



Frequently Asked Questions: 4% Housing Tax Credits

Who allocates tax-exempt volume limited bonding authority in Minnesota?

In Minnesota, Minnesota Management and Budget (MMB) is the primary apportionment agency for allocation of the authority to issue, pursuant to federal tax law, tax-exempt volume limited bonds. Minnesota Housing and some local units of government receive a set-aside of the authority to allocate tax-exempt volume limited bonding authority to finance qualified developments. For information on application dates and procedures for tax-exempt volume limited bonding authority from MMB, [contact MMB directly](#).

Who allocates 4% housing tax credits in Minnesota?

Minnesota Housing is the primary agency for housing tax credits in Minnesota. There are also certain cities and counties that act as designated housing credit agencies or suballocators for their jurisdictions. These suballocators are the cities of Minneapolis and St. Paul along with Dakota County and Washington County. When projects receive an allocation of tax-exempt bonding authority, by federal law they must separately request an award of 4% housing tax credits from Minnesota Housing (or the applicable housing tax credit suballocator based on the tax-exempt bond issuer and the location of the project) in order to obtain a preliminary determination of eligibility for those credits, known as a 42M letter. Refer to the [Housing Tax Credits Procedures for Projects Financed with Tax-exempt Volume Limited Bonds](#) for more information.

What is required to apply to Minnesota Housing for a preliminary determination of eligibility of 4% housing tax credits?

Minnesota Housing's process used to award 4% housing tax credits requires developers to submit a complete application at least 60 days prior to bond issuance in order for Minnesota Housing to issue a preliminary determination letter (42M letter). If the issuer of the bonds is not Minnesota Housing, the initial application submission must include evidence that the project received an allocation of tax-exempt volume limited bonding authority from the state of Minnesota. The initial application submission must also include a preliminary determination letter (42(m)(2)(d)) from the issuer of the bonds that addresses the tax credit dollar amount and the reasonableness of project costs.

Minnesota Housing offers an optional pre-application process to aid developers in mitigating risks that may prevent a project's eligibility for an award of 4% housing tax credits before an application is submitted to MMB for an allocation of bonding authority for the project. The process allows developers to obtain from Minnesota Housing a preliminary determination of the construction costs compared to Minnesota Housing's predictive cost model and minimum scoring eligibility for 4% housing tax credits. Refer to the pre-application process question for additional details.

A full and complete application for a preliminary determination of eligibility for 4% housing tax credits (42M) must be submitted at least 60 days prior to bond issuance.

NOTE: *It is imperative that the full and complete application be submitted as early as possible after the allocation of bonds to ensure timely receipt of the 42M letter in order to issue bonds.*

Which Qualified Allocation Plan (QAP) do I use?

A project must comply with Minnesota Housing's QAP that is in effect for the calendar year in which tax-exempt volume limited bonds are issued, together with any tax exempt volume limited bonds issued in a prior calendar year, sufficient to finance at least 50 percent of the aggregate basis of the building and the land it is located on. For example, if a project receives an allocation of bonds from MMB's Unified Pool after July but does not close until the next calendar year, a different QAP year will apply.

Refer to Minnesota Housing's [Housing Tax Credits](#) page for more information.

What is the pre-application process?

Minnesota Housing has implemented an optional pre-application process that developers can use before an application for tax-exempt volume limited bonding authority is submitted to MMB for the project. The pre-application helps gauge whether the proposed project will meet Minnesota Housing's 4% housing tax credit requirements. The pre-application process includes:

1. Preliminary predictive cost model determination (outlines cost reasonableness parameters as required by the QAP), and/or
2. Preliminary scoring determination (to determine if the project meets the minimum score of 40 points on Minnesota Housing's Self-Scoring Worksheet in order to move forward in the application process)

Developers are strongly encouraged to submit a pre-application to Minnesota Housing. Review Minnesota Housing's [4% Only Pre-application Process](#) to learn more.

What is the predictive cost model?

The QAP provides that all applications to Minnesota Housing for housing tax credits be evaluated for cost reasonableness. To aid in its determination, Minnesota Housing utilizes a cost model that predicts, within reasonable parameters as required by the QAP, the approximate total development cost per unit based on the development's characteristics. The predictive cost model uses data that incorporates characteristics of developments Minnesota Housing has recently financed; it also includes an adjustment for inflation. Characteristics such as new construction, building type (e.g., elevator, townhome, walk-up apartment), unit size, location, square footage, type of financing and special costs (e.g., historical preservation,

environmental abatement, supportive housing) are incorporated in the model. Minnesota Housing policies require that a development's costs not exceed 25 percent of the predictive cost model. If development costs exceed the 25 percent threshold, a waiver from the Board is required.

To learn more about Minnesota Housing's cost containment efforts, refer to the annual Cost Containment Report on our [Reporting on Agency Work webpage](#).

What is the pre-application scoring process?

Minnesota Housing staff reviews and scores the pre-application submission items. Upon satisfactory review, Minnesota Housing will issue a preliminary scoring determination that is then submitted with the full application for a preliminary determination of eligibility for 4% housing tax credits (42M).

What are the required pre-application submittals?

For the preliminary predictive cost model determination, applicants must submit the Preliminary Predictive Cost Model Determination Request form. Links to all documents are available in the Multifamily Customer Portal (Portal), which is an online document submission tool. Refer to the submission questions below for additional information. For the preliminary scoring determination, applicants must submit the items listed below.

- Minnesota Housing Multifamily Workbook (this is Minnesota Housing's proforma)
- Documented election of points in the Self-Scoring Worksheet
 - The project must meet a minimum score of 40 points
- Supporting scoring documentation as outlined in the Self-Scoring Worksheet

What is the deadline for the pre-application process?

All required pre-application documentation must be submitted a minimum of 30 calendar days prior to submitting an application for a preliminary determination of eligibility for 4% housing tax credits (42M).

Is the pre-application process required?

While the pre-application process is optional, we strongly encourage it as a method to help developers mitigate project risks associated with obtaining an award of 4% housing tax credits.

How do I submit my pre-application?

Developments apply for funding through Minnesota Housing's online system, the Multifamily Customer Portal (Portal). All pre-application and application materials must be uploaded and submitted through the Portal. If submitting the optional pre-application, the applicant can choose either or both pre-application options: preliminary predictive cost model determination and/or preliminary scoring determination. Upload the required documents and submit to Minnesota Housing. The Portal allows you to submit documents and collaborate with Minnesota Housing staff throughout the pre-application and application process.

How do I submit my full application for a preliminary determination of eligibility for 4% housing tax credits (42M)?

Applicants must submit the full application for a preliminary determination of eligibility for 4% housing tax credits (42M) in the Portal, which includes the following steps:

- Upload the application materials to the application checklist. Be sure to click the submit button at the top of the checklist once complete.
- Complete the Scoring Wizard in the Portal.
- [Submit your Development Team Qualification Forms](#) via the [Multifamily Secure Upload Tool](#).

The Portal allows our customers to log in and build an application checklist based upon the type of proposal they will submit. All application materials must be uploaded through the Portal. The Portal allows for document submissions and collaboration with agency staff throughout the entire housing tax credit process, including application and 8609 submittals. If you submitted a pre-application and have a preliminary scoring and predictive cost model, remember to submit this documentation with your full application.

Access the Scoring Wizard Training:

- [Scoring Wizard](#)

Access the User Guides:

- [How to Apply for Funding](#) (includes instructions to request project team access)
- [Scoring Wizard](#)

Who do I contact to learn more?

For 4% HTC related questions, visit [our 4% Housing Tax Credit webpage](#) or contact Song Lee at song.lee.mhfa@state.mn.us.

For general HTC questions, email the Housing Tax Credit Team at htc.mhfa@state.mn.us

How do I access the Portal?

If you plan to apply, **you must request a Portal user account if you do not currently have access.** For more information on the Portal or information on how to request your user account, visit the [Multifamily Customer Portal Resources](#) page on Minnesota Housing's website.