with about 400 organizations to administer the programs that we finance, and our capacity to meet the housing needs of Minnesota is only as strong as their capacity. As described in the previous section, some of these organizations are small, have limited resources, or face administrative challenges. In other situations, organizations are strong and want to expand their reach. There are also organizations owned or run by people of color or from indigenous and other disproportionally impacted communities that are not part of our delivery network but need to be if we want to effectively serve diverse communities. Some of these organizations may need to develop the capacity to access and/or administer our programs. Capacity building is another key strategy identified throughout our new strategic plan.

Our Commitment to Action in 2020-21

- Work with partners to identify opportunities to build capacity
- Enhance our current capacity building strategy and programs
- Continue to provide technical assistance to organizations applying for our funding and/or administering our programs
- Reassess barriers to administering our programs, including the fees that we pay partners to administer some of our programs

Focus on the People and Places Most Impacted, Especially Children

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For all Minnesotans to live and thrive in safe, stable housing they can afford in a community of their choice, we must focus on the people and places most impacted by housing instability, which includes being cost-burdened or homeless, living in overcrowded or substandard housing, moving frequently, or not having access to homeownership. These communities are our priority because they are not being served well by the current housing market. Examples include:

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PEOPLE		PLACES
• Lowest Income (e.g. <= 30% of area median income (AMI)) • People of Color • Indigenous Individuals • LGBTQ • People Experiencing Homelessness • People with Disabilities • Immigrants • Large Families • Seniors • Children	People Facing Barriers and/or Limited Choices: • Poor Credit • Limited Savings • Criminal History • Evictions • Transitioning Out of Foster Care, Prison, Other Systems	• Disinvested Communities in the Metro Area and Greater Minnesota • Tribal Nations / Indigenous Communities • Manufactured Home Communities • Communities with job growth and a limited housing supply

Children are often among those most impacted by housing instability, and the impact can last a lifetime through reduced educational achievement, poor health, and even trauma. If all children were stably housed in safe, affordable homes in a community of their family's choice, Minnesota would be a great place to live for everyone.

To support the most impacted communities, we must have effective programs and be a leader in all things housing. If a housing need cannot be met by one of our programs, we will collaborate with others to identify solutions and advocate for action. The community engagement work outlined in the previous section is a critical step in meeting the needs of communities most impacted by housing instability

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Our Commitment to Action in 2020-21

- Reorient our multifamily programs to increase the development of housing that:
  - Is affordable to renters with an income at or below 50% of AMI, with a special focus on 30% of AMI, and
  - Has a longer affordability period
- Finance the development and preservation of housing with three or bedroom to serve larger families with children
- Strategically use Housing Infrastructure Bond (HIB) proceeds, which can be used for permanent supportive housing (including behavioral health), preservation, senior housing, and community land trusts.
- Increase our lending to first-time homebuyers of color or from indigenous communities by increasing our overall mortgage lending and the share of the mortgages going these households
- Create a team, structure and strategy within Minnesota Housing to support and preserve manufactured housing
- Create a team, structure and strategy within Minnesota Housing to address the housing needs of older Minnesotans, which includes strengthening our partnership with the Minnesota Department of Human Services (DHS)
- Enhance our strategy for supporting Tribal nations and indigenous communities
- Continue leading and making progress in our interagency work through the Office to Prevent and End Homelessness and the Olmstead Implementation Office, which coordinates state agencies' work to help people with disabilities live, learn and work in integrated settings

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Start Creating an Inclusive and Equitable Housing System

Minnesota has some of the worst disparities in the country, and the housing system plays a role by creating barriers, limiting choices and limiting access to resources and opportunity. A key objective of our current strategic plan is to create an inclusive and equitable housing system so that all Minnesotans live and thrive in a safe, stable home they can afford in a community of their choice. We will also focus on how developers, construction contractors, lenders, organizations and other businesses owned and run by people from communities most impacted by disparities equitably benefit from the housing economy.

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Our commitments to action listed in the previous sections are key steps to creating an inclusive and equitable housing system, especially when they are carried out with the goal of eliminating disparities. We must (1) continually engage people who are the disproportionally impacted, (2) create more opportunities for participation in program decision making; (3) focus our work on those most impacted; (4) simplify and streamline our programs so that they are easier for the disproportionally impacted communities to access and use; and (5) build the capacity of our partners and potential partners from the disproportionally impacted communities to deliver our programs.

Our Commitment to Action in 2020-21

- Increase the number of leaders and staff at Minnesota Housing who are from the communities most impacted by disparities
- Continue and enhance our journey to become more culturally competent and incorporate these practices into everything we do
- Collect and report data about the disproportionally impacted communities at the most disaggregated level to understand differences in disparities
- Start reviewing and adjusting program structures, processes, requirements and restrictions to better serve the disproportionally impacted communities and eliminate disparities
- Identify barriers to housing access and stability for renters and support solutions to address them, such as, tenant protections/rights and evidence-based screening practices that appropriately balance housing access and safe housing
- Partner with more organizations from disproportionally impacted communities to develop and implement solutions

Collaborate with Other State Agencies and Partners

Societal challenges involve complex interactions across issues and sectors, and housing plays a key role because it is the foundation for success, supporting educational achievement, stable employment, health, and success in other areas of life. If we want to build off that foundation, we must work with other state agencies and partners to align and leverage resources. We will go beyond our current interagency work through the Interagency Council on Homelessness and the Olmstead subcabinet.

Our Commitment to Action in 2020-21

- Continue and expand our partnership with the Department of Education, Department of Human Services, school districts, and other community organizations by making Homework Starts with Home a permanent program (rather than a pilot) that uses rental assistance and other supports to stabilize the housing and improve the educational outcomes for students experiencing homelessness
- Work with the Department of Human Services to develop a strategy and action plan to more effectively integrate services into the housing we finance, which will include effectively using the new authority that the state received in 2019 from the federal government to use Medical Assistance to pay for some housing-related services
- Improve the effectiveness of coordinated entry (a locally-run process for matching people experiencing homelessness with available resources)

- Partner with the Department of Health, the health care sector and community organizations to explore opportunities to align and leverage housing and health care investments; for example, we are partnering with the Department of Health in its effort to secure a Health Impact Project grant from the Robert Wood Johnson Foundation and the Pew Charitable Trusts for cross-sector partnerships and collaboration
- Partner with the Department of Corrections to implement housing strategies to help ex-offenders successfully reenter the community and decrease recidivism
- Be an active partner in the Governor's interagency initiatives around homelessness, equity and inclusion, children, criminal justice, and climate
- Partner with the Department of Revenue to identify and strengthen tools that promote housing development and affordability

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Identify, Secure and Leverage Resources

Going bigger also requires securing additional resources and using them as effectively as possible. In recent years, we have more than doubled our program investments by expanding home mortgage lending, securing more resources, such as Housing Infrastructure Bonds (HIBs), and making sound investments, which generate earnings that can be reinvested in housing. Given current opportunities and the need for more housing, we need to do more.

Our Commitment to Action in 2020-21

- Use our existing resources as effectively and efficiently as possible; for example we are co-sponsoring the Construction Revolution Summit – an initiative to develop and implement an action plan to use technology and innovation (including modular and panelized construction techniques) to increase construction productivity and decrease costs
- Advocate for the federal adoption of the Affordable Housing Credit Improvement Act of 2019, which would increase our allocation of 9% Low-Income Housing Tax Credits (LIHTC) by 50%
- Pursue additional federal funding for Section 811 (rental assistance for people with disabilities) in the upcoming Notice of Funding Available (NOFA)
- Secure additional HIB resources in the next bonding bill
- Secure additional General Obligation (GO) or other resources for public housing rehabilitation
- Prepare for the next biennial budget and the opportunity to increase our state funding by documenting the success of our strategies and programs in improving the lives of people in Minnesota
- Continue making sound investments with our Pool 2 resources to finance housing that is affordable and generate earnings that we can reinvest in additional housing (See Appendix A-1 for a description of Pool 2 resource and our other funding sources)
- Analyze the staffing, systems and technology resources that will be needed to administer additional resources

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Create and Preserve More Affordable Housing Opportunities

In 2018, the Minnesota Housing Task Force called for the development of 300,000 new homes across all types and price points to have a healthy housing market. Minnesota also has an aging housing stock, which is more likely to be affordable, that needs to be preserved.

Our Commitment to Action in 2020-21

- Streamline and simplify our programs and identify, secure, and leverage resources (as described above)
- Refine our multifamily preservation strategy with a focus on naturally occurring affordable housing (NOAH), which is housing that is affordable without government subsidies and rent restrictions

Implement Actions

Our 2020-22 Strategic Plan and this AHP direct us to improve how we and our programs work. We will start implementing these actions in 2020 during our annual program cycle, which includes:

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- Annual review of our single-family loan programs (homeownership and improvement), which occurs in the fall of each year so that program changes are in place by the spring and the next home-buying season
- Development of the Qualified Allocation Plan, which lays out the process for selecting rental developments to receive Low-Income Housing Tax Credits
- Development of Request for Proposals (RFPs) for programs that award funds on a competitive basis, which occur annually or biennially

Because we have over 30 programs, it will take at least a few years to fully reorient all our programs to our new approach, but we will start the process in 2020.

Chapter 2 – Resources for Our Work

For the two-year period of 2020-21, we have a $3 billion program investment plan, our largest ever. We estimate that we will deploy roughly $1.5 billion and serve nearly 73,000 households each of the two years. Nine years ago, our annual investment plan was $700 million.

Overview of Our Program Investment Plan

We provide a wide continuum of tools for financing affordable housing and related services, ranging from grants for homelessness prevention and rental assistance to mortgages for home purchase and improvements. As shown in Table 2, three programs account for a majority of the 2020-21 program investment plan.

- **Home Mortgage Loans** (line 1) will provide about $2 billion in mortgage loans and support an estimated 5,130 homebuyers in each year of the two years.

- **Rental Assistance Contract Administration** (line 18) will provide about $374 million of federal project-based rental assistance to annually support about 30,000 of the state's lowest income households. With this assistance, households generally spend no more than 30% of their income on rent and utilities.

- **Low-Income Housing Tax Credits** (line 10) is our primary program for developing and rehabilitating affordable rental housing. The $23 million of 9% credits that we expect to receive from the federal government will generate an estimated $200 million in private equity and leverage other financial resources to construct or rehabilitate roughly 650 units of affordable rental housing in each of the next two years.

  We will also reserve portions of our tax-exempt private activity bond allocation for additional multifamily projects to generate private equity from 4% housing tax credits. Some of these projects also utilize our deferred loan resources, so the units produced by these projects are already included in our overall unit count for 2020 and 2021.

> **4% Tax Credits.** While not in our program investment plan, we award 4% credits to rental housing developments that are financed with tax-exempt private activity bonds, which are regulated by Internal Revenue Service and can be used by states for a variety of purposes. Unlike 9% credits, awards of 4% credits are not directly capped, but there are statewide volume limitations on the use of tax-exempt private activity bonds for housing. On a yearly basis, the use of 4% credits can generate a significant amount of private equity for affordable housing.

Table 2 also shows, by program, the median incomes of the low- and moderate-income households that we served in 2018, which ranged from $8,600 to $74,000. The statewide HUD median family income in 2018 was $84,200.

Program	Median Income
• Rental assistance programs (lines 18-22)	$8,700 to $12,400
• Rehabilitation Loan Program (line 7)	$14,658
• Low-Income Housing Tax Credits (line 10)	$20,800
• Single-Family Economic Development and Housing/Challenge (line 25)	$41,600
• Home Mortgage Loans (line 1)	$55,598
• Home Improvement Loan Program (line 6)	$70,200

Table 2: Overview of 2020-21 Program Investment Plan

		2020-21 Anticipated Resource Deployment	2017-18 Actual Disbursement of Funds	Activity	Median Income Served (2018)	Percentage Served from Communities of Color (2018)
	Homebuyer Financing and Home Refinancing	**$2,115,770,000**	**$1,528,488,727**			
1	Home Mortgage Loans	$2,000,000,000	$1,462,051,777	First Mortgage	$55,598	33.5%
2	Deferred Payment Loans	$71,770,000	$41,323,450	Downpayment and Closing Cost Loans	$49,635	36.1%
3	Monthly Payment Loans	$44,000,000	$25,113,500	Downpayment and Closing Cost Loans	$74,040	29.4%
	Homebuyer/Owner Education and Counseling	**$6,064,000**	**$5,622,994**			
4	Homebuyer Education, Counseling & Training (HECAT)	$3,064,000	$3,342,350	Education & Counseling	$37,200	52.5%
5	Enhanced Homeownership Capacity Initiative	$3,000,000	$2,280,644	Education & Counseling	$36,000	84.9%
	Home Improvement Lending	**$61,544,000**	**$36,366,755**			
6	Home Improvement Loan Program	$42,000,000	$24,377,125	Home Improvement Loan	$70,200	9.4%
7	Rehabilitation Loan Program (RLP)	$19,544,000	$11,989,630	Home Improvement Loan	$14,658	3.8%
	Rental Production - New Construction and Rehabilitation	**$272,432,000**	**$123,534,940**			
8	Multifamily First Mortgages	$150,000,000	$56,442,250	Amortizing Loan	$24,544	54.7%
9	Flexible Financing for Capital Costs (FFCC)	$12,000,000	$6,211,740	Deferred Loan	See First Mortgage	See First Mortgage
10	Low-Income Housing Tax Credits (LIHTC)	$23,205,000	$19,144,880	Investment Tax Credit	$20,800	45.7%
11	National Housing Trust Fund	$6,558,000	$2,700,000	Deferred Loans and Operating Grants	N/A	N/A
12	HOME	$20,497,000	$11,659,506	Deferred Loan	$12,222	57
13	Preservation - Affordable Rental Investment Fund (PARIF)	$28,436,000	$16,756,022	Primarily Deferred Loan	$14,328	42.9%
14	Asset Management	$6,000,000	$1,019,328	Loans & Grants	N/A	N/A

		2020-21 Anticipated Resource Deployment	2017-18 Actual Disbursement of Funds	Activity	Median Income Served (2018)	Percentage Served from Communities of Color (2018)
15	Rental Rehabilitation Deferred Loan Pilot (RRDL)	$17,986,000	$2,339,846	Deferred Loan	$16,391	17.4%
16	Publicly Owned Housing Program (POHP) - GO Bonds	$1,750,000	$7,261,368	Deferred Loan	$10,680	24.3%
17	Workforce Housing Development	$6,000,000	$0	Deferred Loans and Grants	N/A	N/A
	Rental Assistance Contract Administration	**$374,000,000**	**$373,435,203**			
18	Section 8 - Project-Based Rental Assistance	$374,000,000	$373,435,203	Rent Assistance	$12,443	36.8%
	Housing Stability for Populations Needing Extra Support	**$63,014,000**	**$51,630,849**			
19	Housing Trust Fund (HTF)	$27,292,000	$25,565,226	Rent Assistance and Operating Support	$9,712	61.7%
20	Homework Starts with Home	$3,500,000	$0	Rent Assistance and Other Supports	N/A	N/A
21	Bridges	$9,176,000	$8,522,026	Rent Assistance	$9,949	29.6%
22	Section 811 Supportive Housing Program	$1,560,000	$963,914	Rent Assistance	$8,709	50.0%
23	Family Homeless Prevention and Assistance Program (FHPAP)	$21,038,000	$16,269,408	Grants	$11,628	60.8%
24	Housing Opportunities for Persons with AIDS (HOPWA)	$448,000	$310,275	Grants	$20,127	50.0%
	Multiple Use Resources	**$182,140,000**	**$66,429,318**			
25	Economic Development and Housing/Challenge (EDHC)	$42,850,000	$32,550,541	Loans and Grants	MF: $20,387 SF: $41,600	MF: 71.6% SF: 57.6%
26	Single Family Interim Lending	$2,500,000	$1,105,354	Construction Loan	$48,245	44.4%
27	Housing Infrastructure Bonds (HIB)	$130,000,000	$29,255,242	Primarily Deferred Loans	MF: $8,645 SF: $41,978	MF: 49.2% SF: 75.0%
28	Workforce Affordable Homeownership Program	$500,000	$0	Loans and Grants	N/A	N/A
29	Manufactured Home Communities	$2,000,000	$0	Grants and Loans	N/A	N/A
30	Technical Assistance and Operating Support	$4,290,000	$3,518,181	Grants	N/A	N/A
	Total	**$3,074,964,000**	**$2,185,508,786**			

For context, Table 2 also provides the funding that we actually disbursed in 2017 and 2018, which are the two most recently completed years. The biggest increases are in five areas.

- **We expect Home Mortgage lending to be over $500 million higher in 2020-21 than in 2017-18 (line 1).** Over the last several years, our mortgage lending has steadily increased even with rising home prices, a declining inventory of homes for sale that are affordable to our borrowers, and regulatory changes. Through program adjustments, effective implementation and outreach, and continued low interest rates, we have significantly increased our lending.

- **We are forecasting nearly $50 million more in annual down-payment and closing-cost lending (lines 2 and 3).** The increase supports a higher volume of home mortgage lending and reflects higher home prices. Down-payment and closing-cost loans are a key part of our strategy for increasing lending to households of color and indigenous communities. For example, in 2018, 66% of our Deferred Payment Plus Loans went to households of color and indigenous communities.

- **Our forecast for Home Improvement lending is $25 million higher (lines 6-7).** In 2018, we streamlined and simplified these programs making it easier for our lending partners to administer them and made the loans more beneficial for our borrowers. Our lending has increased since then.

- **We expect Multifamily First Mortgage lending to be nearly $100 million higher (line 8)**. Through our business development activity, we have significantly increased lending in the last year, which we expect to continue.

- **For 2020-21, we expect to have about $100 million more in Housing Infrastructure Bond (HIB) resources than we disbursed in 2017-18 (line 27).** In the last two legislative sessions, we received significant HIB resources, along with additional eligible uses of the funds. For example, we can now finance senior housing with HIBs**.**

We also have four new programs added in the last couple of years:

- Workforce Housing Development (line 17)
- Homework Starts with Home (Line 20)
- Workforce Affordable Homeownership Program (Line 28)
- Manufactured Home Communities (Line 29)

Annual Household and Unit Projections

As show in Table 3, we expect to assist nearly 73,000 households in each of the next two years.

Table 3: 2020-21 Forecast of Households or Housing Units Annually Assisted, by Program

	Program	Households or Units
Homebuyer Financing and Home Refinancing		**5,130**
1	Home Mortgage Loans	5,130
2	Deferred Payment Loans	Included in First Mortgage Count
3	Monthly Payment Loans	
Homebuyer/Owner Education & Counseling		**23,140**
4	Homebuyer Education, Counseling & Training (HECAT)	21,890
5	Enhanced Homeownership Capacity Initiative	1,250
Home Improvement Lending		**1,410**
6	Home Improvement Loan Program	1,050
7	Rehabilitation Loan Program (RLP)	360
Rental Production- New Construction and Rehabilitation		**3,210**
8	Multifamily RFP/HTC/Pipeline Production	2,180
9	Multifamily First Mortgage - Low and Moderate Income Rental (LMIR)	Part of RFP/ HTC/ Pipeline Total
10	Flexible Financing for Capital Costs (FFCC)	
11	Multifamily Flexible Capital Account	
12	Low-Income Housing Tax Credits (LIHTC)	
13	National Housing Trust Fund	
14	Housing Infrastructure Bonds (HIB) - Multifamily RFP	
15	Economic Development and Housing/Challenge (EDHC)	
16	HOME	
17	Preservation - Affordable Rental Investment Fund (PARIF)	
18	Asset Management	200
19	Rental Rehabilitation Deferred Loan (RRDL)	600
20	Publicly Owned Housing Program (POHP)	110
21	Workforce Housing Development	120

	Program	Households or Units
Rental Assistance Contract Administration		**29,220**
22	Section 8 - Project-Based Rent Assistance	29,220
Housing Stability for Populations Needing Extra Support		**10,090**
23	Housing Trust Fund (HTF)	2,580
24	Homework Starts with Home	220
25	Bridges	710
26	Section 811 Supportive Housing Program	150
27	Family Homeless Prevention and Assistance Program (FHPAP)	6,190
28	Housing Opportunities for Persons with AIDS (HOPWA)	240
Multiple Use Resources		**555**
29	EDHC - Single Family RFP (Impact Fund)	450
30	Single Family Interim Lending	Part of EDHC RFP
31	Housing Infrastructure Bonds (HIB) - Community Land Trusts	Part of EDHC RFP
32	Workforce Affordable Homeownership Program	5
33	Manufactured Home Communities	100
Total		**72,755**

Homebuyer Financing and Refinancing

Figure 10 shows our historical home mortgage lending, which was around 2,500 mortgages in 2013 and 2014. It then took off in 2015, reaching 4,000 mortgages in 2015 through 2018, and about 5,000 since then. Despite a tight supply of homes and regulatory changes, we have increased our lending. In the graph, the dark blue bars show actual activity, the light blue bar is our estimate under the 2019 AHP, and the green bars are our annual projections under the 2020-21 AHP.

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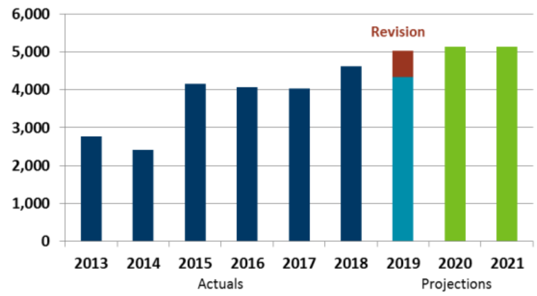
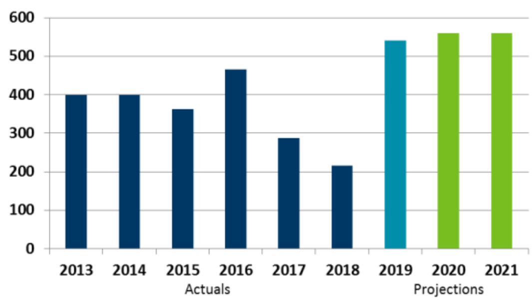
Figure 10: Households/Home Assisted – Home Mortgage Loans



In each of the next two years, we expect to serve about 560 households under "other homeownership opportunities", which is slightly higher than the 400 households we have typically served. In 2020, we are adding two new programs – the Workforce Affordable Homeownership Program and Manufactured Home Communities. (Figure 11 includes the single-family portion of the Economic Development and Housing/Challenge program, Housing Infrastructure Bond proceeds going to community land trusts, Single Family Interim Lending, Workforce Affordable Homeownership Program, and Manufactured Home Communities.)

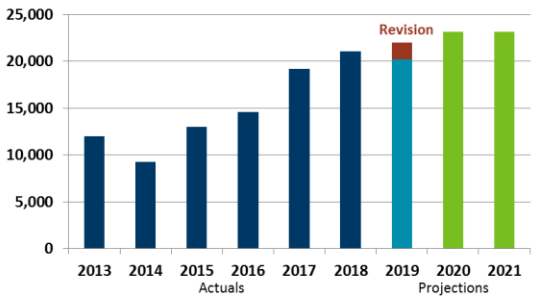
Figure 11: Households/Homes Assisted – Other Homeownership Opportunities



Homebuyer/Owner Education, Counseling, and Coaching

As shown in Figure 12, education and counseling declined in 2013 and 2014, reflecting less need for foreclosure prevention counseling. The need for homebuyer education continues and has increased since 2014. The addition of the Homeownership Center's online course called Framework, which is an alternative to traditional classroom training, has supported the increase. (Figure 12 includes Homebuyer Education, Counseling & Training (HECAT) and the Enhanced Homeownership Capacity Initiative.)

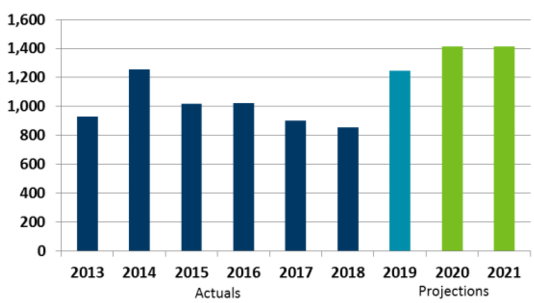
Figure 12: Households Assisted – Homebuyer/Owner Education and Counseling



Home Improvement Lending

Home improvement production (Figure 13) has struggled in the recent past with the availability of home equity lines of credit and cash from mortgage refinancing limiting demand for our installment loans. With recent changes to the program that made it more desirable for borrowers and easier to administer, our lending volume has start to significantly increase. (Figure 14 includes both the Home Improvement Loan Program and the Rehabilitation Loan Program.)

Figure 13: Households/Homes Assisted – Home Improvement Programs

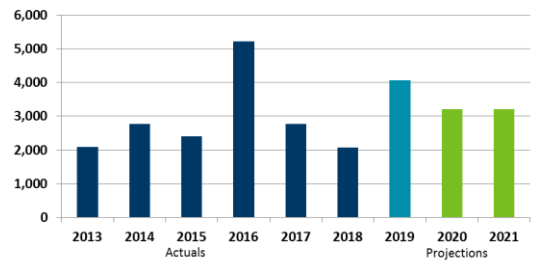


Rental Production

In a typical year, rental unit production (new constructions and rehabilitation) varies between 2,000 and 3,000 units; however, it jumped to 4,000 in 2019 with the availability of significant Housing

Infrastructure Bond (HIB) and General Obligation (GO) bond resources. Based on current federal and state resources, we expect production to drop slightly to the 3,000 and 4,000 range in 2020 and 2021. In the 2019 legislative session, we received $60 million in HIB resources, but no GO bond resources for public housing rehabilitation. Ten million dollars in GO bond resources would typically support the rehabilitation of roughly 1,000 units. Production in 2016 was particularly high with the completion of developments that received a large round of bond proceeds ($100 million). (Figure 14 captures all the programs in the rental production area and the multifamily portion of the Economic Development and Housing/Challenge and Housing Infrastructure Bond programs.)

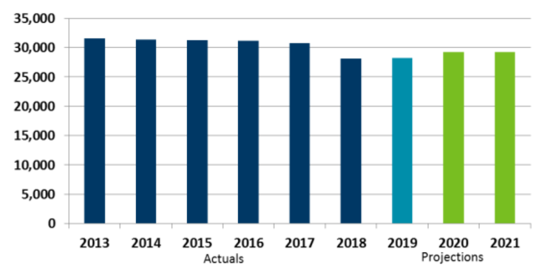
Figure 14: Units Assisted - Rental Production



Rental Assistance Contact Administration

Activity in Section 8 contract administration has been very steady (Figure 15). These are ongoing contracts that we administer, and the number of households served does not vary significantly from year to year. The number dropped slightly in recent years and is now coming back up. Due to federal budget uncertainties, HUD decided to take over the administration of 24 Section 8 properties, but we have since regained the administration of those contracts. The households in these 24 properties continued to receive Section 8 assistance, but we did not administer it for a period. With the last Section 236 mortgages maturing in 2017, that program closed out. It became a small program in recent years as it wound down.

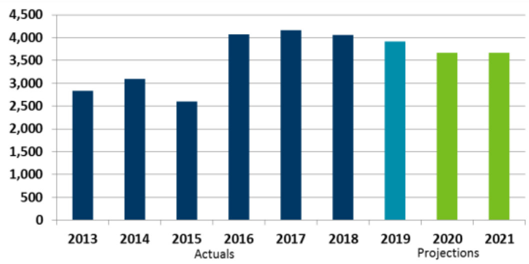
Figure 15: Households Assisted – Rental Assistance Contract Administration



Housing Stability for Populations Needing Extra Supports

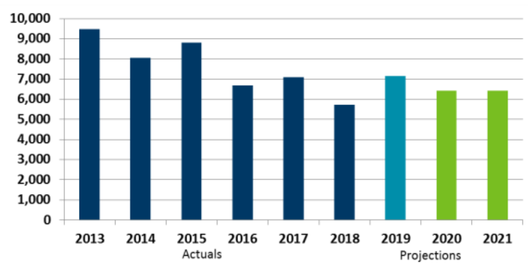
In 2016, the availability of state-funded rental assistance and operating subsidies increased (Figure 16). In the 2016-17 biennium, we have received an additional $2.5 million for the Bridges program (rental assistance for people with very low incomes and a serious mental illness). We have also increased activity under Housing Trust Fund rental assistance, with most of the new activity focused on pilot programs that test new approaches. One of the pilots (Homework Starts with Home) just became an ongoing and standalone program. Finally, we have added the Section 811 program that serves people with disabilities. As shown in Figure 16, overall activity declined modestly in 2019 with the Minnesota Department of Human Services taking over the administration of some operating subsidies in supportive housing developments that we had previously administered for them. (Figure 16 includes the four rental assistance programs and Housing Trust Fund operating subsidies.)

Figure 16: Households/Units Assisted – Agency Rental and Operating Assistance



The number of households assisted by the Family Homeless Prevention and Assistance Program (FHPAP) and Housing Opportunities for Persons with AIDS (HOPWA) (Figure 17) has declined in recent years because FHPAP has targeted clients needing more support, which requires more funding per household.

Figure 17: Household Assisted – Targeted Assistance – FHPAP and HOPWA



This document is available in alternative formats to individuals with disabilities by contacting Kristy Zack at 651-296-3735.

End Notes

[1] Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample, 2018). Lower-income is defined as less than $50,000 of annual income.

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[2] Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample, 2018).

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[3] Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample, 2017), and HUD's 2018 Point-in-Time count of the homeless population.

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Appendix A-1
Overview of Funding Sources

Appendix A-1: Overview of Funding Sources

Our strong balance sheet and financial resources are a key strength. This Appendix describes each of our funding sources and outlines how we will use them in 2020 and 2021. Table 1 shows estimates of our planned program investments by funding source. Appendix A-2 is a crosswalk that shows how we will allocate resources from each source to each program.

Table 1: 2020-21 Estimated Program Investments by Funding Source

Program Category	2020-21 AHP
Federal Resources	$428,268,000
State Appropriated Resources	$180,446,000
Mortgage Capital from Bond or Agency Resources (including Pool 2)	$2,370,250,000
Housing Affordability Fund (Pool 3)	$96,000,000
Total	**$3,074,964,000**

Funding Source Descriptions

Federal Resources: There are various types of federal resources, including appropriations to the U.S. Department of Housing and Urban Development (HUD) that are made available to Minnesota Housing and Low-Income Housing Tax Credits from the Internal Revenue Service (IRS). For planning purposes, we generally assume that 2020 and 2021 HUD appropriations will remain at 2019 levels, which is subject to change. The amount of federal housing tax credits is based on a per capita formula.

State Appropriated Resources: The amount of funding is based on the 2020-21 general fund budget adopted by the 2019 Minnesota Legislature. Unused funds from previous year appropriations and repayments of loans are also sources of funding.

Bond Resources and Other Mortgage Capital

State Capital Investments: These funds have traditionally come from the state capital budget (bonding bill) and include General Obligation (GO) Bond and Housing Infrastructure Bond (HIB) proceeds. However, HIBs can be funded through the regular appropriations process, which occurred for the most recent funding.

Agency Bond Proceeds and Other Mortgage Capital: Bond proceeds are generated by the issuance of tax-exempt, taxable, and recycled bonds. Certain tax-exempt bonding activity is limited statewide by IRS rules, which cap the amount of new issuance, making it a scarce resource. We can also sell mortgage-backed securities backed by loans originated under our program on the secondary market.

Agency Resources: We generate earnings from our lending and investment activities and reinvest them in wide variety of housing programs. Agency resources are currently categorized as follows:

Housing Investment Fund (Pool 2): Most of our investment-earning assets are carried in the Housing Investment Fund, and most assets in Pool 2 produce revenue that supports our operations and programs. We can transfer Pool 2 earnings to Pool 3 only to the extent that we project that our aggregate net position will satisfy our Board policy and rating agency stress tests. The earning assets that use Pool 2 funds are required to be of investment grade quality. Accordingly, the planned allocation of Pool 2 funds in a given AHP is primarily determined by the expected market opportunities that meet those loan and investment quality considerations and the projected earnings and net asset requirements for the future.

Housing Affordability Fund (Pool 3): Pool 3 resources come from: (1) transfers from Pool 2 that capture a portion of the Agency's earnings, and (2) repayments or prepayments from loans previously funded under Pool 3. Because Pool 3 has no earnings requirements, it is more flexible than Pool 2 and can be used for deferred loans and grants. However, Pool 3 is a more limited resource than Pool 2 because it is dependent on the transfer of earnings from Pool 2.

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Appendix A-2: 2020-21 Expected Program Resources by Source

		2020-21 Total	Federal Resources	State Appropriations	Mortgage Capital from Bond or Agency Resources	Housing Affordability Fund (Pool 3)
	Homebuyer Financing and Home Refinancing	**$2,115,770,000**	**$0**	**$6,770,000**	**$2,044,000,000**	**$65,000,000**
1	Home Mortgage Loans	$2,000,000,000	$0	$0	$2,000,000,000	$0
2	Deferred Payment Loans	$71,770,000	$0	$6,770,000	$0	$65,000,000
3	Monthly Payment Loans	$44,000,000	$0	$0	$44,000,000	$0
	Homebuyer/Owner Education & Counseling	**$6,064,000**	**$0**	**$4,064,000**	**$0**	**$2,000,000**
4	Homebuyer Education, Counseling & Training (HECAT)	$3,064,000	$0	$3,064,000	$0	$0
5	Enhanced Homeownership Capacity Initiative	$3,000,000	$0	$1,000,000	$0	$2,000,000
	Home Improvement Lending	**$61,544,000**	**$0**	**$7,544,000**	**$42,000,000**	**$12,000,000**
6	Home Improvement Loan Program	$42,000,000	$0	$0	$42,000,000	$0
7	Rehabilitation Loan Program (RLP)	$19,544,000	$0	$7,544,000	$0	$12,000,000
	Rental Production- New Construction and Rehabilitation	**$272,432,000**	**$52,260,000**	**$52,422,000**	**$151,750,000**	**$16,000,000**
8	Multifamily First Mortgage	$150,000,000	$0	$0	$150,000,000	$0
9	Flexible Financing for Capital Costs (FFCC)	$12,000,000	$0	$0	$0	$12,000,000
10	Low-Income Housing Tax Credits (LIHTC)	$23,205,000	$23,205,000	$0	$0	$0
11	National Housing Trust Fund	$6,558,000	$6,558,000	$0	$0	$0
12	HOME	$20,497,000	$20,497,000	$0	$0	$0
13	Preservation Affordable Rental Investment Fund (PARIF)	$28,436,000	$0	$28,436,000	$0	$0
14	Asset Management	$6,000,000	$2,000,000	$0	$0	$4,000,000
15	Rental Rehabilitation Deferred Loan (RRDL)	$17,986,000	$0	$17,986,000	$0	$0
16	Publicly Owned Housing Program (POHP)	$1,750,000	$0	$0	$1,750,000	$0
17	Workforce Housing Development	$6,000,000	$0	$6,000,000	$0	$0
	Rental Assistance Contract Administration	**$374,000,000**	**$374,000,000**	**$0**	**$0**	**$0**
18	Section 8 - Project-Based Rental Assistance	$374,000,000	$374,000,000	$0	$0	$0
	Housing Stability for Populations Needing Extra Support	**$63,014,000**	**$2,008,000**	**$61,006,000**	**$0**	**$0**
19	Housing Trust Fund (HTF)	$27,292,000	$0	$27,292,000	$0	$0
20	Homework Starts with Home	$3,500,000	$0	$3,500,000	$0	$0
21	Bridges	$9,176,000	$0	$9,176,000	$0	$0

Appendix A-2: 2020-21 Expected Program Resources by Source

		2020-21 Total	Federal Resources	State Appropriations	Mortgage Capital from Bond or Agency Resources	Housing Affordability Fund (Pool 3)
22	Section 811 Supportive Housing Program	$1,560,000	$1,560,000	$0	$0	$0
23	Family Homeless Prevention and Assistance Program (FHPAP)	$21,038,000	$0	$21,038,000	$0	$0
24	Housing Opportunities for Persons with AIDS (HOPWA)	$448,000	$448,000	$0	$0	$0
	Multiple Use Resources	**$182,140,000**	**$0**	**$48,640,000**	**$132,500,000**	**$1,000,000**
25	Economic Development and Housing/Challenge (EDHC)	$42,850,000	$0	$42,850,000	$0	$0
26	Single Family Interim Lending	$2,500,000	$0	$0	$2,500,000	$0
27	Housing Infrastructure Bonds	$130,000,000	$0	$0	$130,000,000	$0
28	Workforce Affordable Homeownership Program	$500,000	$0	$500,000	$0	$0
29	Manufactured Home Communities	$2,000,000	$0	$2,000,000	$0	$0
30	Technical Assistance and Operating Support	$4,290,000	$0	$3,290,000	$0	$1,000,000
	AHP Total	**$3,074,964,000**	**$428,268,000**	**$180,446,000**	**$2,370,250,000**	**$96,000,000**

Appendix B
Program Descriptions

Contents

Notes on reading the program descriptions:

- “Housing Investment Fund” and “Pool 2” refer to the same resource, which is described in Appendix A.
- “Housing Affordability Fund” and “Pool 3” refer to the same resource, which is described in Appendix A.
- The sum of the projections for the number of housing units or households assisted by individual programs during the plan period exceed the total number of households projected to be served across all programs. This occurs because some households or housing units will receive assistance from multiple programs to achieve needed affordability levels.
- The projections for the number of households or units assisted generally are based on the average assistance per household or unit for the last five years, by program, adjusted for inflation and program trends and changes.
- The funding levels described in the narratives are estimates of the amounts we expect to deploy in 2020-2021. The number of households the Agency expects to serve with each funding source is an estimate, and the final numbers will depend on actual expenditures and will be reported in the annual Program Assessment Report.
- “Program” is used broadly throughout the Affordable Housing Plan to refer to Minnesota Housing programs, initiatives, and activities.

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HOMEBUYER FINANCING AND HOME REFINANCING

Home Mortgage Loans

We offer two home mortgage programs – Start Up serving first-time home buyers and Step Up for borrowers who do not qualify for Start Up. Step Up offers both purchase and refinance options. Under the programs, participating lenders originate fully-amortizing first mortgages throughout the state. To support home mortgage borrowers, we also offer downpayment and closing-cost loans structured to meet the needs of low- and moderate-income homeowners. To promote successful homeownership, our home mortgage programs also require at least one borrower in a first time homebuyer household to complete homebuyer education.

In our current business model for homeownership, we access capital to finance the purchase of mortgage-backed securities containing our program mortgages primarily by selling bonds in the municipal bond market. Program mortgages not eligible for bond sales are sold on the secondary market.

We remain committed through our programs to serve households of color and households with incomes below 80% of area median income.

Current household income limits for Start Up:

Property Location	Maximum Household Income	
	1-2 person	3 or more
Minneapolis/Saint Paul Metro Area (11-county)	$100,000	$115,000
Dodge & Olmstead Counties	$93,800	$107,800
All Other Counties	$88,600	$101,800

Current income limits for Step Up:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$149,500
Dodge & Olmstead Counties	$149,500
All Other Counties	$132,500

Purchase price limits:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$330,100
All Other Counties	$283,300

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 4,622 loans
- $800,803,963 total loan amount
- $173,259 average loan
- A median household income of $55,148 or 66% of the statewide median income
- 34% of households were of color or from indigenous communities

Our home mortgage programs are experiencing high production, which is heavily supported by downpayment and closing-cost loans. Ninety-seven percent of home mortgage borrowers use some type of downpayment and closing-cost loan, which is comparable with other top-producing housing finance agencies nationally.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $2,000,000,000.

We expect production in 2020 and 2021 to be similar to 2019, with the potential to grow to $1 billion in net first mortgage loans by 2021. Industry changes or changes in market conditions could affect production.

Based on resources available for new activity, we expect to finance mortgages for about 5,130 households each of the two years. Reducing the homeownership disparity for households of color and indigenous communities will continue to be a priority.

Deferred Payment Loans

We offer two downpayment and closing-cost loans—Deferred Payment Loans (DPLs) and Monthly Payment Loans (MPLs)—that support homeowners receiving Start Up and Step Up first mortgage loans. For the past two years, approximately 97% of our borrowers have received one of these downpayment and closing-cost loans.

The Deferred Payment Loan provides an interest-free, deferred loan for downpayment and closing costs to income-eligible first-time homebuyers purchasing a home under the Start Up program. Borrowers that receive DPL lack the necessary funds for standard mortgage downpayment and closing costs. The maximum loan amount is $10,000. The program serves lower income households than the amortizing Monthly Payment Loan and is funded through a combination of state appropriations and Pool 3 funds.

To ensure that funds support successful homeownership, DPL requires borrowers to contribute a minimum cash investment of the lesser of one percent of the purchase price or $1,000 and have a credit score of at least 640.

Current income limits are adjusted by household size. Limits for households of one to two members are:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$72,000
Dodge & Olmstead Counties	$72,000
All Other Counties	$64,000

Current purchase price limits are:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$330,100
All Other Counties	$283,300

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Current purchase price limits match the Start Up program purchase price limits.

Program Performance and Trends

The availability of DPL is a driver of overall home mortgage production, particularly among lower-income and more targeted borrowers. DPL has been our most effective tool for serving households of color and indigenous communities.

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 3,021 loans
- $23,786,550 total loan amount
- $7,874 average loan
- A median household income of $49,635 or 59% of the statewide median income
- 36% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Expected 2020-2021 funding is $71,770,000.

If home mortgage demand remains very strong, additional resources may be needed to support DPL, or we will have to make program changes.

Based on resources available for new activity, we expect to support 3,260 households each of the two years.

Monthly Payment Loans

Monthly Payment Loans (MPLs) are interest-bearing, amortizing loans that provide downpayment and closing-cost funds. MPLs support our Start Up and Step Up home mortgage loan programs. Borrowers who qualify for MPLs receive up to $15,000. MPLs use Pool 2 resources and have a 10-year term with an interest rate equal to that of the first mortgage.

To ensure that funds support successful homeownership, MPL requires borrowers to contribute a minimum cash investment of the lesser of one percent of the purchase price or $1,000 and have a credit score of at least 640.

Current household income limits for Start Up:

Property Location	Maximum Household Income	
	1-2 person	3 or more
Minneapolis/Saint Paul Metro Area (11-county)	$100,000	$115,000
Dodge & Olmstead Counties	$93,800	$107,800
All Other Counties	$88,600	$101,800

Current income limits for Step Up:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$149,500
Dodge & Olmstead Counties	$149,500
All Other Counties	$132,500

Purchase price limits:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$330,100
All Other Counties	$283,300

Program Performance and Trends

Demand for this program has remained strong since its introduction in late 2012.

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 1,454 loans
- $13,939,200 total loan amount
- $9,587 average loan
- A median household income of $74,040 or 88% of the statewide median income
- 29% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Expected 2020-2021 funding is $44,000,000.

We anticipate approximately 30% of overall home mortgage production will involve MPL. MPL production is subject to overall home mortgage production trends, the interest rate environment, the overall percentage of our borrowers who need a downpayment and closing-cost loan, and program design. Given that MPL is available with both home mortgage options, the demand for MPL depends upon the demand for first mortgage loans.

Based on resources available for new activity, we expect to fund loans for 1,760 households each of the two years.

HOMEBUYER/OWNER EDUCATION AND COUNSLEING

Homeownership Education, Counseling & Training (HECAT) Fund

The Homeownership Education, Counseling and Training (HECAT) Fund supports comprehensive pre-purchase services, including: in-person homeownership education (Home Stretch and Realizing the American Dream), homeownership services (financial wellness and homebuyer counseling), home equity conversion (reverse mortgage) counseling, and foreclosure prevention counseling. Besides the state appropriation, Family Housing Fund, Greater Minnesota Housing Fund and the Minnesota Homeownership Center have annually contributed a total of $550,000 to the program. We award the funds through a competitive annual Request for Proposals (RFP) process. The online homeownership education course, Framework, is an alternate option for homeownership education and is not funded through HECAT.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 7,911 households served through the traditional HECAT program and an additional 12,135 households through Framework
- $1,591,500 total funding
- $182 average Minnesota Housing assistance per household
- A median household income of $37,200 or 44% of the statewide median income
- 53% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Expected 2020-2021 funding is $3,064,000.

Based on resources available for new activity, the program will assist 21,890 households each of the two years (including online Framework training).

Enhanced Homeownership Capacity Initiative

Households of color are an increasing share of the state's population, yet Minnesota's homeownership disparity (the homeownership rate differential between white/non-Hispanic households and households of color) is the fourth-highest in the nation. These households often struggle to access the mortgage market.

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The Homeownership Capacity program is funded with Pool 3 resources and provides intensive financial education, coaching, and case management services to prepare families for sustainable homeownership. It serves a range of households but has targeted efforts to reach households of color and low-to-moderate income households to increase their probability of successful homeownership.

In the most recent round of funding, fifteen organizations will provide services – eight in the Twin Cities metro, four in Greater Minnesota, two in both areas, and one statewide.

Program Performance and Trends

This initiative supports new and expanded homeowner training efforts through existing organizations, which leverage funds from a number of sources.

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 997 households served
- $1,172,140 total grant amount
- $1,176 average Minnesota Housing funding per household
- A median household income of $36,000 or 43% of the statewide median income
- 85% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Expected 2020-2021 funding is $3,000,000.

Based on the resources available for new activity, we anticipate serving approximately 1,250 households each of the two years.

HOME IMPROVEMENT LENDING

Home Improvement Loan Program

The Home Improvement Loan Program (including Fix-Up and Community-Fix-Up Loans) uses Pool 2 resource to provide fully-amortizing home improvement loans to low- and moderate-income homeowners to improve the livability and energy efficiency of their homes. The Community-Fix-Up component is an add-on for eligible Fix-Up lending partners and provides affordable financing to support community partnerships that target resources. Lending partners working with Community Fix Up are able to offer a slightly lower interest rate compared to the regular Fix-Up Loan Program. Fix-Up and Community-Fix-Up loans are key tools for addressing the state's aging housing stock.

The program serves a broad range of incomes and promotes economic diversity in lending. With higher loan-to-value limits than traditional loan products and an unsecured loan option, borrowers are able to improve and preserve their homes when other financing options may not be available to them.

Income limit:

Property Location	Income Limit
Minneapolis/Saint Paul Metro Area (11-county)	$149,500
Dodge & Olmstead Counties	$149,500
All Other Counties	$132,500

(No Income limit for unsecured energy incentive and secured energy/accessibility loans.)

Maximum loan amount:

- $50,000 for secured loans
- $15,000 for unsecured loans and secured energy/accessibility loans.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 —September 30, 2018, we reported:

- 617 loans
- $11,887,522 total loan amount
- $19,267 average loan
- A median household income of $70,200 or 83% of the statewide median income
- 9% of households were of color or from indigenous communities

Changes to the program were implemented in July 2018. Since implementation, loan production has increased nearly 40%.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $42,000,000.

Program staff will conduct a program analysis each year to identify program changes to better serve Minnesotans across the state. Staff will continue to offer lender training and will focus on lender outreach and new lender onboarding to make the program more accessible throughout the state.

Based on current loan production trends and the resources available for new activity, we anticipate serving approximately 1,050 households each of the two years.

Rehabilitation Loan Program (RLP)

The Rehabilitation Loan Program (RLP) provides zero-interest, deferred loans to extremely-low-income homeowners at or below 30% of area median income (AMI) to improve the safety, livability, or energy efficiency of their homes. The homes are rehabilitated to the greatest extent practicable to meet rehabilitation standards. Homeowners who need emergency assistance or have an essential accessibility need are referred to the Emergency & Accessibility Loan (ELP) component of the program.

A network of over 30 lender partners, such as community action agencies and local units of government, administer RLP/ELP throughout the state. The maximum loan term is 15 years for properties taxed as real property and 10 years for manufactured homes taxed as personal property and located in a manufactured home community. All loans are forgiven after the loan term if the borrower does not sell, transfer title, or cease to occupy the property during the loan term.

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Current income limits are adjusted by household size, from $21,000 for a single person household to $30,000 for a four-person household. Other borrower assets cannot exceed $25,000.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 236 loans
- $5,348,625 total loan amount
- $22,664 average loan
- A median household income of $14,658 or 17% of statewide median income
- 4% of households were of color or from indigenous communities

Over the past year, staff completed two in-person lender trainings and conducted outreach to current and potential new lenders to address gaps in the program's coverage.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $19,544,000.

In 2020-2021, staff will improve service to manufactured home owners, including assessing the ability to incorporate manufactured home replacement into the program which would require a statutory change. Staff will also implement lender oversight that will include providing training and technical assistance to lenders to improve delivery of the program. Finally, program staff will conduct a gaps analysis to assess how the program has served households of color, indigenous communities, seniors, and households with a disabled member. Program staff will then prioritize outreach to ensure these households will be adequately served.

Based on resources available for the program, we expect to fund rehabilitation loans for approximately 360 households each of the two years.

RENTAL PRODUCTION

Multifamily First Mortgages

We make available Multifamily First Mortgages through our Low and Moderate Income Rental (LMIR) program, using resources from Pool 2 and Agency bond proceeds. Direct loans are generally made under LMIR in combination with HUD's Risk Sharing Program.

The LMIR program makes interest-bearing, amortizing first mortgages available for the refinance, acquisition, rehabilitation, new construction, or conversion of rental developments that house low- and moderate-income Minnesotans. LMIR loans include both rent and income restrictions. We also finance construction (bridge) loans under this program. Financing is available to housing sponsors both through the Request for Proposals (RFP) process and on a year-round basis. To enhance LMIR loans, we may also offer a companion low- or no-interest, deferred loan under the Flexible Financing for Capital Cost (FFCC) program, resulting in a lower overall interest rate on a blended basis.

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Current rent restrictions: a minimum of 40% of units must be affordable to households with incomes at 60% of the area median income; or 20% of units must be at affordable to households with incomes at 50% area median income; and the balance of units may have rents at the Minnesota Housing determined "market rate".

Current tenant income restrictions: 40% of units must be occupied by households with incomes at 60% or less of the area median income; [1] or 20% of units must be occupied by households with incomes at 50% or less of area median income; and 25% of units may be occupied by households with unrestricted incomes. The balance of the units may be occupied by households with incomes equal to or less than 100% of the area median income.

Program Performance and Trends

For the Program Assessment period of October 1, 2017– September 30, 2018, we reported:

- 13 loans for developments with 666 units
- $27,641,000 total loan amount
- $41,503 average LMIR assistance per unit
- A median household income of $24,544 or 29% of the statewide median income
- 55% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Expected 2020-2021 funding is $150,000,000.

[1] It is actually 60% of MTSP (Multifamily Tax Credit Subsidy Projects), which is very similar to AMI (area median income). We are using AMI in this explanation because it is a more widely used term.

To broaden the benefit and flexibility of our first mortgage programs, we have improved the program to make it more beneficial to borrowers and began exploring ways to streamline our application and review processes. We have also developed a year-round funding approach to enhance the marketing and benefit of our mortgage products.

Based on resources available for the program for permanent first mortgages, we expect to finance 1,000 rental units in each of the two years.

Flexible Financing for Capital Costs (FFCC)

We provide Flexible Financing for Capital Costs (FFCC) deferred loans at low or no interest, using Pool 3 resources. FFCC is generally available only in conjunction with Agency-originated first mortgage loans for the refinance, acquisition, rehabilitation, new construction, or conversion of rental developments that house low- and moderate-income Minnesotans. Loans include both rent and income restrictions.

Current rent restrictions: a minimum of 40% of units must be affordable to households with incomes at 60% of the area median income; or 20% of units must be at affordable to households with incomes at 50% area median income; and the balance of units may have rents at the Minnesota Housing determined “market rate”.

Current tenant income restrictions: 40% of units must be occupied by households with incomes at 60% or less of the area median income; or 20% of units must be occupied by households with incomes at 50% or less of area median income; and 25% of units may be occupied by households with unrestricted incomes. The balance of the units may be occupied by households with incomes equal to or less than 100% of the area median income.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 5 FFCC loans for developments with 217 units
- $1,741,978 total loan amount
- $8,028 average FFCC assistance per unit

Expected Activity for 2020-2021

Expected 2020-2021 funding is $12,000,000.

Based on resources available for the program for permanent first mortgages, we expect to finance 420 rental units in each of the two years.

Low-Income Housing Tax Credits (LIHTC)

Low-Income Housing Tax Credits (LIHTCs) provide federal income tax credits to owners and investors in the construction or acquisition/substantial rehabilitation of eligible rental housing. The U. S. Department of Treasury’s Internal Revenue Service (IRS) allocates 9% tax credits based upon state population and a per capita amount that increases each year with the cost of living. Syndication proceeds are the amounts of private equity invested in developments as a result of federal housing tax credits awarded and then sold to investors. The award of 9% LIHTCs to developments is a highly competitive process, with requests far exceeding available credits. Housing financed with 9% LIHTC must meet income and rent restrictions for a minimum of 30 years.

The Minnesota Legislature designated Minnesota Housing as the primary allocating agency of LIHTC in Minnesota and qualified local cities and counties as suballocators.

We award 9% tax credits in two rounds of a competitive allocation process held each year. Round 1 is held concurrent with our Request for Proposals, and a smaller Round 2 is traditionally held early in the next calendar year. We establish a waiting list of unfunded or partially funded applications at the conclusion of Round 2.

Section 42 of the Internal Revenue Code requires that tax credit allocating agencies develop an allocation plan for the distribution of the tax credits within the jurisdiction of the allocating agency. Our Qualified Allocation Plan (QAP) includes selection criteria and preferences required by Section 42 and deemed appropriate to local conditions and established by us based on input from the public, partners and stakeholders.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 1,018 LIHTC units receiving 9% tax credits
- $111,586,589 in syndication proceeds (investor equity from the sale of credits)
- $109,614 average syndication amount per unit
- A median household income of $20,800 or 25% of the statewide median income
- 46% of households were of color or from indigenous communities

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Expected Activity for 2020-2021

It is expected that Minnesota Housing will allocate $23,205,000 in 9% tax credits in 2020-21, which should generate about $200,000,000 in syndication proceeds for the two years combined.

We expect to allocate tax credits to support 650 rental units in each of the two years.

National Housing Trust Fund (NHTF)

The National Housing Trust Fund (NHTF) is an affordable housing production program that complements existing Federal, State, and local efforts to increase and preserve the supply of safe, affordable housing for extremely low-income households, including families experiencing homelessness. The Fund is capitalized through contributions from the government sponsored enterprises Fannie Mae and Freddie Mac and administered by U.S. Department of Housing and Urban Development.

Current Rent Restrictions: Rents for an extremely low-income tenant shall not exceed affordability at 30% of the area median income (AMI). HUD will publish the NHTF rent limits on an annual basis.

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Current Income Restrictions: NHTF-assisted units must be occupied by households with incomes at or below 30% of the AMI.

Program Performance and Trends

For the Program Assessment period of October 1, 2017– September 30, 2018 we reported:
- 1 loan for development with 30 units
- $2,700,000 total loan amount
- $90,000 average NHTF assistance per unit

Expected Activity for 2020-2021

Expected 2020-2021 funding is $6,558,000.

The program will provide financing for one to two developments that are:

- New construction,
- Acquisition with rehabilitation,
- Rehabilitation without acquisition, or
- Operating subsidies for one of the above developments that produces new units meeting the permanent supportive housing strategic priority (up to 30% of the grant)

Based on the available resources, funds are expected to support 40 units in each of the two years.

HOME

HOME provides deferred loans for new construction, rehabilitation or acquisition/rehabilitation of permanent affordable rental housing, including housing with state or federal project-based rental subsidies. The program is funded with federal appropriations.

We allocate HOME funds through the annual Request for Proposals (RFP) process and on a year-round basis.

Tenant income limit: The U.S. Department of Housing and Urban Development (HUD) annually sets limits for the HOME program.

Rent limits: HUD annually sets limits for the HOME program.

Maximum assistance amount: HUD annually sets the maximum per-unit subsidy.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:
- 2 loans for developments with 176 units
- $7,256,506 total loan amount
- $41,230 average HOME assistance per unit
- A median household income of $12,222 or 15% of the statewide median income
- 57% of households were of color or from indigenous communities

This program is a critical tool in the long-term preservation of expiring project-based Section 8 contracts, as well as other project-based assisted housing.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $20,497,000.

In 2020-21, HOME funds will be used to support either new construction or rehabilitation needs. We anticipate financing about 140 rental units in each of the two years.

Preservation Affordable Rental Investment Fund (PARIF)

PARIF provides loans to fund the preservation of: 1) permanent affordable rental housing with federal project-based rent subsidies that are in jeopardy of being lost, 2) existing supportive housing developments, and 3) the newly added use of Naturally Occurring Affordable Housing properties. Eligible activities under PARIF include rehabilitation, acquisition and rehabilitation, and debt restructuring.

We allocate PARIF funds, which are state appropriations, through our annual Request for Proposals (RFP) process and on a year-round basis, allowing us to act more quickly to meet the immediate needs of developments that would be adversely impacted if required to wait for the next RFP.

Tenant income limit: PARIF is subject to the federal guidelines for the units being preserved.

Maximum assistance amount: None

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 4 loans for developments with 481 units
- $6,839,491 total loan amount
- $14,219 average PARIF assistance per unit
- A median household income of $14,328 or 17% of the statewide median income
- 43% of households were of color or from indigenous communities

This program is a critical tool in the long-term preservation of expiring project-based Section 8 contracts, properties with Rural Development rental assistance, and other project-based federally assisted housing.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $28,436,000.

We anticipate that approximately 100% of the funds will be awarded through the 2019 RFP. Any funds not awarded and any repayments received may be available on a year-round basis.

Based on resources available for new activity, we expect to fund 410 rental units in each of the two years.

Asset Management

Under the Asset Management program, resources are available on a year-round basis to fund deferred maintenance, capital improvements, or acquisition or to buy out partners. Properties with Minnesota Housing financing are eligible, including those with existing affordability restrictions or rental assistance contracts administered by Minnesota Housing. Because we prioritize properties already in Minnesota Housing's portfolio, referrals primarily come from Minnesota Housing's asset management and compliance staff.

Under the Asset Management program, we can provide a range of loan types, including interest-bearing, non-interest bearing, amortizing, and/or deferred loans.

Owners receiving funds under this program must agree to extend affordability restrictions to be coterminous with the new loan.

Funding for Asset Management comes from two sources: (1) Financing Adjustment Factor (FAF)/Financing Adjustment (FA), and (2) Pool 3. FAF/FA are federal funds and come from a financing agreement between the U.S. Department of Housing and Urban Development (HUD) and Minnesota Housing.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we provided $1,019,328 in asset management assistance for 236 units in 3 developments.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $6,000,000.

Based on resources available for new activity, we expect to fund about 200 rental units in each of the two years.

Rental Rehabilitation Deferred Loan Pilot Program (RRDL)

RRDL provides deferred loans at no interest to individuals, developers, nonprofits, units of government, and tribal housing corporations for the moderate rehabilitation of existing affordable permanent rental housing throughout Greater Minnesota. The program is funded with state appropriations and designed to serve owners of smaller federally-assisted properties or naturally affordable properties that do not apply or would not be competitive in our regular Consolidated Request for Proposals process.

RRDL funds are available on a year round basis and through targeted RRDL Request for Proposals. Owners may apply directly to Minnesota Housing for RRDL funds. Loan terms range from 10 to 30 years depending on the loan amount. Properties containing eight or more units may apply for loans where 10% of the loan amount is forgiven after the loan term has been met.

Current tenant income limit: 80% of the greater of the statewide or area median income (AMI) for a family of four, not adjusted for family size.

Maximum loan amount: $35,000 per unit up to a maximum loan of $500,000.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 13 loans for developments with 167 units
- $1,765,329 total loan amount
- $10,571 average RRDL assistance per unit
- A median household income of $16,391 or 20% of the statewide median income
- 17% of households were color or from indigenous communities

Expected Activity for 2020-2021

RRDL continues to not reach as many naturally affordable properties as intended, especially properties with 1-7 units. As we move into the 2020-2021 AHP, staff have streamlined the application and underwriting processes for projects 8 units or more, and is continuing to refine program changes for projects with 1-7 units.

A special one-time RFP for properties assisted by USDA Rural Development (RD) that have 8 units or more has been issued. Owners of non-RD properties of 8 units or more can still apply directly to Minnesota Housing for RRDL funds.

Expected 2020-2021 funding is $17,986,000.

Based on resources available, we expect to finance 600 rental units.

Publicly Owned Housing Program (POHP)

Through the Publicly Owned Housing Program (POHP), we provide deferred, forgivable loans at no interest to eligible public housing authorities or housing and redevelopment authorities to preserve/rehabilitate properties that they own and operate under HUD's Public Housing program. The program is funded with state General Obligation (GO) bond proceeds, which can be used only for eligible capital costs of a non-recurring nature that add value or life to the buildings.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 2 loans for developments with 174 units
- $2,009,918 total loan amount
- $11,551 average POHP assistance per unit
- A median household income of $10,680 or 13% of the statewide median
- 24% of households were of color or from indigenous communities

Expected Activity for 2020-2021

As of the start of the 2020, expected 2020-2021 funding is $1,750,000. If there is a bonding bill during the 2020 legislative session and GO bond proceeds for POHP are included, the amount will go up.

Based on resources currently available, we expect to finance 110 rental units each of the two years.

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Workforce Housing Development Program

This competitive program targets small to mid-size cities in Greater Minnesota with rental workforce housing needs. Funds may be used for qualified expenditures that result in the direct development of rental properties, including: (1) acquisition of a property, (2) construction or improvements, or (3) provision of loans, grants, interest rate subsidies, public infrastructure, and related financing costs. Funds are targeted to proposals with the greatest proportion of market rate units, but can be used for developments with rent and income restrictions imposed by other funding sources for some units. Communities with 30,000 or fewer residents have a funding priority.

Funding is available under a stand-alone request for proposals (RFP). Proposals are ranked and scored according the Workforce Housing Development Program statute. Proposed rents are evaluated against the current and projected jobs and wages within the community. Funding is solely from state appropriations.

Program Performance and Trends

This is a relatively new program, and data are not yet available.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $6,000,000.

Based on resources and past program performance, we expect the funds to support the development of 120 units of new rental housing in Greater Minnesota in each of the two years.

RENTAL ASSISTNACE CONTRACT ADMINISTRATION

Section 8 – Project-Based Rental Assistance

The Housing and Community Development Act of 1974 created the project-based Section 8 Housing Assistance Payments Program. Under the program, the U. S. Department of Housing and Urban Development (HUD) entered into contracts with property owners to provide rental assistance for a fixed period of time for families with incomes no greater than 80% of the area median income. No new development has been funded under this program since the mid-1980s; however, HUD and the agency collaborate to not only preserve and extend existing contracts but also transfer project-based budget authority from developments with owners that want to exit the program to partially-assisted or previously-unassisted properties. Under existing contracts, tenants pay no more than 30% of adjusted household income for rent. HUD pays the difference between tenant rent payments and the contract rent of assisted units.

We provided permanent mortgage financing for more than 235 Section 8 Traditional Contract Administration (TCA) properties developed from 1975 to the mid-1980s. We currently manage 121 of these TCA contracts.

Through a contract with HUD under the Performance Based Contract Administration (PBCA) authority, the agency, as a PHA, administers existing project based Section 8 contracts for another 406 properties.

Under these contracts, the agency helps administer this important federal program, including performing management and occupancy reviews, processing contract renewals and annual rent adjustments, processing monthly payment vouchers, responding to tenant concerns, and following up on Real Estate Assessment Center physical inspections. In addition to ensuring that this deeply affordable housing resource remains viable and in compliance with federal requirements, these activities assist us in identifying and planning for the preservation needs of developments with Section 8 assistance.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

TCA

- 6,726 households assisted
- $43,952,331 in Housing Assistance Payments (HAP)
- $6,535 average HAP assistance per household
- A median household income of $12,864 or 15% of the statewide median income
- 29% of households were of color or from indigenous communities

PBCA

- 21,349 households assisted
- $140,893,369 in Housing Assistance Payments (HAP)
- $6,600 average (HAP) assistance per household
- A median household income of $12,311 or 15% of the statewide median income
- 39% of households were of color or from indigenous communities

Geographic distribution of developments is important in understanding differences in assistance (and tenants assisted) between PBCA and TCA. A greater proportion of PBCA units are located in the Twin Cities Metropolitan Area than TCA units.

Expected Activity for 2020-2021

Our current PBCA agreement with HUD has been extended several times. The agency continues to work with HUD regarding extensions to that agreement and the possibility of a federal RFP regarding PBCA services in the future. We currently manage 406 PBCA contracts under this agreement. PBCA revenue earned through administration of the contracts pays 100% of the cost of administering the program.

Expected 2020-2021 funding is $374,000,000.

We expect to assist an estimated 29,220 units in each of the two years.

HOUSING STABILITY FOR POPULATIONS NEEDING EXTRA SUPPORT

Housing Trust Fund (HTF)

Historically, funding for the HTF has been used to fund capital, rental assistance, and operating subsidy expenses. In recent years, we have used HTF state appropriations for rental assistance and some operating subsidies. HTF serves High Priority Homeless (HPH) families and individuals, defined as households prioritized for permanent supportive housing by the Coordinated Entry System.

Current tenant income limit: 60% of the area median income (AMI) for the Minneapolis/Saint Paul metro region, with priority for proposals at 30% of AMI and proposals to serve High Priority Homeless households.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 1,611 households assisted
- $9,625,871 in total disbursements
- $7,753 average HTF assistance per household
- A median household income of $9,762 or 12% of the statewide median income
- 64% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Minnesota Housing provides HTF rental assistance and operating subsidies under two-year contracts with local administrators. For rent assistance, we will enter into new two-year contracts in 2021. For operating subsidies, we will enter into new two-year contracts in 2020.

In previous AHPs, the Homework Starts with Home pilot, which provides rent assistance to families experiencing homelessness with school-age children, was funded under this program. With the 2020-21 AHP, it is now a standalone program.

Expected 2020-2021 funding is $27,292,000.

Based on resources available, we expect to provide rental assistance for an estimated 1,690 households and assist 890 units through operating subsidies.

Homework Starts with Home

Homework Starts with Home is a state-funded program that provides rent assistance and other supports to families with school-age children experiencing housing instability that we administer in partnership with the Department of Education (MDE) and others. It was created in response to the increasing number of students experiencing homelessness and is built upon the successful Rental Assistance Pilot for Homeless and Highly Mobile Families. The program serves people who are homeless or at imminent risk of homelessness, including: (a) families with children eligible for a pre-Kindergarten through grade 12 academic program and (b) youth (with or without children of their own) who are eligible for an academic program who are facing housing instability without their parent or guardian. The goals of the program are to create housing stability and improve academic achievement.

In 2018, the Homework Starts with Home was started with $4.15 million of one-time funding from Housing Trust (rent assistance), the Family Homeless Prevention and Assistance Program (other supports), and the Heading Home Minnesota Funders Collaborative (other supports). With initial funding, three communities were awarded funds through a competitive Request for Proposals. A collaborative approach involving local housing organizations, schools, and service providers is a key feature of the local program design.

With the 2020-21 biennial budget from the state Legislature, it is now a standalone program.

Program Performance and Trends

This is a new program and results have not been reported.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $3,500,000, which is just state funding.

Once fully operational, we expect to annually assist roughly 220 families.

Bridges

Bridges is a state-funded rental assistance program for people with a mental illness. The goal of Bridges is to assist individuals so they can live in integrated settings in their communities until a permanent housing subsidy is available. Bridges operates in selected counties throughout the state and is administered through local housing organizations. The Minnesota Department of Human Services and Minnesota Housing collaborate in the administration of this program.

Tenants are responsible for a portion of the rent, which is generally equal to 30% of their income. The program is designed to be a bridge to a permanent rent subsidy, such as a Section 8 Housing Choice Voucher.

Bridges is an important component of Minnesota Housing's contribution to achieving the goals of Minnesota's Olmstead Plan, as well as a significant part of the state's Plan to Prevent and End Homelessness. In 2015, the program started prioritizing households with:

- Persons residing in an institution or other segregated setting who will be homeless upon discharge,
- Persons experiencing homelessness for one year or more, or multiple times in the last three years, and
- People experiencing or at imminent risk of homelessness.

Current tenant income limit: 50% of area median income.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 894 households assisted
- $4,354,591 in total disbursements
- $6,519 average Bridges assistance per household
- A median household income of $9,949 or 12% of the statewide median income
- 30% of households were color or from indigenous communities

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Expected Activity for 2020-2021

Bridges funds rent assistance under two-year contracts with local administrators. Minnesota Housing entered the most recent contracts in 2019 AHP, and we will enter into the next set of contracts in 2021.

Expected 2020-2021 funding is $9,176,000.

Based on the resources available, we expect to assist an estimated 710 households in each of the two years.

Section 811 Supportive Housing Program

Section 811 is a federal program through which the U.S. Department of Housing and Urban Development (HUD) has provided funding to states for project-based rental assistance to create integrated, cost-effective supportive housing units for people with disabilities. The goals of the program are to:

- Increase housing opportunities for people with disabilities,
- Transition people with disabilities from institutions to community-based settings,
- Reduce public costs of homelessness and institutional care,
- Create a centralized outreach and referral system, and
- Develop new service linkages.

We implement the program in partnership with the Minnesota Department of Human Services (DHS). DHS staff coordinates all outreach, screening, and referrals for 811 units and works with property owners to ensure support services are offered to tenants.

The state enters into contracts with selected public and private rental property owners for a minimum of 20 years, with initial funding for a period of five years. Funding beyond the first five years is subject to federal appropriations. The project-based rent assistance covers the difference between the tenant's payment and the approved gross rent. A small portion of the grant is used to pay for administrative expenses.

The Section 811 program is an important tool for achieving the goals of the Olmstead Plan to provide integrated housing options for people with disabilities. It is a unique opportunity to expand supportive housing for people with disabilities and leverage Medicaid resources for services.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 100 households assisted
- $601,892 in total disbursements
- $6,019 average Section 811 assistance per household
- A median household income of $8,709 or 10% of the statewide median income
- 50% of households were of color or from indigenous communities

HUD initially awarded Minnesota $3 million for up to 85 units of project-based rental assistance. We awarded all of this funding for 84 project-based rental assistance subsidies (one unit less than the original goal of 85 units). In 2015, we received a second round of funding for an additional 75 units, which were awarded to existing or new properties through the Multifamily Consolidated RFP process in 2015 through 2017. As these projects are completed and the units lease up, the number of households assisted will increase.

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Expected Activity for 2020-2021

In 2020 and 2021, we expect to disburse about $1,560,000 and support roughly 150 households, each of the two years.

Family Homeless Prevention and Assistance Program (FHPAP)

Under FHPAP, we assist families with children, unaccompanied youth, and single adults who are homeless or are at imminent risk of homelessness. Funds are used for a broad range of purposes aimed at preventing homelessness, shortening the length of stay in emergency shelters, eliminating repeat episodes of homelessness, and assisting individuals and families experiencing homelessness to secure permanent affordable housing.

FHPAP assists extremely low-income people primarily through short-term rent assistance (limited to 24 months but typically less than three months), security deposits, utilities and transportation assistance, and case management services. FHPAP grants also encourage and support innovations at the county, region, or local level for a more seamless and comprehensive homelessness response system.

Grant funds are awarded through a competitive Request for Proposals process. In the seven-county Twin Cities metro area, only counties are eligible to apply for funding. In Greater Minnesota, eligible applicants include counties, groups of contiguous counties acting together, or community-based nonprofit organizations or Tribal Nations.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 5,536 households assisted
- $7,602,359 in total disbursements
- $1,373 average FHPAP assistance per household
- A median household income of $11,628 or 14% of the statewide median income
- 61% of households were of color or from indigenous communities

The total number of households served has declined over the past few years because the program has targeted assistance to households with higher needs and utilized rapid rehousing as a strategy. Rapid rehousing provides short term rental assistance, housing case management and housing navigation services.

Expected Activity for 2020-2021

FHPAP also operates under two-year contracts with local administrators. Minnesota Housing entered into the most recent contracts in 2019, and we will enter into new contracts in 2021.

Expected 2020-2021 funding is $21,038,000.

Based on the resources available, we expect to assist an estimated 6,190 households in each of the two years.

Housing Opportunities for Persons with AIDS (HOPWA)

The Housing Opportunities for Persons with AIDS (HOPWA) program provides grants for housing assistance and services (including short-term rent, mortgage, and utility assistance) for people with Acquired Immune Deficiency Syndrome (AIDS), HIV-positive status, or related diseases and their families. The U.S. Department of Housing and Urban Development (HUD) allocates formula funds to local jurisdictions based on the number of individuals living with HIV or AIDS. The City of Minneapolis receives and administers a direct award for the 13-county Minneapolis/Saint Paul Metropolitan Statistical Area. We receive a direct award for the portion of the state not covered by the City of Minneapolis grant and contract with JustUs Health to administer these funds.

Current tenant income limit: 80% of area median income, adjusted for family size.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 174 households assisted in 50 counties
- $155,433 of assistance disbursed
- $893 average HOPWA assistance per household
- A median household income of $20,127 or 24% of the statewide median income
- 50% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Expected 2020-2021 funding is $448,000.

Based on the resources available, we expect to assist an estimated 240 households in each of the two years.

MULTIPLE USE RESOURCES

Economic Development and Housing/Challenge (EDHC) – Regular

Under the Economic Development and Housing/Challenge Program (EDHC), we provide grants or deferred loans for construction, acquisition, rehabilitation, interest rate reduction, interim or permanent financing, refinancing, and gap funding. Funds are used to support economic and community development within an area by meeting locally identified housing needs for either renter or owner-occupied housing.

Our Multifamily and Single Family divisions allocate these resources to proposals submitted through competitive Request for Proposals (RFP) processes. Staff evaluates proposals according to EDHC selection standards and our strategic priorities. RFP funding for single family housing is available under the Community Homeownership Impact Fund ("Impact Fund"), which is the umbrella program for EDHC, Housing Infrastructure Bonds (HIB), and Single Family Interim Lending for homeownership activities.

We make EDHC loans and grants to local governments, private developers, tribal and urban Indian housing authorities, or nonprofit organizations for both multifamily (minimum of four units) and single family projects. EDHC requires that 50% of the funds be used for projects that have leveraged funds from non-state resources. Preference is given to proposals with the greatest portion of costs covered by non-state resources.

Current income limit: 115% of the greater of area or state median income for owner-occupied housing and 80% of the greater of area or state median income for rental housing.

Maximum loan amount: None beyond funding availability.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

Multifamily EDHC

- 7 loans to developments with 233 units
- $6,792,072 total loan amount
- $29,151 average EDHC assistance per unit
- A median household of $20,387 or 24% of the statewide median income
- 72% of households were of color or from indigenous communities

Single Family EDHC – Impact Fund

- 198 units
- $4,802,082 total loan/grant amount
- $24,253 average EDHC assistance per home
- A median household income of $41,600 or 49% of statewide median income
- 58% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Expected 2020-2021 funding is $42,850,000.

We will allocate funds through our Single Family and Multifamily RFPs, with any remaining funds made available on a year-round basis in multifamily and through an incentive fund in Single Family.

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Based on resources available for new activity, we expect to fund an estimated 700 housing units in each of the two years.

Single Family Interim Lending

Single Family Interim Lending provides loans, most often to smaller nonprofit organizations, to acquire, rehabilitate, demolish, or construct owner-occupied housing under the Community Homeownership Impact Fund ("Impact Fund"). The homes are then sold to households with incomes at or below 115% of the area median income (AMI). Interim loans are financed with Agency resources and have a term of 26 months. Funds are awarded annually through the Single Family Request for Proposals process in accordance with our mission and priorities.

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Program Performance and Trends

Performance data on interim lending are reported under the Impact Fund program in the EDHC description. The Impact Fund is the umbrella program under which we deliver the Economic Development and Housing/Challenge program and interim construction financing for single family owner-occupied housing.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $2,500,000.

For 2020 and 2021, Single Family Interim Lending will be funded through interest-earning Pool 2 resources.

Based on resources available for new activity, we anticipate making interim or construction loans to administrators for approximately 20 housing units in each of the two years.

Housing Infrastructure Bonds (HIBs)

Housing Infrastructure Bonds (HIBs) are issued by Minnesota Housing, as authorized by the Minnesota Legislature, to address specific critical housing needs. HIB proceeds may be used to finance the following project types:

- The acquisition, construction, or rehabilitation of affordable permanent supportive housing for individuals and families without a permanent residence and people with behavioral health needs;
- The acquisition, rehabilitation, adaptive reuse or new construction of senior housing;
- The preservation of existing federally subsidized rental housing by funding acquisition, rehabilitation, and refinancing; and
- The acquisition of land by community land trusts and used for affordable single-family homeownership opportunities.

HIB funds are allocated through the annual Multifamily and Single-Family Requests for Proposals (RFP). HIBs can be issued as governmental, 501c3, and private activity bonds. If the bonds are issued as private activity bonds, applicants also may access 4% housing tax credits. HIB proceeds are typically provided as deferred, no interest loans.

Current income limit: 80% of the greater of area or state median income for owner-occupied housing and 80% of the greater of area or statewide median income, not adjusted for household size for rental housing.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported two supportive housing developments:

- 177 units
- $13,475,837 total loan amount
- $76,135 average HIB assistance per unit
- A median household income of $8,645 or 10% of the statewide median income
- 49% of households were of color or from indigenous communities

We financed one preservation project:

- 75 units
- $3,134,528 total loan amount
- $41,794 average HIB assistance per unit
- A median household income of $15,211 or 19% of the statewide median income
- 50% of households were of color or from indigenous communities

We financed land acquisition by community land trusts:

- 4 homes
- $83,000 total loan amount
- $20,750 average HIB assistance per unit
- A median household income of $41,978 or 49% of the statewide median income
- 75% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Expected 2020-2021 funding is $130,000,000.

Based on the resources available, we expect to finance an estimated 560 housing units in each of the two years.

Workforce Affordable Homeownership Program

In the 2016 Supplemental Budget, the Legislature authorized Minnesota Housing to establish the Workforce Affordable Homeownership Program. The funds may be used for the development of homeownership opportunities and can be used for development costs, rehabilitation, land development, and residential housing. In addition, the legislation allows for manufactured home community infrastructure development and repair and storm shelter development. Eligible program applicants are nonprofit organizations, cooperatives and community land trusts.

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Expected Activity for 2020-2021

Expected 2020-21 Funding is $500,000. Funds will be awarded through a request for proposals.

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Based on resources available for the program, we expect to provide assistance for 5 homes each of the two years.

Manufactured Home Communities

With our 2020-22 Strategic Plan, we are enhancing our approach to supporting manufactured housing and communities, which will include administering Manufactured Home Park Redevelopment Grants. While this program was created in statute in 2001, it was funded for the first time for the 2020-21 biennium. Under this program, we will focus on infrastructure improvements, such as storm shelters and community facilities, to preserve manufactured home communities.

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As we refine our overall strategy, we may develop other ways to support manufactured housing.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $2,000,000.

Based on the resources available, we expect to support an estimated 100 housing units in each of the two years.

Technical Assistance and Operating Support

The Technical Assistance and Operating Support program provides grants that enhance the ability of housing and community development organizations to meet Minnesota's affordable housing needs. This program supports all our strategic objectives by:

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- Providing resources for the state's homeless response system – including the state's Homeless Management Information System, the regional Continuum of Care's homelessness assistance planning, and coordinated entry;
- Providing grants to specific organizations – including the Homeownership Center for its statewide counseling network and HousingLink for its statewide affordable housing website; and
- Supporting capacity building programs and initiatives – including the Capacity Building Initiative, Community Developer Capacity, and the Capacity Building Intermediary program.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we funded $2,208,062 of activity under this program.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $4,290,000.

OTHER

Manufactured Home Relocation Trust Fund

The Manufactured Home Relocation Trust Fund requires owners of manufactured home parks to pay $15 per licensed lot into a Trust Fund each year if the fund's balance is below $2,000,000. The park owner is authorized to collect funds from each manufactured homeowner either monthly or in a lump sum that is paid to Minnesota Management and Budget for deposit into the Trust Fund. The Trust Fund is available to homeowners who must relocate because the park they live in is being closed.

The statute sets out a process for determining the amount of money for which a homeowner is eligible for either moving or selling their home. Minnesota Management and Budget collects the assessment, and we make payments to homeowners, with claims overseen by an appointed neutral third party, for eligible costs.

Program Performance and Trends

State law suspends collection of the fee if the balance in the account is equal to or exceeds $2 million. The current balance is below the $2 million, triggering the collection of fees.

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 61 households assisted
- $281,371 total disbursements
- $4,613 average assistance per household

Expected Activity for 2020-2021

Disbursements from the fund vary significantly from year to year. We are not making an estimate of the funding level at this time. As of June 30, 2019, the fund had a $650,000 uncommitted balance.

Disaster Recovery

Disaster response programs provide funding for the repair or replacement of renter or owner-occupied housing damaged by natural disasters such as flood or tornado. We distribute these funds through the Disaster Recovery program for single family properties and also assist in repairing damaged rental buildings, providing relocation services to renters displaced or homeless due to disasters, building organizational capacity to respond to disasters, and covering administrative costs related to disaster outreach.

Funds are typically delivered through administrators under contract to deliver ongoing Agency programs for the areas impacted by a disaster. These include administrators for the Single Family Rehabilitation Loan Program (RLP), the Multifamily Rental Rehabilitation Deferred Loan Program (RRDL), and the Family Homeless Prevention and Assistance Program (FHPAP).

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Disaster Recovery funds provide homeowners and smaller rental property owners with deferred loans at no interest for repair costs that are not covered by federal assistance or insurance proceeds. The loan is forgiven if the homeowner remains in the property for 10 years, or for rental properties, if property owners keep rents affordable for 10 years. There are no income limits under -Disaster Recovery program.

Program Performance and Trends

Typically, activities have been funded by special appropriations from the Minnesota Legislature following a federal disaster declaration and determination of the level of available federal funding from the Federal Emergency Management Agency and the Small Business Administration. State appropriations have ranged from $1,000,000 for the May 2011 Minneapolis tornado to $12,720,000 for the August 2012 flooding in northeast Minnesota

For the program assessment period October 1, 2017 – September 30, 2018, we did not fund any loans under this program.

Expected Activity for 2020-2021

At the start of the 2020-21 AHP, no funds have been appropriated. Typically, the Minnesota Legislature appropriates funds for this program following the declaration of a disaster. If the Minnesota Legislature does not appropriate funds following a federal disaster declaration, the Agency may fund activities through the Disaster Relief Contingency Fund.

Disaster Relief Contingency Fund

The Minnesota Legislature established this fund in 2001 as the account into which we deposit all repayments of previously made disaster relief loans or grants. Funds deposited in this account are used to assist with rehabilitation or replacement of housing that is damaged by a natural disaster in areas covered by a presidential declaration of disaster. Funding also may be used for capacity building grants for disaster response and flood insurance payments.

The terms and conditions under which the funds are made available are at the sole discretion of Minnesota Housing. Eligible uses of funds have included writing down the interest rate on Home Improvement Loans and activating the Disaster Recovery program.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we funded 9 loans for $198,287.

Expected Activity for 2020-2021

Disbursements from the fund vary significantly from year to year. We are not making an estimate of a funding level at this time. As of June 30, 2019, the fund had a $1.8 million uncommitted balance.

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MINNESOTA HOUSING

Board Agenda Item: 7.D
Date: 10/17/2019

Item: Approval, Updated Delegation of Authority Request

Staff Contact(s):
Tom O’Hern, 651.296.9796, tom.ohern@state.mn.us
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff is asking the Board to approve a request from the Commissioner to amend existing delegated authority related to the funding sources and estimates contained in the two-year Affordable Housing 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):
- Background
- Resolution

Background

The 2020-21 Affordable Housing Plan ("AHP") reflects a change in approach in two primary respects. First, it represents a switch from a one-year to a two-year plan. Second, it treats the funding levels as a forecast of expected activity, rather than a set budget.

In Delegation Order No. 12, the Board previously delegated certain authority to the Commissioner related to adjustments to program funding levels contained in the AHP. The Commissioner requests that the Board update that delegated authority to provide authority to utilize and commit funds consistent with the funding estimates contained in the two-year AHP as needed to facilitate affordable housing needs in the state so long as resources are available and it is financially feasible to do so. Actual program funding commitments compared to forecasted activity will be reported to the Board quarterly.

Attached is the current Delegation No. 12 reflecting the proposed changes as well as a clean version of the delegation.

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha St. N, Suite 400 St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 19-XXX
BOARD DELEGATION NO. 012

DELEGATION OF AUTHORITY TO THE COMMISSIONER REGARDING ~~CERTAIN CHANGES TO~~ THE AFFORDABLE HOUSING PLAN AND PROGRAM FUNDING ACTIVITIES

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval, unless otherwise required; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED:
That the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY
To authorize the Commissioner to utilize and commit funds consistently with the funding estimates contained in the two-year Affordable Housing Plan ("AHP") and to modify the funding estimates ~~make certain changes to the Affordable Housing Plan~~ as needed to facilitate affordable housing needs in the state so long as resources are available and it is financially feasible to do so.

PARAMETERS OF DELEGATED AUTHORITY
1. The Agency may utilize funds consistently with the program funding estimates contained in the two-year AHP, and consistent with all applicable statutes, rules and program and procedural manuals.~~.~~
~~1.~~ 2. Adjustments may be made to the allocation of estimated program funding under Housing Infrastructure Bonds and Economic Development and the Housing Challenge (EDHC) Program among the eligible uses of the funds.
~~2.~~ 3. Adjustments may be made to estimated program funding levels when federal funding is finalized or changed, including Housing Opportunities for People with AIDS (HOPWA), HOME, NHFT, Section 8, Section 236, and Low-Income Housing Tax Credits.
~~3.~~ 4. Adjustments may be made to estimated program funding activity in revolving loan accounts, as long as the accounts have sufficient funds to accommodate additional activity.
~~4.~~ 5. Adjustments may be made to estimated program funding levels as estimates of contributions from partner organizations, loan repayments, uncommitted balances that carry forward, and other receipts are updated or revised.

6. Adjustments may be made to estimated program funding levels using other mortgage capital, Pool 3, or Pool 2 resources to support higher than forecasted production if there are sufficient resources to do so.
7. All above adjustments are subject to approval by the appropriate person or committee designated by the Commissioner and confirmation by the Agency Chief Financial Officer that adequate funds are available and the adjustment is financially feasible.

REPORTING REQUIREMENTS

The Commissioner shall provide quarterly program activity reporting -to the Board and at the end of the 2-year AHP. Reports will provide a summary of program activity compared to forecasted activity.~~y adjustments to funding changes quarterlymade at the next regularly scheduled Board meeting~~.

OTHER CONSIDERATIONS
Supersedes Board Report dated May 24, 2018~~23, 2013~~.

Adopted this ___~~24~~th day of October ~~May~~, 2019~~8~~

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CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha St. N, Suite 400 St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 19-XXX
BOARD DELEGATION NO. 012

DELEGATION OF AUTHORITY TO THE COMMISSIONER REGARDING THE AFFORDABLE HOUSING PLAN AND PROGRAM FUNDING ACTIVITIES

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval, unless otherwise required; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED:

That the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

<u>DELEGATED AUTHORITY</u>

To authorize the Commissioner to utilize and commit funds consistently with the funding estimates contained in the two-year Affordable Housing Plan (“AHP”) and to modify the funding estimates as needed to facilitate affordable housing needs in the state so long as resources are available and it is financially feasible to do so.

<u>PARAMETERS OF DELEGATED AUTHORITY</u>

1. The Agency may utilize funds consistent with the program funding estimates contained in the two-year AHP, and consistent with all applicable statutes, rules and program and procedural manuals.
2. Adjustments may be made to the allocation of estimated program funding under Housing Infrastructure Bonds and Economic Development and the Housing Challenge (EDHC) Program among the eligible uses of the funds.
3. Adjustments may be made to estimated program funding levels when federal funding is finalized or changed, including Housing Opportunities for People with AIDS (HOPWA), HOME, NHFT, Section 8, Section 236, and Low-Income Housing Tax Credits.
4. Adjustments may be made to estimated program funding activity in revolving loan accounts, as long as the accounts have sufficient funds to accommodate additional activity.
5. Adjustments may be made to estimated program funding levels as estimates of contributions from partner organizations, loan repayments, uncommitted balances that carry forward, and other receipts are updated or revised.

6. Adjustments may be made to estimated program funding levels using other mortgage capital, Pool 3, or Pool 2 resources to support higher than forecasted production if there are sufficient resources to do so.
7. All above adjustments are subject to approval by the appropriate person or committee designated by the Commissioner and confirmation by the Agency Chief Financial Officer that adequate funds are available and the adjustment is financially feasible.

REPORTING REQUIREMENTS

The Commissioner shall provide quarterly program activity reporting to the Board and at the end of the 2-year AHP. Reports will provide a summary of program activity compared to forecasted activity.

OTHER CONSIDERATIONS

Supersedes Board Report dated May 24, 2018.

Adopted this 17 day of October, 2019

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CHAIRMAN

MINNESOTA HOUSING

Board Agenda Item: 7.E
Date: 10/17/2019

Item: Resolution Authorizing Amendments to Minnesota Housing Finance Agency Direct Purchase Revolving Line of Credit Notes

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us
Terry Schwartz, 651.296.2404, terry.schwartz@state.mn.us
Paula Rindels, 651.296.2293, paula.rindels@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☒ Resolution	☐ Information

Summary of Request:
Staff requests approval of the attached resolution authorizing the amendment and extension of the Agency's Direct Purchase Revolving Line of Credit Note Agreement

Fiscal Impact:
The proposed amendment does not change the ongoing costs under the Agreement; the Agency will pay interest on any amounts drawn under the facility at a rate of LIBOR + 30 basis points and the Agency will also pay a fee on the undrawn amount of 15 basis points.

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
- Resolution

Background

At its meeting on April 26, 2018, the Board authorized the issuance and sale of Direct Purchase Revolving Line of Credit Notes, as a tool to help preserve limited tax-exempt private activity bond volume cap since that volume cap is critical to supporting the Agency's financing of its homeownership and rental housing programs. The resolution adopted in April, 2018 authorized the issuance of a maximum of $200,000,000 in cumulative principal amount of Credit Notes, and the commitment of the Bond Purchaser to buy the Credit Notes expires on May 29, 2020.

As the Agency is approaching the maximum cumulative principal amount of the Credit Notes, staff are recommending amending the Credit Notes to provide for a cumulative maximum of $500,000,000, and also extending the expiration date to June 30, 2021.

The initial issuance of the Credit Notes in 2018 replaced the Index Flexible Drawdown Bonds the Board approved in April of 2016.

Since 2016, the Agency has used almost $500 million in "recycling" capacity under these two Agreements. These facilities have enabled the issuance of a like amount of tax-exempt bonds without consuming private activity volume cap, which remains a critical and limiting resource for financing our affordable homeownership and rental housing programs on a low-cost basis. Providing an additional $300 million in future recycling capacity continues the Agency's approach to maximizing the financial leverage provided by tax-exempt bonds as a source of capital for the Agency's critical programs.

RESOLUTION NO. MHFA 19-065

RESOLUTION RELATING TO THE APPROVAL AND AUTHORIZATION OF AN INCREASE IN PRINCIPAL AMOUNT OF A NOTE ISSUED PURSUANT TO, AND AN EXTENSION OF THE TERM OF A REVOLVING CREDIT AGREEMENT

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY (the "Agency"), as follows:

Section 1. Recitals.

1.01. Authority. The Agency is authorized under Minnesota Statutes, Chapter 462A, including, without limitation, Section 462A.08 thereof, as amended (the "Act") to issue bonds and notes and enter into loan agreements and request advances thereunder from time to time for the purpose of refunding any bonds or notes of the Agency then outstanding.

1.02. Purpose. Pursuant to Resolution No. MHFA 18-004, adopted April 26, 2018, the Agency determined to enter into a Revolving Credit Agreement dated as of June 1, 2018 (the "Original Revolving Credit Agreement") between the Agency and Royal Bank of Canada (the "Bank") whereby the Agency approved the issuance and sale of a note (the "Original Note") to evidence and secure cash advances from the Bank to the Agency pursuant to the terms of the Original Revolving Credit Agreement (the "Advances"); those Advances are used to preserve funding for the Agency's program (the "Program") of purchasing mortgage loans made to low and moderate income persons and families to finance owner-occupied single family housing by refunding eligible bonds and notes of the Agency from time to time (the "Refundings"). The Original Note was issued in a maximum amount of $200,000,000 to evidence all outstanding Advances under the Original Revolving Credit Agreement. It is determined to be in the best interests of the Agency to amend the Original Revolving Credit Agreement by entering into a First Amendment to Revolving Credit Agreement (the "First Amendment to Revolving Credit Agreement;" the Original Revolving Credit Agreement as so amended is referred to in this resolution as the "Amended Revolving Credit Agreement") and the Original Note by the execution and delivery of an Amended and Restated Note (as amended and restated, the "Amended Note") to increase the maximum principal amount of the Original Note from $200,000,000 to $500,000,000 and extend the term of the Original Revolving Credit Agreement to June 30, 2021, as reflected in the terms of the Amended Note and the Amended Revolving Credit Agreement, respectively. The Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby are secured by the allocation, for federal income tax purposes, from time to time, of the transferred and replacement proceeds of each of the Refundings to the Cash Collateral Fund established by the hereinafter defined Amended Indenture as a subaccount within the Alternative Loan Fund maintained pursuant to Resolution No. MHFA 95-82, adopted August 24, 1995 (which amended and restated in whole Resolution No. MHFA 76-32, adopted July 27, 1976, as amended) (together with any amendments or supplements heretofore or hereafter adopted from time to time as permitted therein, the "Bond Resolution"). Subsequent to the redemption, repayment or maturity of the Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby, the amounts made available from the refunding of the Amended Note at redemption, repayment or maturity will be made available for the Program.

1.03. Amended Indenture. The Amended and Restated Trust Indenture dated as of June 1, 2018 (the "Indenture"), between the Agency and Wells Fargo Bank, National Association (the "Trustee"), which provides security for the Original Note and the Advances under the Original Revolving Credit Agreement evidenced thereby, will be amended by the Agency and the Trustee to reflect the terms of the Amended Note and the Amended Revolving Credit Agreement, pursuant to that First Amendment to Amended and Restated Trust Indenture (the "First Amendment to Amended and Restated Trust Indenture") dated as of November 1, 2019 (the Indenture, as so amended by the First Amendment to Amended and Restated Trust Indenture is referred to in this resolution as the "Amended Indenture").

1.04. Amended Note, Amended Revolving Credit Agreement and Amended Indenture. Pursuant to the terms of the Amended Revolving Credit Agreement, the Bank will continue to make Advances to the Agency for the purpose of providing funds for the Refundings. The Amended Note will be issued by the Agency to the Bank to evidence and secure any Advances. Moneys received by the Agency pursuant to the Refundings funded by those Advances will be deposited to the Cash Collateral Fund created and held under the Amended Indenture.

The obligation to pay principal of the Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby when due will be payable from and secured by amounts on deposit in the Cash Collateral Fund. As security to pay principal of the Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby, upon any Refunding funded with any Advance, the Agency will cause funds to be transferred from the Revenue Account, Bond Principal Account and/or Redemption Account of the Bond Resolution or Resolution No. MHFA 09-71, adopted December 11, 2009 (together with any amendments or supplements heretofore or hereafter adopted from time to time as permitted therein), as applicable, and such funds will be deposited into the Cash Collateral Fund. The amount of funds held in the Cash Collateral Fund will at all times be at least equal to the outstanding principal amount of the Amended Note and the principal portion of Advances under the Amended Revolving Credit Agreement evidenced thereby.

The obligation to pay interest due with respect to the Amended Note and the interest portion of the Advances under the Amended Revolving Credit Agreement evidenced thereby will be a general obligation of the Agency payable from and secured by amounts on deposit in the Cash Collateral Fund and any moneys, assets or revenues of the Agency, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacting appropriating particular funds for a specified purpose. The Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby will not constitute or give rise to a pecuniary liability of the State of Minnesota (the "State") or any political subdivision thereof or constitute a debt or loan of the credit of the State or any political subdivision thereof.

1.05. Public Hearing. The Agency has conducted a public hearing, duly noticed, on the proposal that the Agency issue qualified mortgage bonds in the additional maximum principal amount of $300,000,000 as required by Section 147(f) of the Internal Revenue Code. All parties who appeared at the hearing were given an opportunity to express their views with respect to that proposal and interested persons were given the opportunity to submit written comments to the Agency prior to the date of the hearing.

1.06. Documentation. Draft forms of the following documents (collectively, the "Amended Note Documents") relating to the Amended Note have been prepared and submitted to the Agency and are hereby directed to be filed with the Agency and its agents and representatives:

(a) A proposed form of the First Amendment to Amended and Restated Indenture; and

(b) A proposed form of the First Amendment to Revolving Credit Agreement (which includes the proposed form of the Amended Note).

Section 2. Authorization of the Amended Note and Approval of the Amended Note Documents.

2.01. To provide sufficient funds to be used and expended for the purposes set forth in Section 1.01, it is now determined to be necessary to issue the Amended Note pursuant to the Amended Note Documents, provided that (a) the outstanding principal amount of the Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby may not exceed $80,000,000 at any one time, (b) the cumulative amount of Advances made pursuant to the Amended Revolving Credit Agreement and evidenced by the Amended Note may not exceed $500,000,000, (c) the Amended Note will mature at any time or times in the amount or amounts not later than 35 years from the date of initial issuance thereof and (d) will have a redemption or payment date not later than 2 years from the date of initial issuance thereof, unless the repayment date is otherwise extended pursuant to the Amended Note Documents. The Agency is hereby authorized to enter into the Amended Note Documents and issue and sell the Amended Note to the Bank, in exchange for the return by the Bank and cancellation of the Original Note, to provide funds to be used to refund outstanding bonds or notes of the Agency from time to time to preserve funding for the Program.

2.02. The forms of the Amended Note Documents and the Amended Note, the provisions of which are incorporated herein by reference, are hereby approved, subject to those modifications as are deemed appropriate and approved by an Authorized Officer, which approval will be conclusively evidenced by execution of the Amended Note Documents by an Authorized Officer. Copies of all the documents will be delivered, filed or recorded as provided therein. An Authorized Officer is also authorized and directed to execute any other instruments as may be required to give effect to the transactions herein contemplated.

Section 3. Terms of Note.

(A) Terms. The Amended Note will be issued in a maximum principal amount of $500,000,000, provided that the outstanding principal amount of the Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby may not exceed $80,000,000 (the "commitment amount" set forth in the Amended Revolving Credit Agreement) and will be dated the date of its initial delivery. The Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby will be payable as to principal and interest on the dates, will bear interest at an index rate and will be subject to prepayment, repayment and mandatory purchase at times and upon the terms and conditions to be set forth in the Amended Note Documents. Unless the Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby is bearing interest at a default rate or a taxable rate or unless LIBOR or a successor equivalent index is no longer calculated and published by the ICE Benchmark Administration Limited (or any successor as approved by the Bank) in its current form, the interest rate on the Amended Note will not exceed a rate for any accrual period of more than the sum of the then current LIBOR plus 70 basis points. Any Authorized Officer is authorized to approve the final terms and conditions of the Amended Note, that approval to be evidenced by the execution and delivery of the Amended Note by that Authorized Officer.

(B) Registration and Transfer. The Amended Note will not be subject to registration and initially will be held directly by the Bank; the Amended Note will be subject to transfer and participation pursuant to the Amended Note Documents.

Section 4. Preparation and Execution. The Amended Note will be prepared in substantially the form prescribed in the Amended Revolving Credit Agreement, and will be executed by the manual or facsimile signature of the Chairman or Vice-Chairman, attested by the Commissioner and authenticated by manual signature of the Trustee.

Section 5. General Tax Covenant. The Agency recognizes the obligation to comply with the provisions of the Code regarding the exclusion of interest from federal gross income of the interest on the Amended Note and the Agency will not take, or permit or cause to be taken, any action that would adversely affect that exclusion of interest, and will take or cause to be taken any action necessary to maintain that exclusion from gross income and, if it should fail to take or permit, or cause to be taken, as appropriate, any of those actions, the Agency will use its best efforts to take all lawful actions necessary to rescind or correct those actions or omissions promptly upon having knowledge thereof.

Section 6. Authentication of Proceedings. The Chairman, Vice-Chairman, Commissioner, Chief Financial Officer and Director of Finance and other officers of the Agency are authorized and directed to furnish to the Trustee and bond counsel certified copies of all proceedings and records of the Agency relating to the Amended Note, and any other affidavits and certificates as may be required to show the facts relating to the legality and validity of the Amended Note as those facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all those certified copies, certificates and affidavits, including any heretofore furnished, will constitute representations of the Agency as to the truth of all statements of fact contained therein.

[Remainder of page intentionally left blank]

Adopted by the Minnesota Housing Financing Agency this 17th day of October, 2019.

By:________________________________
Chairman

Attest:______________________________
Commissioner

[Signature page to Resolution No. MHFA 19-065]

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