



**4% Housing Tax Credits with Bond Allocations
UPDATED OCTOBER 2020**

The slides presented in the following recording are still valid, even though the original recording was published in December 2019.

m MINNESOTA HOUSING The content is current and should be used for this round of 4% Housing Tax Credits with Bond Allocations.

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4% Housing Tax Credits with Bond Allocations

December 3, 2019

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Agenda

- How to receive a 4% Only housing tax credit award or allocation for bonds issued pursuant to an allocation of state volume cap by MMB?
- Discuss Minnesota Housing's:
 - Timeline
 - Process
 - Requirements
 - Q&A

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4% Housing Tax Credits

- Minnesota Housing awards or allocates housing tax credits in two ways:
 - Competitively through the annual RFP process
 - For bonds issued pursuant to an allocation of state volume cap by MMB (4% Only)
- Minnesota Housing's Qualified Allocation Plan (QAP) determines how housing tax credits are awarded or allocated
 - www.mnhousing.gov > Multifamily Rental Partners > Tax Credits > Procedural Manual and Documents (year)

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QAP Requirements

- For 4% only projects, Minnesota Housing's QAP applies to the entire state, **except in** sub-allocator areas:
 - Minneapolis
 - St. Paul
 - Washington county
 - Dakota county

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QAP Requirements

- Projects must comply with the QAP in effect for the calendar year when an amount of bonds sufficient to meet the 50% test are issued
- 50% test
 - Required by Section 42 of the IRS Code
 - In order to be eligible for 4% housing tax credits, the principal amount of bonds must be at least 50% of the aggregate basis of the building plus land

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Application Timing

- Timing of an application for an award of 4% housing tax credits (42M application)
 - A full and complete application must be received at least 30 days prior to the closing on of the property and bond issuance.
 - However, it is imperative that the full and complete application is submitted as soon as possible to ensure timely receipt of the 42M letter in order to issue bonds.

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Annual Timeline

1	Optional November (30 calendar days prior to 42M application submission)	Developer initiates optional pre-application process with Minnesota Housing for 1) initial scoring determination and 2) preliminary predictive model determination to ensure cost reasonableness
2	Required Early January	Developer applies to MMB for a bond allocation
3	Required (Year round starting in January)	MMB bond allocation determination; 180 day clock starts
4	Within 3 weeks of Allocation	Minnesota Housing communicates with bond allocation recipients to provide information on the 4% housing tax credit process (42M)
5	Within 6 weeks Of Allocation	Minnesota Housing schedules light launch meeting with the developer to review 4% Only housing tax credit requirements, process and timeline

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Annual Timeline

6	Application Submittal 42M application must be submitted at least 30 days prior to bond issuance, <u>but should be submitted as soon as possible upon bond allocation from MMB</u>	Developer submits 42M application to Minnesota Housing: <ol style="list-style-type: none"> Preliminary Determination letter from bond issuer; Minnesota Housing requires 42(m)(2)(D) before 42(m)(1)(D) is submitted 50% test verification letter from a CPA Preliminary Predictive Cost Model Determination (if applicable) Preliminary Scoring Determination (if applicable) Requirements: <ol style="list-style-type: none"> Application fee \$800 Preliminary Determination Fee 3.5% of the HTC allocation Evidence of bond allocation Tax credit dollar amount and project costs Workbook and other items required in the HTC 4% Only Application checklist in the Portal
7	Development closes	

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Optional Pre-application Process

- Allows developers who seek 4% housing tax credits through Minnesota Housing to:
 - Receive preliminary predictive model determination
 - Receive preliminary scoring determination
 - Review other program requirements, including design standards
- We encourage developers to participate

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Optional Pre-application Process

- Pre-application process
 - If pursuing pre-application, provide information at least 30 days prior to 42M submission
 - Minnesota Housing issues a pre-application determination letter(s) – owner submits with the 42M application

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Pre-application Submittals

- Preliminary predictive cost model determination
 - Request form
- Preliminary scoring determination
 - Workbook
 - Self-scoring worksheet (year in which bond issuance is anticipated)
 - Scoring documentation

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Light Launch Meeting

- After bonds are allocated by MMB, Minnesota Housing staff will schedule a light launch meeting to review:
 - Scoring determination
 - Design requirements
 - 42M application requirements

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42M Submission Requirements

- Application fee - \$800
- Preliminary determination fee 3.5% of housing tax credit allocation
- Evidence from the issuer of bond allocation
- Preliminary determination from bond issuer 42(m)(2)(D)
- 50% test verification letter from a CPA
- Predictive cost model determination (applicable if pre-application process is used)
- Scoring determination (applicable if pre-application process is used)
- Workbook, and other checklist items in the Portal

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**Preservation Project Requirements
Statute 474A.047 Compliance**

- For **all** preservation projects in Minnesota with project-based rental assistance
- Owner must extend the contract or agreement for rental assistance for the maximum term possible
 - Contract extension at closing or continuing renewals
- Project capital reserves at the time of bond issuance must be maintained at:
 - The lesser of: 1) the greater of 40% of the outstanding first mortgage or \$5,000 per unit or 2) the amount of reserves at the time of bond issuance
- Funds must be available at bond issuance to complete immediate repairs

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**Preservation Project Requirements
Statute 474A.047 Compliance**

- Three elements:
 - Owner compliance statement and related documentation
 - Agreement between owner and Minnesota Housing on reserves and the extension of the rental assistance contract
 - Certification by Minnesota Housing that the transaction will comply with the statute

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For More Information

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