



MEETINGS SCHEDULED FOR NOVEMBER

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

THURSDAY, NOVEMBER 17, 2022

Regular Board Meeting

1:00 p.m.

Hybrid Option Available:

In Person:

Lake Superior Conference Room- Fourth Floor

OR

Conference Call:

Toll-free dial-in number (U.S. and Canada):

1-877-309-2071

Access code:

996-666-311

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, November 17, 2022.

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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Mission

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

Vision

All Minnesotans live and thrive in a safe, stable home they can afford in a community of their choice.

AGENDA**Minnesota Housing Board Meeting****Thursday November 17, 2022****1:00 p.m.**

- 1. Call to Order**
- 2. Roll Call**
- 3. Agenda Review**
- 4. Approval of Minutes**
 - A. (page 5) Regular Meeting of October 27, 2022
- 5. Reports**
 - A. Chair
 - B. Commissioner
 - C. Committee
- 6. Consent Agenda**
 - A. (page 11) Updated Waiver of Predictive Cost Model 25% Threshold
 - West Creek Apartments, D8205, Chaska, MN
 - B. (page 13) Approval, 2023 Minnesota Housing Board Meeting Schedule
- 7. Action Items**
 - A. (page 15) Forgiveness, Operating Loss Subsidy Loan
 - Stone Creek Townhomes, Luverne, D0714
 - B. (page 19) Funding Modification and Commitment Extension, Publicly Owned Housing Program (POHP)
 - Lakeview Highrise, D7801, Willmar, MN
 - C. (page 23) Housing Opportunities for Persons with AIDS (HOPWA) Grant Contract Agreement

Extension and Funding Modification, Rainbow Health Minnesota D3621

- D.** (page 27) Commitment Low and Moderate Income Rental Bridge Loan (LMIRBL) and Waiver of the Predictive Cost Model 25% Threshold
- Brewery Creek, D8114, Duluth, MN
- E.** (page 49) Adoption, Resolution Authorizing the issuance and Sale of Rental Housing Bonds, 2023 Series A (Brewery Creek)
- F.** (page 131) Approval, State of Minnesota Housing Tax Credit (HTC) 2024-2025 Qualified Allocation Plan (QAP)

8. Discussion Items

- A.** (page 455) Fourth Quarter 2022 Progress Report: 2020—2023 Strategic Plan and 2022-2023 Affordable Housing Plan

9. Information Items

- A.** (page 461) 2022 Cost Containment Report

10. Other Business

None.

11. Adjournment

DRAFT Minutes
Minnesota Housing Board Meeting
Thursday, October 27, 2022
1:00 p.m.

1. Call to Order.

Chair DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance Agency at 1:00 p.m.

2. Roll Call.

Members Present via hybrid: Chief Executive Benjamin, Auditor Blaha, Chair John DeCramer, Craig Klausing, Stephanie Klinzing, Stephen Spears and Terri Thao.

Minnesota Housing Staff present via hybrid: Tal Anderson, Tom Anderson, Ryan Baumtrog, Abigail Behl, Sondra Breneman, Ibtisam Brown, Erin Coons, Matt Dieveney, Michelle Doyal, Ruth DuBose, Rachel Franco, Ben Eggersdorfer, Francis Graydon, Vanessa Haight, Anne Heitlinger, Anna Heitz, Darryl Henchen, Adam Himmel, Katie Hirsch, Heidi Hovis, Karen Johnson, Anjanet Kalinowski, Katey Kinley, Dan Kitzberger, Greg Krenz, Laurie Krivitz, Janine Langsjoen, Tresa Larkin, Debbi Larson, Brad LeBlanc, Song Lee, James Lehnhoff, Jill Lestina-Warnest, Rachel Lochner, Lori Lindberg Maya Ly, Nira Ly, Sarah Matala, Eric Mattson, Jill Mazullo, Don McCabe, Leighann McKenzie, Amy Melmer, Ellie Miller, Rudi Mohamed, Jennifer Nelson, John Patterson, Caryn Polito, William Price, Ann Provo, Brittany Rice, Paula Rindels, Cheryl Rivinius, Lael Robertson, Rachel Robinson, Dani Salus, Joel Salzer, Kayla Schuchman, Kim Stuart, Jodell Swenson, Susan Thompson, Mike Thone, Ted Tulashie, Nancy Urbanski, Kayla Vang, Que Vang, Teresa Vaplon, Amanda Welliver, Kelly Winter and Kristy Zack.

Others present via hybrid: Ramona Advani, Minnesota Office of the State Auditor; Leslie Powell, Kutak Rock; Gene Slater, CSG Advisors.

3. Agenda Review

Action Item K was removed from the agenda.

4. Approval

Regular Meeting Minutes of September 22, 2022

Motion: Craig Klausing moved to approve the September 22, 2022, Regular Meeting Minutes. Seconded by Stephanie Klinzing. Chief Executive Benjamin and Stephen Spears abstained from the vote. Terri Thao was not present for the vote. Roll call was taken. Motion carries 4-0. All were in favor.

5. Reports

A. Chair

None.

B. Commissioner

Deputy Commissioner Robinson shared the following with the Board:

- Welcome new employees

- HomeHelpMN Update
- Qualified Action Plan Update
- RentHelpMN Update

C. Committee

The Finance and Audit Committee met earlier this month to discuss the results of the Fiscal 2022 Financial Statement Audit with RSM, the Agency's external auditor.

6. Consent Agenda

A. Waiver, Predictive Cost Model 25% Threshold - Vista 44, D8199, Hopkins, MN

Motion: Auditor Blaha moved to approve the Consent Agenda Items. Seconded by Chief Executive Benjamin. Roll call was taken. Motion carries 7-0. All were in favor.

7. Action Items

A. Approval, Capacity Building Program Guide

Alyssa Wetzel-Moore presented to the board a request for approval of the Capacity Building Program Guide. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Terri Thao moved Approval, Capacity Building Program Guide. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 7-0. All were in favor.

B. Approval, 2022 Capacity Building Program Grantee Selections

Alyssa Wetzel-Moore presented to the board a request for approval of 27 Capacity Building Program proposals. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Auditor Blaha moved Approval, 2022 Capacity Building Program Grantee Selections. Seconded by Terri Thao. Chair DeCramer abstained. Roll call was taken. Motion carries 6-0. All were in favor.

C. Forbearance Extension, Financing Adjustment Factor (FAF) Loan and Asset Management (AM) Loan – Whittier Community Housing, D0878, Minneapolis, MN

Sarah Matala presented to the board a request for adoption of a resolution authorizing a forbearance extension for Whittier Community Housing from December 1, 2022, through November 30, 2023. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Stephanie Klinzing moved Forbearance Extension, Financing Adjustment Factor Loan and Asset Management Loan – Whittier Community Housing, D0878, Minneapolis, MN. Seconded by Craig Klausing. Roll call was taken. Motion carries 7-0. All were in favor.

D. Commitment, Low and Moderate Income Rental Loan (LMIR), and Funding Modification, Economic Development and Housing Challenge (EDHC) program - Hillside Heights Apartments, D8304, Elk River, MN

Ted Tulashie presented to the board a request for adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to \$3,255,000; and adoption of a resolution modifying the loan under the EDHC program, from \$790,000 to a maximum of \$1,755,000. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Terri Thao moved Commitment, Low and Moderate Income Rental Loan, and Funding Modification, Economic Development and Housing Challenge program - Hillside Heights Apartments, D8304, Elk River, MN. Seconded by Auditor Blaha. Roll call was taken. Motion carries 7-0. All were in favor.

**E. Commitment Extensions, Rental Rehabilitation Deferred Loans (RRDL)
– 2019 RRDL Rural Development (RD) Preservation Initiative Selections**

Janine Langsjoen presented to the board a request for the approval to extend the funding commitments to December 31, 2023, to allow time for these projects to complete due diligence submission and loan closing. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Craig Klausing moved Commitment Extensions, Rental Rehabilitation Deferred Loans – 2019 RRDL Rural Development Preservation Initiative Selections. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 7-0. All were in favor.

**F. Funding Modification, Rental Rehabilitation Deferred Loan (RRDL)
– Prairieland Duplexes, D0386, Crookston, MN**

Susan Bergmann presented to the board a request for approval of a resolution authorizing a funding modification to increase the RRDL commitment from \$500,00 to \$700,000 for Prairieland Duplexes. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Chief Executive Benjamin moved Funding Modification, Rental Rehabilitation Deferred Loan– Prairieland Duplexes, D0386, Crookston, MN. Seconded by Stephanie Klinzing. Roll call was taken. Terri Thao was not present for the vote. Motion carries 6-0. All were in favor.

**G. Commitment, Low and Moderate Income Rental Loan (LMIR); Commitment, Low and Moderate Income Rental Bridge Loan (LMIRBL); Modification, Preservation Affordable Rental Income Fund (PARIF) Loan; and Waiver to Predictive Cost Model
– Horizon Heights, D3244, Burnsville, MN**

Erin Coons presented to the board a request for approval of the following resolutions: Adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to \$2,479,000; Adoption of a resolution authorizing the issuance of a LMIRBL product financed by tax exempt volume limited bonds in an amount up to \$5,150,000; Adoption of a resolution modifying the loan under the PARIF program, from \$2,986,000 to an amount up to \$3,568,500; and Approval of a waiver to the predictive cost model. The total development cost (TDC) per unit is \$461,660 and now exceeds the predictive model by 40%. Because the percentage is over predictive cost model

threshold of 25%, the increase requires a board approved waiver. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Craig Klausing moved Commitment, Low and Moderate Income Rental Loan; Commitment, Low and Moderate Income Rental Bridge Loan; Modification, Preservation Affordable Rental Income Fund Loan; and, Waiver to Predictive Cost Model - Horizon Heights, D3244, Burnsville, MN. Seconded by Chief Executive Benjamin. Roll call was taken. Terri Thao was not present for the vote. Motion carries 6-0. All were in favor.

H. Commitment, Low and Moderate Income Rental Loan (LMIR); Modification, Preservation Affordable Rental Income Fund (PARIF) Loan; and Waiver to Predictive Cost Model - Parkview Heights, D3419, Owatonna, MN

Erin Coons presented to the board a request for approval of the following resolutions: Adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to \$4,820,000; Adoption of a resolution modifying the loan under the PARIF program, from \$1,350,000 to an amount up to \$1,735,000; and Approval of a waiver to the predictive cost model. The total development cost (TDC) per unit is \$268,700 and now exceeds the predictive model by 93%. Because the percentage is over the predictive cost model threshold of 25%, the increase requires a board approved waiver. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Craig Klausing moved Commitment, Low and Moderate Income Rental Loan (LMIR); Modification, Preservation Affordable Rental Income Fund Loan; and Waiver to Predictive Cost Model - Parkview Heights, D3419, Owatonna, MN. Seconded by Auditor Blaha. Roll call was taken. Terri Thao was not present for the vote. Motion carries 6-0. All were in favor.

I. Bridges and Bridges Regional Treatment Center Rental Assistance Programs Guide Proposed Modifications

Ellie Miller presented to the board a request approval to amend the Bridges and Bridges Regional Treatment Center Rental Assistance Programs Guide (Bridges Program Guide). The two most substantive changes to the Bridges Program Guide include increasing the maximum rental subsidy limit and allowing rental assistance to be used in certain shared housing options. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Stephanie Klinzing moved Approval, Bridges and Bridges Regional Treatment Center Rental Assistance Programs Guide Proposed Modifications. Seconded by Chief Executive Benjamin. Terri Thao was not present for the vote. Motion carries 6-0. All were in favor.

J. Adoption, Resolution Authorizing the issuance and Sale of Rental Housing Bonds, 2022 Series D (Horizon Heights)

Michael Solomon presented to the board for authorization to issue short-term fixed rate tax-exempt bonds under the existing Rental Housing bond indenture. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Craig Klausing moved Approval, Adoption, Resolution Authorizing the issuance and Sale of Rental Housing Bonds, 2022 Series D (Horizon Heights). Seconded by Stephen Spears. Terri Thao was not present for the vote. Motion carries 6-0. All were in favor.

K. Adoption, Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, 2022 Series E (Brewery Creek)

This item was removed from the agenda.

L. Adoption, Series Resolution Authorizing the Issuance and Sale of Fixed Rate Residential Housing Finance Bonds (RHFB), Series LMN

Michael Solomon presented to the board a request for approval of a resolution authorizing additional fixed rate RHFB bonds, in an amount up to \$400 million through calendar year 2023. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Auditor Blaha moved Adoption, Series Resolution Authorizing the Issuance and Sale of Fixed Rate Residential Housing Finance Bonds, Series LMN. Seconded by Chief Executive Benjamin. Terri Thao was not present for the vote. Motion carries 6-0. All were in favor.

M. Adoption, Series Resolution Authorizing the Issuance and Sale of Variable Rate Residential Finance Housing Bonds (RHFB), Series O

Michael Solomon presented to the board a request for approval of a resolution authorizing variable rate RHFB bonds, in an amount up to \$100 million through the end of calendar 2023. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Stephanie Klinzing moved Adoption, Series Resolution Authorizing the Issuance and Sale of Variable Rate Residential Finance Housing Bonds, Series O. Seconded by Auditor Blaha. Terri Thao was not present for the vote. Motion carries 6-0. All were in favor.

8. Discussion Items

A. Discuss Multifamily and Single Family Construction Costs and Evaluation Procedures

Kayla Schuchman, James Lehnhoff and John Patterson discussed the Multifamily and Single Family Construction Costs and Evaluation Procedures for the Agency.

B. 4th Quarter FY 2022 Financial Reporting Package

Michael Solomon reviewed the 4th Quarter FY 2022 Financial Reporting Package

9. Information Items

A. Post-Sale Report, Residential Housing Finance Bonds 2022 Series IJK

B. Post-Sale Report, Rental Housing Bonds, Series 2022C (Lumin at Highland Bridge)

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 3:15 p.m.

John DeCramer, Chair



Board Agenda Item: 6.A
Date: 11/17/2022

Item: Updated Waiver of Predictive Cost Model 25% Threshold
 – West Creek Apartments, D8205, Chaska, MN

Staff Contact(s):

Carrie Weisman, 651.296.3769, carrie.weisman@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

At the December 17, 2020, board meeting, West Creek Apartments was selected for financing under the Housing Infrastructure Bonds (HIB) program in the amount of up to \$2,200,000 and under the Flexible Financing for Capital Costs (FFCC) program in an amount of up to \$2,386,987 in Resolution No. 20-064. At that same meeting, the board granted a waiver of the predictive cost model 25% threshold. The total development cost (TDC) per unit was 71% over the predictive cost model at selection.

Agency staff completed the underwriting and technical review of the proposed development and recommends approval of an updated waiver to the predictive cost model. The total development cost (TDC) per unit is \$342,200 and now exceeds the predictive cost model by 82%.

Fiscal Impact:

Minnesota Housing will not earn interest revenue on the HIB loan. As the debt service on the HIBs is paid via state appropriations, there is also no interest expense to the Agency. FFCC loans are funded with Housing Affordability Funds (Pool 3) and generally earn no interest for the agency.

The Agency will earn fee income from originating the loans.

Meeting Agency Priorities:

- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

Attachments:

- Background

Background:

At its December 17, 2020, meeting, the Minnesota Housing board approved the selection of West Creek Apartments for financing under the Housing Infrastructure Bond (HIB) program in the amount of up to \$2,200,000 and under the Flexible Financing for Capital Costs (FFCC) program in an amount of up to \$2,386,987. At that same board meeting, the board granted a waiver to the predictive cost model threshold because estimated total development costs exceeded the predictive model cost by 71%.

The project involves the new construction of 19 efficiency units in a two-story walkup building located in Chaska. The development will provide permanent supportive housing for unaccompanied single youth experiencing homelessness and will be the first permanent supportive housing development for homeless youth in Carver County. The project will have one caretaker unit and 18 units that will benefit from Housing Support and are deeply affordable to households at 30% MTSP (multifamily tax subsidy projects).

At the time of selection, the estimated TDC was 71% above the predictive cost model. TDC has increased 13% since selection and final budgeted TDC of \$342,200 per unit is now 82% over the predictive cost model estimate of \$188,200 per unit. Project costs exceed predictive model costs primarily due to the project's substantial capitalized operating reserve account of \$84,365 per unit, which represents 25% of total TDC. The capitalized operating reserve is based on the development's projected 15-year cash flow shortfalls and is necessary to ensure the project can cover its operating costs and remain financially feasible. Additionally, the predictive cost model calculation is based on the model used for the 2020 Consolidated Request for Proposals (RFP) selections, which does not account for the faster than average construction cost and labor cost increases experienced over the last two years.

The predictive cost model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the costs of a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or to which it has issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 57% to 74% of the variation in historical costs, it cannot capture all components of every proposed project. In accordance with Board Policy #15, if a project's proposed TDC is more than 25% over the predicted costs, staff must conduct additional due diligence and determine that the costs are still reasonable before seeking a cost waiver from the board.

Agency staff find the costs per unit of \$342,200 to be reasonable given market volatility and the large amount of capitalized operating reserves needed for the successful operation of the property. Agency staff is requesting approval of an updated waiver of the predictive cost model 25% threshold limit.

Separately, pursuant to Board Delegation No. 005 (per Resolution No. MHFA 18-018), the HIB Loan was decreased by \$300,000 to a total amount of \$1,900,000 and the FFCC Loan was increased by \$448,013 to a total amount of \$2,835,000 on October 5, 2022. The resulting net increase of \$148,013 closed a funding gap. Since this funding modification was approved via board delegation, no further action is required on this item.

Item: Approval, 2023 Minnesota Housing Board Meeting Schedule

Staff Contact(s):

Rachel Franco, 651.296.2172, rachel.franco@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests approval of the 2023 meeting schedule. Committee and special meetings will be scheduled as needed and in consultation with board members.

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):

- Meeting schedule

All meetings are on Thursdays and will begin at 1:00 p.m. unless otherwise noted.

2023 Schedule of Minnesota Housing Board Meetings

January 26

February 23

March 23

April 27

May 25

June 22

July 27

August 24

September 28

October 26

November 16 (one week early due to Thanksgiving Holiday)

December 14 (*one week early due to Christmas Holiday*)

Item: Forgiveness, Operating Loss Subsidy Loan
- Stone Creek Townhomes, D0714, Luverne, MN

Staff Contact(s):

Sarah Matala, 651.215.5577, sarah.matala@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests the board adopt a resolution authorizing the forgiveness of the \$280,000 Operating Loss Subsidy loan funded with proceeds from the Financing Adjustment / Financing Adjustment Factor (FA/FAF) pool of funds. The loan matured on October 31, 2022. The current loan balance is \$280,000.

Fiscal Impact:

Minnesota Housing does not earn interest revenue on this Operating Loss Subsidy Loan. There is no other fiscal impact to the Agency as the loan was intended to be forgiven at maturity.

Meeting Agency Priorities:

- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):

- Background
- Resolution

Background:

The Operating Loss Subsidy loans originated from the Financing Adjustment/Financing Adjustment Factor (FA/FAF) pool of funds. FA/FAF funds were available to properties with Section 8 mortgages, and the intent of the funds was to assist with addressing capital needs and/or operating losses. FA/FAF funds derived from savings that the Agency and HUD experienced from re-funding the bonds that financed Section 8 mortgages. Not all Operating Loss Subsidy and FA/FAF loans require payback.

Stone Creek Townhomes is a 24-unit townhome development in Luverne. The property is owned by Rock Manor Limited Partnership, of which Southwest Minnesota Housing Partnership (SWMHP) is the general partner and is a non-profit corporation. The property is managed by Lloyd Management.

The development is 100% project-based Section 8. The housing assistance payments (HAP) contract is administered by Minnesota Housing, with an expiration date of October 31, 2037.

The property received the \$280,000 FA/FAF loan in 2008 to assist with paying its operating expenses and debt service, in order to continue to operate it for occupancy by Low and Moderate Income Persons and Families. The original Repayment Agreement and mortgage included a provision that allowed the Agency to assign the Operating Loss Subsidy loan to a non-profit corporation, provided there was no event of default on or before October 31, 2022. Additionally, a memorandum dated May 14, 2008, included with the closing file, stated that the loan is intended to be forgivable upon maturity provided no event of default has occurred. In this sequence of events, the FA/FAF loan would have been assigned to SWMHP and subsequently forgiven on October 31, 2022.

Rock Manor Limited Partnership has instead requested forgiveness in lieu of assigning the loan to SWMHP and then having the loan forgiven, which is a more straightforward and administratively simpler request. Staff recommends the request based on the following:

- There has been no event of default.
- There is no added affordability that will be gained by keeping the loan in place because the HOME Declaration remains in effect through October 27, 2038.

The property has another Financing Adjustment Factor (FAF) loan that is forgivable as of February 1, 2024, and does not require board action because the provision regarding its forgiveness is clearly stated in the loan agreement.

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

RESOLUTION NO. MHFA 22-XXX

**RESOLUTION APPROVING DEBT FORGIVENESS
OPERATING LOSS SUBSIDY LOAN**

WHEREAS, Rock Manor Limited Partnership, on behalf of Stone Creek Townhomes, a multi-unit housing development, was approved to receive an Operating Loss Subsidy loan funded with proceeds from the Financing Adjustment / Financing Adjustment Factor (FA/FAF) pool of funds; and,

WHEREAS, the Agency subsequently provided an Operating Loss Subsidy Loan in the amount of \$280,000; and

WHEREAS, the loan included in this request was structured to allow the Agency to assign it to a non-profit corporation and forgive the loan at the date of maturity, provided there was no event of default; and

WHEREAS, the development otherwise continues to be in compliance with Min. Stat. Ch. 462A and the Agency's rules, regulations, and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby approves the following:

1. Forgiveness of the Operating Loss Subsidy loan in the amount of \$280,000.
2. The forgiveness of the loan is conditioned on execution by the borrower of Minnesota Housing's standard Agreement and execution of all other documents that may be deemed necessary by Agency staff, of which approval is at Minnesota Housing's sole discretion.

Adopted this 17th day of November 2022

CHAIRMAN

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Item: Funding Modification and Commitment Extension, Publicly Owned Housing Program (POHP)

- Lakeview Highrise, D7801, Willmar, MN

Staff Contact(s):

Cheryl Rivinius, 651.296.3705, cheryl.rivinius@state.mn.us

Danielle Salus, 651.284.3178, danielle.salus@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

At the April 25, 2019 board meeting, deferred funding under the Publicly Owned Housing Program (POHP) was committed to Lakeview Highrise under Resolution No. MHFA 19-014 in the amount of \$397,000.

Agency staff completed the review of the proposed development and recommends the adoption of a resolution to increase the loan amount from \$397,000 to \$747,000.

Agency staff also requests approval authorizing a 12-month extension of the POHP funding commitment for Lakeview Highrise, which will allow the development time to submit final due diligence and successfully close its POHP loan.

Fiscal Impact:

POHP loans are funded by State of Minnesota General Obligation (GO) bond proceeds and the loans do not earn interest for the Agency.

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):

- Background
- Resolution

Background:

Lakeview Highrise is a 127-unit development located in Willmar, MN. It was constructed in 1971 and is owned and managed by the Kandiyohi County Housing and Redevelopment Authority (HRA). On April 25, 2019, the Minnesota Housing board selected the development for \$397,000 in Publicly Owned Housing Program (POHP) funds. The scope of work includes replacement of windows, adding a protective coating, and replacement of metal flashings.

Funding Modification:

Bids received on September 8, 2022, were significantly higher than the concept-based application estimated, which is consistent to what Minnesota Housing is experiencing across the current construction and labor market.

To fill the funding gap because of higher bids, staff proposes to increase the POHP award by an additional \$350,000 to a total of \$747,000.

The Kandiyohi County HRA also will increase their leverage amount by an additional \$937,745. The proposed HRA leverage includes an additional \$687,745 in HRA funds and a Department of Employment and Economic Development (DEED) increase of \$250,000. At the original selection, the POHP loan represented 16% of the overall development cost. With this funding modification, the POHP loan now represents 20% of the overall development cost.

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

Sources	Amount at Selection	Current	Variance
POHP	\$ 397,000	\$ 747,000	\$ 350,000
Kandiyohi County HRA	\$ 1,685,000	\$ 2,372,745	\$ 687,745
Minnesota's Department of Employment and Economic Development (DEED)	\$ 350,000	\$ 600,000	\$ 250,000
Total	\$ 2,432,000	\$ 3,719,745	\$ 1,287,745
Uses			
Construction	\$ 2,040,000	\$ 3,243,500	\$ 1,203,500
Contingency	\$ 142,800	\$ 227,045	\$ 84,245
Soft Costs	\$ 249,200	\$ 249,200	\$ 0
Total	\$ 2,432,000	\$ 3,719,745	\$ 1,287,745

Commitment Extension:

Lakeview Highrise has encountered significant delays due to the COVID-19 pandemic and DEED's environmental review related to their funding. The development received a Small Cities Development Program funding award, and due to the building's proximity to a railyard, DEED was required to review and approve the window specifications as part of an environmental review.

There was a delay in completion of the environmental review, not because of this project, but because the environmental review also included streetscape activity for the City of Willmar, which was also funded by DEED. This single environmental review by DEED had to cover both the Lakeview Highrise window project and the streetscape activities.

On April 25, 2019, Minnesota Housing board members approved Resolution No. MHFA 19-014 authorizing Minnesota Housing staff to enter into loan agreements using state GO bond proceeds for 16 developments under POHP. The resolution states that the loan commitments or closings shall occur no later than 20 months from the adoption of the resolution, which was December 25, 2020.

On October 7, 2020, seven projects, including Lakeview Highrise, received a nine-month extension due to COVID-related delays. On August 11, 2021, Lakeview Highrise received a 12-month extension, with an additional three-month extension being granted on September 14, 2022. The latest extension expires on December 25, 2022. These extensions were approved by the Mortgage Credit Committee through Board Delegation No. 009.

This request for a funding modification and a 12-month commitment extension, from December 25, 2022, to December 25, 2023, for Lakeview Highrise will allow the development time to submit final due diligence and successfully close its POHP loan.

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

**RESOLUTION NO. MHFA 22-XXX
Modifying Resolution No. MHFA 19-014**

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT EXTENSION AND
FUNDING MODIFICATION PUBLICLY OWNED HOUSING PROGRAM (POHP)**

WHEREAS, the Minnesota Housing Finance Agency Board (Board) at its April 25, 2019 meeting, previously authorized a commitment for Lakeview Highrise development herein named by its Resolution No. MHFA 19-014; and

WHEREAS, Agency staff have determined that there are increased development costs; and

WHEREAS, Agency staff have determined that additional time is needed to complete processing and closing of the transaction; and

WHEREAS, the development continues to be in compliance with Minn. Stat. ch 462A and Agency's rules, regulations and policies.

NOW THEREFORE, BE IT RESOLVED:

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

1. The Publicly Owned Housing Program (POHP) loan shall not exceed \$747,000; and
2. The loan commitment is hereby extended an additional 12 months to December 25, 2023; and
3. All other terms and conditions of the Resolution No. MHFA 19-014 remain in effect.

Adopted this 17th day of November 2022

CHAIRMAN

Item: Housing Opportunities for Persons with AIDS (HOPWA) Grant Contract Agreement Extension and Funding Modification, Rainbow Health Minnesota D3621

Staff Contact(s):

Ji-Young Choi, 651.296.9839, ji-young.choi@state.mn.us

Deran Cadotte, 651.297.5230, deran.cadotte@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests approval of the attached Resolution authorizing a grant contract agreement extension up to September 30, 2023, and a funding modification in the amount not to exceed \$183,709 to Rainbow Health Minnesota.

Fiscal Impact:

Minnesota Housing anticipates receiving HOPWA formula funding appropriated from the U.S. Department of Housing and Urban Development (HUD) for the State of Minnesota in the amount of \$386,643. Minnesota Housing will retain 3% (\$11,599) for the administration of this program.

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☐ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):

- Background
- Resolution

Background:

Minnesota Housing is the grantee for Housing Assistance for Persons with AIDS (HOPWA) State of Minnesota formula funds, appropriated annually by the U.S. Department of Housing and Urban Development (HUD). HUD HOPWA funds are distributed under a statutory formula that is based on AIDS surveillance information (number of people living with HIV/AIDS) from the Centers for Disease Control and Prevention, as well as other factors, including the share of the state's population in poverty and local housing costs.

State HOPWA formula funds serve Greater Minnesota outside of the 11-county eligible metropolitan statistical area. Low-income persons (at or below 80% of area median income [AMI]) who are living with HIV/AIDS, together with their families, are eligible to receive HOPWA assistance.

The HUD HOPWA Federal Fiscal Year (FFY) 2022 funds are allocated for program use in FFY2023 (10/1/22-9/30/23). The FFY2022 allocation to Minnesota Housing is anticipated to be \$386,643, of which \$375,044 will be available for program funding. The total HOPWA funding from HUD is \$103,106 higher than the prior FFY2021 allocation. Projecting a similar scope of assistance due to the program capacity at Rainbow Health Minnesota, the same level of funding for the program is proposed for the remaining nine months in FFY2023 for Rainbow Health Minnesota. The remaining balance will be incorporated into the new RFP that is anticipated to be issued in the spring of 2023. The 3% of the allocations (\$11,599) will be applied toward Minnesota Housing administrative expenses. The proposed grant contract agreement extension with Rainbow Health Minnesota goes through September 30, 2023.

The Minnesota HIV Housing Coalition – comprised of advocates, representatives of government agencies, and HIV housing and service providers – has established funding priority recommendations for the HOPWA Program that includes priority for the renewal and sustainability of existing programs. In alignment with this priority, the opportunity to apply for Minnesota HOPWA formula funds was restricted to the current grantee. The current grantee is Rainbow Health Minnesota, formerly known as JustUs Health. Beginning in 2018, Minnesota Housing awarded the funds in the form of a single/sole source grant to JustUs Health since they are the only organization with the combination of experience serving persons experiencing HIV/AIDS, statewide relationships with HIV/AIDS organizations and service providers, and established capacity for geographic coverage. JustUs Health changed their name to Rainbow Health Minnesota in April 2021.

Rainbow Health Minnesota has administered HOPWA funds throughout Greater Minnesota since 2001, and they currently serving households in 41 of 76 Greater Minnesota counties. Rainbow Health Minnesota works collaboratively with a variety of community organizations and receives referrals from the Rural AIDS Action Network (RAAN), the Mayo Clinic's HIV case management services, and Rainbow Health Minnesota's own case management services, as well as local county social service providers. Funds are made available to eligible persons as emergency assistance for short-term rent, mortgage, and utility payments (STRMU) by referrals from the service providers and prioritized by need. With FFY2021 funding, Rainbow Health

Minnesota assisted 165 households with STRMU in 41 counties. Seventy-seven percent of assisted households are below 50% AMI and 49% of households are below 30% AMI, which is defined by HUD as extremely low income. More than a half of the households served are people of color. The average amount of assistance is \$1,464. With the FFY2022 funding and extension proposed in this request, Rainbow Health Minnesota anticipates the STRMU assistance will serve approximately 175 individuals living with HIV/AIDS and their family members.

The Minnesota Department of Health's HIV/AIDS 2021 Prevalence and Mortality Report indicates that there are 1,772 persons or 18% of Minnesota's total population of persons living with HIV/AIDS outside of the seven-county metropolitan area (This data includes four counties outside the service area: Chisago, Isanti, Sherburne, and Wright). This is 5% increased from 2020 report.

The grant contract agreement was originally approved by the Minnesota Housing board in August 2018 in MHFA Resolution No. 18-048. The grant subsequently received one-year extensions approved by the board in July 2019 (MHFA Resolution No. 19-027), September 2020 (MHFA Resolution No. 20-046), and August 2021 (MHFA Resolution No. 21-041).

The fourth amendment was approved pursuant to Board Delegation No. 20 (MHFA Resolution No. 18-029) on July 14, 2022, to extend the grant contract agreement to December 15, 2022, because the HUD approval process was delayed and to provide time to process this final extension and funding modification before the grant contract agreement expired.

This fifth extension is also the final extension permitted under applicable Office of Grants Management policies and Agency procedures. This type of agreement cannot be extended beyond a total of five years from the original agreement date. If the board approves this extension and funding modification, the total HOPWA funding awarded to Rainbow Health Minnesota since the original agreement was executed in 2018 is \$1,113,638.

Staff expects to issue a new request for proposals in advance of the FFY2023 HOPWA funding allocation from HUD, and a new grantee will be subject to board approval in 2023.

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

RESOLUTION NO. MHFA 22-XXX

**RESOLUTION APPROVING HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS (HOPWA) GRANT
CONTRACT AGREEMENT EXTENSION AND FUNDING MODIFICATION**

WHEREAS, the Minnesota Housing Finance Agency (Agency) anticipates receipt of funds from the U.S. Department of Housing and Development (HUD) for the purpose of funding HOPWA activities for low-income persons who are living with HIV/AIDS; and

WHEREAS, Agency staff has proposed to extend and provide additional funding for the current HOPWA grant contract agreement to Rainbow Health Minnesota; and

WHEREAS, Agency staff has determined that the grant contract agreement extension and funding modification are in compliance under the Agency's rules, regulations and policies; that such grants are not otherwise available, wholly or in part, from private lenders or other agencies upon equivalent terms and conditions; and that the grant extension and funding modification will assist in fulfilling the purpose of Minn. Stat. ch. 462A.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to extend and amend with additional funding a Grant Contract Agreement using federal resources as outlined in this resolution, subject to changes allowable under the HUD HOPWA Program, upon the following conditions:

1. The term of the existing grant contract with Rainbow Health Minnesota may be extended up to September 30, 2023 and the amount of the existing Grant Contract Agreement may be increased by a maximum of \$183,709; and
2. This approval is contingent upon receipt of HOPWA funds from HUD in a sufficient amount to fund the recommended amount and execution of a contract between the Agency and HUD; and
3. The issuance of a grant extension amendment in form and substance acceptable to Agency staff, and the closing of the individual grant shall occur no later than 12 months from the adoption date of this resolution; and
4. The sponsor and such other parties shall execute all such documents relating to said Grant Contract Agreement, to the security therefore, as the Agency, in its sole discretion, deems necessary.

All other provisions of the original Grant Contract Agreement remain in effect.

Adopted this 17th day of November 2022

CHAIRMAN



Item: Commitment Low and Moderate Income Rental Bridge Loan (LMIRBL) and Waiver of the Predictive Cost Model 25% Threshold

– Brewery Creek, D8114, Duluth, MN

Staff Contact(s):

Erin Coons, 651.296.9836, erin.coons@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

At the December 17, 2020, board meeting, the proposed development was selected for financing under the LMIRBL product in the amount of up to \$8,845,000 under Resolution No. 20-066. Agency staff completed the underwriting and technical review of the proposed development and recommends:

1. Adoption of a resolution authorizing the issuance of a LMIRBL product commitment not to exceed \$10,640,000;
2. Approval of a waiver to the predictive cost model. The total development cost (TDC) per unit is \$412,973 and now exceeds the predictive model by 36%. Because the percentage is over the predictive cost model threshold of 25%, the increase requires a board approved waiver.

The development was also selected for deferred funding of up to \$3,010,737 under the Economic Development Housing Challenge (EDHC) program and \$6,868,263 under the HOME Investment Partnerships (HOME) program under Resolution No. 20-064. There are no changes to the EDHC or HOME loan amounts, and those loans are not subject to additional board action.

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:

Minnesota Housing will earn interest rate spread income on the bond funded LMIRBL.

The HOME loan will be funded from federal appropriations and will not have any fiscal impact on the Agency's financial condition.

Minnesota Housing will earn additional fee income from originating the loans for this project.

Meeting Agency Priorities:

- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

Attachments:

- Development Summary
- Resolution
- Resolution Attachment: Term Letter

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information			
Development Name	Brewery Creek	D#8114	M#18503
Address	603 East 4th Street		
City	Duluth	County	Saint Louis
Date of Selection	December 17, 2020	Region	Northeast

A. Project Description and Population Served

- The development is a new construction, five-story building with an elevator.
- The development will provide general occupancy and supportive housing units for 52 households.
- Twenty-six units will serve high priority homeless for singles and families with children and six units will serve people with disabilities for a total of thirty supportive housing units.
- The development will serve households with incomes that range from below 30% to 60% Multifamily Tax Subsidy Projects (MTSP)
- Thirty-two units will benefit from U.S. Department of Housing and Urban Development (HUD) project-based voucher (PBV) rental assistance.
- The project is anticipated to begin construction in March 2023 and is anticipated to open for residents in August 2024.

B. Mortgagor Information

Ownership Entity:	Brewery Creek LLLP
Sponsor:	One Roof Community Housing and Three Rivers Community Action, Inc.
General Partner(s)/ Principal(s):	Brewery Creek G.P. LLC (Managing) and Three Creeks LLC
Guarantor(s):	One Roof Community Housing and Three Rivers Community Action, Inc.

C. Development Team Capacity Review

The developer and sponsor are a partnership between One Roof Community Housing and Three Rivers Community Action, both of which are experienced and have the capacity to complete the proposed development.

The property manager (Strategic Housing Agency, Inc.) has the capacity to manage this development.

The service providers have experience and have an appropriate plan for the intended population.

There are no concerns with the architect (LHB, Inc.) or contractor (Frerichs Construction Company). Both have sufficient experience completing projects on time.

Three Rivers represents a women-owned business enterprise.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction/ End Loan
Bridge	LMIRBL	TEB	\$10,640,000	4.25% Est.	n/a	January 1, 2025	n/a	Construction Only

- The LMIRBL funded by Minnesota Housing tax-exempt volume limited bonds (TEB) is expected to be sufficient to allow the project to be eligible for 4% HTC.

Permanent Mortgage Loan to Cost: n/a

Permanent Mortgage Loan to Value: n/a

E. Significant Changes Since Date of Selection

TDC increased by \$2.8 million (15% since selection), largely attributable to increased construction costs. Other significant soft cost increases are related to additional funding and include additional bond fees and construction interest. Increases in reserves are appropriate to support the tenants and operations for the long-term.

The increased costs are almost entirely funded by increased syndication proceeds. No additional long-term deferred funding has been requested from Minnesota Housing; however, increased aggregate basis results in the need to request additional tax-exempt volume cap usage. Staff recommends an increase in the LMIRBL funded with rental housing bonds from \$8,845,000 to \$10,640,000. This results in a \$1,795,000 increase.

Since selection, the project was awarded additional project-based vouchers ensuring that all of the 32 supportive housing units will be affordable to tenants.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	\$ 111,125	\$ 2,137
Construction Costs	\$16,516,500	\$ 317,625
Environmental Abatement	\$ 94,440	\$ 1,816
Professional Fees	\$ 1,270,748	\$ 24,437
Developer Fee	\$ 1,413,548	\$ 27,184
Financing Costs	\$ 20,000	\$ 385
Total Mortgageable Costs	\$ 1,169,340	\$ 22,487
Reserves	\$ 878,900	\$ 16,902
Total Development Cost	\$21,474,601	\$ 412,973

B. Permanent Capital Sources

Description	Amount	Per Unit
Permanent Mortgage	\$ 0	\$ 0
General Partner Cash	\$ 0	\$ 0
HTC Equity Proceeds Midwest Housing Equity Group	\$ 8,632,561	\$ 166,011
Agency Deferred Funding - EDHC	\$ 3,010,737	\$ 57,899
Agency Deferred Funding - HOME	\$ 6,868,263	\$ 132,082
Essentia Health - Sponsor loan	\$ 1,000,000	\$ 19,231
Essentia Health - GP equity	\$ 425,000	\$ 8,173
FHLB AHP	\$ 1,000,000	\$ 19,231
Rebates	\$ 400,900	\$ 7,710
Deferred Developer Fee	\$ 136,972	\$ 2,634
Total Permanent Financing	\$21,474,601	\$ 412,973

C. Financing Structure

- The development will qualify for approximately \$981,730 of annual, 4% housing tax credits, which will result in equity proceeds from Midwest Housing Equity Group. The term of the Land Use Restrictive Agreement will be 40 years.

D. Cost Reasonableness

At the time of selection, the estimated costs of construction were within the threshold at 18% above the predictive cost model. Upon completion of a full underwriting analysis, the total construction costs increased resulting from market volatility of construction material prices, along with high demand and higher labor costs.

The Total Development Cost (TDC) per unit is now \$412,973, which exceeds the predictive cost model estimate of \$303,086 by 36%.

The predictive cost model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the costs of a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or to which it has issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 64% to 79% of the variation in historical costs, it cannot capture all components of every proposed project. In accordance with Board Policy #15, if a project's proposed TDC is more than 25% over the predicted costs, staff must conduct additional due diligence and determine that the costs are still reasonable before seeking a cost waiver from the board.

With respect to Brewery Creek, Minnesota Housing's architect, underwriting, and research teams determined that the costs are reasonable considering market conditions. Agency staff seeks approval for a board waiver from the predictive cost model 25% threshold limit.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (% of MTSP or AMI)	Rental Assistance Source
1BR	22	\$ 716	50%	30%	PBV
2BR	2	\$ 1,029	50%	30%	PBV
2BR	2	\$ 1,029	50%	30%	PBV
1BR	3	\$ 786	60%	30%	PBV
2BR	3	\$ 1,029	50%	30%	PBV
2BR	4	\$ 858	50%	60%	
2BR	2	\$ 858	60%	60%	
2BR	11	\$ 1,000	60%	60%	
2BR	2	\$ 1,030	60%	60%	
2BR**	1	\$ 1,000	Common Space	n/a	

*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits.

** Common Space unit is a caretaker unit.

B. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines, unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rate, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- The project does not break-even based on operations. Tax increment financing (TIF) income from the City of Duluth results in positive income for only four years. Operations will be supported by a \$250,000 Operating Reserve.

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

RESOLUTION NO. MHFA 22-XXX

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL BRIDGE LOAN (LMIRBL) PRODUCT**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide construction and 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:	Brewery Creek
Sponsors:	One Roof Community Housing and Three Rivers Community Action, Inc.
Guarantors:	One Roof Community Housing and Three Rivers Community Action, Inc.
Location of Development:	Duluth, MN
Number of Units:	52 units
Amount of LMIRBL (not to exceed)	\$10,640,000

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 construction 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 Board hereby authorizes Agency staff to issue a commitment to provide a construction bridge loan from the proceeds of Rental Housing Bonds (if authorized by the Board) for the indicated development, upon the following terms and conditions:

1. This authorization shall expire on May 31, 2023; and
2. The amount of the LMIRBL shall not exceed \$10,640,000; and

3. The LMIRBL transaction will be financed with the proceeds of tax-exempt Rental Housing Bonds of the Agency, and the commitment is subject to the ability of the Agency to sell bonds on terms and conditions, and in a time and manner, acceptable to the Agency; and
4. The interest rate on the LMIRBL will be based on the interest rate on the Rental Housing Bonds issued to finance the LMIRBL plus 1.00% interest will be payable monthly, and the principal will be due in a balloon payment no more than 24 months after closing; and
5. The LMIRBL commitment shall be entered into on or before May 31, 2023, and shall have a six-month term; and
6. 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
7. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and
8. The sponsor shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.11 debt service coverage ratio (assuming stabilized expenses) for three successive months; and
9. The sponsor, the general contractor, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 17th day of November 2022

CHAIRMAN

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400 Wabasha Street North, Suite
 400 St. Paul, MN 55102
 P: 800.657.3769
 F: 651.296.8139 | TTY:
 651.297.2361
www.mnhousing.gov

October 19, 2022

Jeff Corey
 One Roof Community Housing
 12 E 4th Street
 Duluth MN 55805

RE: Term Letter
Multifamily Request for Proposals
D8114, M18503, Brewery Creek

Dear Jeff Corey:

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 items, 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: Brewery Creek LLLP

General Partner(s): Brewery Creek G.P. LLC (Managing) and
 Three Creeks LLC

Development New construction of a 52-unit affordable housing development
Description/Purpose: located in Duluth, Minnesota

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) Bridge Loan*	HOME Investment Partnerships (HOME) Loan	Economic Development and Housing Challenge Program (EDHC) Loan
Loan Amount	\$10,640,000	\$6,868,263	\$3,010,737
Interest Rate	Bond financing rate + 1.0%	0%	0%
Mortgage Insurance Premium (%)	Not Applicable	Not Applicable	Not Applicable

Term	January 1, 2025	Approx. 24 months (construction) + 30 years	Approx. 24 months (construction) + 30 years
Amortization / Repayment	Interest only during term	Deferred lump sum payment due in approx. 24 months (construction) + 30 years.	Deferred lump sum payment due in approx. 24 months (construction) + 30 years.
Prepayment Provision	No prepayment until July 1, 2024.	Prepay at any time without penalty.	Prepay at any time without penalty.
Nonrecourse or Recourse	Recourse	Nonrecourse	Nonrecourse
Construction to Permanent Loan, Construction Bridge Loan or End Loan	Construction Bridge Loan	Construction to Permanent Loan	Construction to Permanent Loan
Lien Priority	First	First**	Second**

*Subject to the ability of Minnesota Housing to sell bonds on terms and conditions, and in a time and manner, acceptable to Minnesota Housing.

**Loans will be subordinate to LMIR Bridge Loan during construction.

Origination Fee: LMIR Bridge Loan: \$53,220
(payable at the earlier of loan commitment or loan closing)

Inspection Fee: \$39,325 (payable at the earlier of loan commitment or loan closing)

Guaranty / Guarantor(s): Completion, repayment, and operations guaranty provided by:

- One Roof Community Housing; and
- Three Rivers Community Action, Inc.

Operating Deficit Escrow Reserve Account: Not Applicable.

Operating Cost Reserve Account: Capitalized operating reserve in the amount of \$250,000 funded after construction completion and will not be held by Minnesota Housing.

Other reserves required by syndicator including the Rent Up Reserve, Cash Flow Reserve and TIF Reserve will all be funded

October 19, 2022

Page 3

after construction completion and will not be held by Minnesota Housing.

Replacement Reserve Account:

Monthly replacement reserve deposits will be required in the amount of \$1,950. The annual replacement reserve will be \$23,450. The replacement reserve will not be held by Minnesota Housing.

Escrows:

Not applicable

Collateral/Security:

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

Rent and Income Requirements:

EDHC

- 26 units with incomes not exceeding 60% MTSP and rents at 60% MTSP
- 26 units with incomes not exceeding 60% MTSP and rents at 50% MTSP

Commitment to 35 years (plus construction) of affordability from the date of loan closing

HOME

- 32 units (25 1-BR and 7 2-BR) at Low HOME rents, as published by HUD for the HOME program; with Very Low Income limits (50% Area Median Income, as published by HUD for the HOME program);
- 4 units (4 2-BR) at High HOME rents, as published by HUD for the HOME program; with Low Income Limits (80% Area Median Income as published by HUD for the HOME program).

20 years of compliance is required under the HOME program.

HAP or Other Subsidy Agreement:

Commitment to 10 years of affordability from the date of loan closing under the Section 8 Program for 11 units.

Other Occupancy Requirements:

None.

Other Requirements: The deferred program acronym loan is subject to the terms in the attached Deferred Selection Criteria.

Closing Costs: Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date: This term letter will expire on the earlier of six months from the date of this letter or loan closing/end loan commitment.

Additional Terms: None

Other Conditions: Reserve funds must remain with the development for the term of the loan or extended use period, whichever is longer.
Limited Partnership must be revised.

Board Approval: Commitment of the LMIR Bridge Loan is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.

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 Adam Himmel at adam.himmel@state.mn.us on or before 10 business days from date of this letter.

If you have any questions related to this letter, please contact Erin Coons at erin.coons@state.mn.us.

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

Sincerely,



James Lehnhoff
Assistant Commissioner, Multifamily

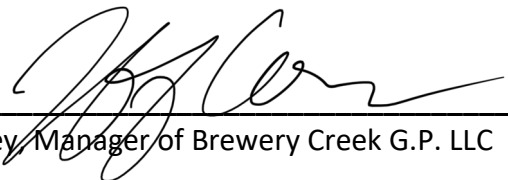
October 19, 2022

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AGREED AND ACCEPTED BY:

BREWERY CREEK LLLP

By:



Jeff Corey, Manager of Brewery Creek G.P. LLC

Date Accepted: 10-20-2022

Project Name: Brewery Creek

Project City: Duluth

Property Number (D#): D8114

Project Number: M18503

Permanent Supportive Housing for High Priority Homeless

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)	
<input checked="" type="checkbox"/> 50% to 100%	<u>20 Pts</u>	<input checked="" type="checkbox"/> 50% to 100%	<u>20 Pts</u>	Youth with Children	4
				Youth Singles	22

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion for the term of the loan/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the loan and HTC documents. The Owner 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 required rent restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and HTC documents. The Owner agrees units will be set aside and rented to High Priority Homeless who are a household prioritized for permanent supportive housing by Coordinated Entry System (HPH units) and targeted to the populations indicated. Permanent Supportive Housing for High Priority Homeless and People with Disabilities units must be distinct and cannot be layered. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

People with Disabilities

Page 43 of 480

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)	
<input checked="" type="checkbox"/> 10% to 14.99%	<u>9 Pts</u>	<input checked="" type="checkbox"/> 10% to 14.99%	<u>9 Pts</u>	Number of Units	6

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion for the term of the loan/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the loan and HTC documents. The Owner agrees units will be set aside and rented to households with a disability with income limits at 30% MTSP. The Owner also agrees that if units set aside for People with Disabilities are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and HTC documents. Units cannot be restricted to persons of a particular age group and must be provided in an integrated setting for the term of the loan/LURA. The units must be set aside and rented to persons with the following disabilities in a manner consistent with Minnesota Statutes, Section 462A.222, subdivision 3, subparagraph (d)(3): a. A serious and persistent mental illness as defined in MN Statutes Section 245.462, Subdivision 20, Paragraph C; or b. A developmental disability as defined in United States Code, Title 42, Section 6001, Paragraph (5), as amended; or c. Assessed as drug dependent persons as defined in MN Statute Section 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in MN Statute Section 254A.02, Subdivision 2; or d. A brain injury as defined in MN Statute Section 256B.093, Subdivision 4, Paragraph (a); or e. 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. Permanent Supportive Housing for High Priority Homeless and People with Disabilities units must be distinct and cannot be layered. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA

Serves Lowest Income Tenants/Rent Reduction

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)	
<input checked="" type="checkbox"/> 50% of the restricted unit rents at 50% HUD MTSP	<u>8 Pts</u>	<input checked="" type="checkbox"/> 50% of the restricted unit rents at 50% HUD MTSP	<u>8 Pts</u>	Number of Units	26

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion. The project must not exceed the gross rent levels for the term of the Loan/LURA. The period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date. Units that have selected the rental assistance criterion cannot be used as a Serves Lowest Income Unit. The owner will be required to certify on an annual basis that the rent and income restrictions comply.

Rental Assistance

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Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)	
<input checked="" type="checkbox"/> 20.1% but under to 51% of the total units	<u>13 Pts</u>	<input checked="" type="checkbox"/> 20.1% but under to 51% of the total units	<u>13 Pts</u>	Number of Units	11

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion. The owner will be required to continue renewals of project based housing subsidy payments for a minimum of 10 years. The owner must continue renewals of existing project based housing subsidy payment contract(s). The owner agrees that rents will remain affordable at 50% MTSP income limits for a 10 year period if rental assistance is not available for the full period. The 10 year period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date. For purposes of this category, project-based rental assistance is defined as project-specific funding stream that supports the operations of the property, reduces the tenant burden, and provides the tenant portion of rent to be no greater than 30% of household income except as approved by Minnesota Housing. The project must comply with the requirements in the Self-Scoring Worksheet and Deferred Loan Priority Checklist. 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. Units that have selected the rental assistance criterion cannot be used as a Serves Lowest Income Unit. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Rental Assistance – Further Restricted Rental Assisted Units (FRRA)

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)	
<input checked="" type="checkbox"/> 15.1% to 25% of units	<u>4 Pts</u>	<input checked="" type="checkbox"/> 15.1% to 25% of units	<u>4 Pts</u>	Number of Units	11

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion for the term of the loan/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the loan and HTC documents. Owner agrees to further restrict units to households whose incomes do not exceed 30% of MTSP income limit for a 10 year period. The 10 year period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

Long Term Affordability

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)	
<input checked="" type="checkbox"/> Long-term affordability for a minimum of 40 years	<u>9 Pts</u>	<input checked="" type="checkbox"/> Long-term affordability for a minimum of 40 years	<u>9 Pts</u>		

Loan/HTC Commitment and Compliance Monitoring

Owner agrees to extend the term of the LURA and/or waive their right to Qualified Contract for the applicable term.

Access to Higher Performing Schools

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Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Access to Higher Performing Schools	<u>4 Pts</u>	<input checked="" type="checkbox"/> Access to Higher Performing Schools	<u>4 Pts</u>	Number of 2 Bedrooms 20

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion for the term of the loan/LURA. The deferred loan and HTC document will include that the owner agrees to market units to families with minor children. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Workforce Housing Communities

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Top Job Center or Net Five Year Job Growth Community	<u>6 Pts</u>	<input checked="" type="checkbox"/> Top Job Center or Net Five Year Job Growth Community	<u>6 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

Location Efficiency – Access to Transit

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> One quarter mile of a planned or existing public transportation fixed route stop	<u>7 Pts</u>	<input checked="" type="checkbox"/> One quarter mile of a planned or existing public transportation fixed route stop	<u>7 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

Location Efficiency – Walkability

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Walk Score of 70 or more	<u>2 Pts</u>	<input checked="" type="checkbox"/> Walk Score of 70 or more	<u>2 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

Community Development Initiative

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Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Contributes to Community Development Initiative efforts	<u>3 Pts</u>	<input checked="" type="checkbox"/> Contributes to Community Development Initiative efforts	<u>3 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

QCT/Community Revitalization and Tribal Equivalent Areas

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> QCT Community Revitalization Area or a Tribal Equivalent Area	<u>3 Pts</u>	<input checked="" type="checkbox"/> QCT Community Revitalization Area or a Tribal Equivalent Area	<u>3 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

Minority Owned/Women Owned Business

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> A MBE/WBE	<u>4 Pts</u>	<input checked="" type="checkbox"/> A MBE/WBE	<u>4 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the loan closing and/or 8609.

Financial Readiness to Proceed/Leveraged Funds

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> 20% to 29.9% of funding secured	<u>6 Pts</u>	<input checked="" type="checkbox"/> 10% to 19.9% of funding secured	<u>4 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection based on submitted permanent funding commitments indicated in the projects application. The Funding commitments, or an equivalent commitment, must be maintained and will be monitored through the loan closing and/or 8609.

Other Contributions

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Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Other Contributions 1.0% to 3.4%	<u>2 Pts</u>	<input checked="" type="checkbox"/> Other Contributions 1.0% to 3.4%	<u>2 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection based on submitted commitments indicated in the projects application. The commitments, or an equivalent commitment, must be maintained and will be monitored through the loan closing and/or 8609.

Intermediary Costs

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> 15.1 to 20%	<u>3 Pts</u>	<input checked="" type="checkbox"/> 15.1 to 20%	<u>3 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the loan closing and/or 8609.

Universal Design

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Elevator Building	<u>3 Pts</u>	<input checked="" type="checkbox"/> Elevator Building	<u>3 Pts</u>	Number of Units 51

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase and architectural review.

Smoke Free Building

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Smoke Free Buildings	<u>1 Pts</u>	<input checked="" type="checkbox"/> Smoke Free Buildings	<u>1 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include that the owner must maintain a smoke free policy and include a non-smoking clause in the lease for every household for the term of the loan/LURA. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Minnesota Overlay to Enterprise Green Communities Criteria

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Green Communities 2 times optional criteria	<u>1 Pts</u>	<input checked="" type="checkbox"/> Green Communities 2 times optional criteria	<u>1 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase and architectural review.

Total Developer Claimed:	<u>108</u>	Total Agency Awarded	<u>106</u>
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Board Agenda Item: 7.E
Date: 11/17/2022

Item: Adoption, Resolution Authorizing the issuance and Sale of Rental Housing Bonds, 2023 Series A (Brewery Creek)

Staff Contact(s):

Michael Solomon, 651.297.4009, michael.solomon@state.mn.us

Debbi Larson, 651.296.8183, debbi.larson@state.mn.us

Paula Rindels, 651.296.2293, paula.rindels@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff is requesting authorization to issue short-term fixed rate tax-exempt bonds under the existing Rental Housing bond indenture. The bonds will be issued in an amount not to exceed \$10,640,000 and will be used for the acquisition and construction of a 52-unit housing development located in Duluth, Minnesota. The Agency currently anticipates pricing and issuing these Rental Housing bonds in January 2023; the attached Preliminary Official Statement describes the entire transaction.

Fiscal Impact:

The Agency will earn an interest rate spread while these bonds are outstanding and will also receive certain fee income as part of the closing of the bridge loan.

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):

- Preliminary Official Statement
- Resolution

NEW ISSUE**Ratings: Moody's: "____"
S&P: "____"**

Minnesota Housing Finance Agency has prepared this Official Statement to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read all of this Official Statement. Capitalized terms used on this cover page have the meanings given in this Official Statement.

**\$10,640,000***

**MINNESOTA HOUSING FINANCE AGENCY
Rental Housing Bonds, 2023 Series A (Non-AMT)**

Dated: Date of Delivery**Due: as shown on inside front cover***Tax Exemption*

Interest on the Series Bonds is not includable in gross income for federal income tax purposes or taxable net income of individuals, trusts and estates for Minnesota income tax purposes. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations" herein.)

Redemption

The Agency may redeem all or a portion of the Series Bonds by optional or special redemption as described under "The Series Bonds" herein.

Security

Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution, by a pledge of Bond proceeds, Mortgage Loans, Investments, Revenues and other assets held under the Bond Resolution. The Series Bonds are also general obligations of the Agency, payable out of any of its generally available moneys, assets or revenues. **THE AGENCY HAS NO TAXING POWER. THE STATE OF MINNESOTA IS NOT LIABLE FOR THE PAYMENT OF THE SERIES BONDS AND THE SERIES BONDS ARE NOT A DEBT OF THE STATE.** (See "Security for the Bonds.")

Interest Payment Dates

February 1 and August 1, commencing August 1, 2023.*

Denominations

\$5,000 or any integral multiple thereof.

Closing/Settlement

On or about _____, 2023* through the facilities of DTC in New York, New York.

Bond Counsel

Kutak Rock LLP.

Underwriter's Counsel

Dorsey & Whitney LLP.

Trustee

Computershare Trust Company, National Association, in Minneapolis, Minnesota.

Book-Entry-Only System

The Depository Trust Company. (See Appendix E herein.)

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of, and tax exemption of interest on, the Series Bonds.

RBC Capital Markets

The date of this Official Statement is

_____, 2023.

*Preliminary; subject to change.

MATURITY, PRINCIPAL AMOUNT, INTEREST RATE AND PRICE*

\$10,640,000* 2023 Series A Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP**</u>
February 1, 2025*	\$10,640,000*	____ %	100%	

*Preliminary, subject to change.

**CUSIP number has been assigned by an organization not affiliated with the Agency and is included for the convenience of the owners of the Series Bonds. The Agency is not responsible for the selection or uses of this CUSIP number, nor is any representation made as to its correctness on the Series Bonds or as indicated above. A CUSIP number for a specific maturity may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

Neither Minnesota Housing Finance Agency nor the Underwriter has authorized any dealer, broker, salesman or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, the Program and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

relating to \$10,640,000* **MINNESOTA HOUSING FINANCE AGENCY** **Rental Housing Bonds, 2023 Series A (Non-AMT)**

This Official Statement (which includes the Appendices) provides certain information concerning the issuance and sale by Minnesota Housing Finance Agency (the “Agency”) of its Rental Housing Bonds, 2023 Series A (the “Series Bonds”). The Agency is issuing the Series Bonds pursuant to Minnesota Statutes, Chapter 462A, as amended (the “Act”), a resolution of the Agency adopted February 25, 1988 (as amended and supplemented in accordance with its terms, the “Bond Resolution”), and a series resolution of the Agency adopted November 17, 2022 (the “Series Resolution”). (The Bond Resolution and the Series Resolution are herein sometimes referred to as the “Resolutions.”)

The Rental Housing Bonds Outstanding in the aggregate principal amount of \$[48,255],000 as of _____, 202__, the Series Bonds and any additional Rental Housing Bonds issued pursuant to the Bond Resolution (collectively referred to as the “Bonds”), are and will be equally and ratably secured under the Bond Resolution.

The Resolutions should be referred to for the definitions of capitalized terms used herein, some of which are reproduced in this Official Statement. The summaries and references herein to the Act, the Resolutions and other documents are only brief outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references herein to the Act, the Bond Resolution and the Series Resolution are qualified in their entirety by reference to the Act and the Resolutions, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota. The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of making mortgage loans to sponsors of residential housing for occupancy by persons and families of low and moderate income if the Agency determines that those loans are not otherwise available from private lenders with equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement loans and to finance multifamily developments. In addition to financing loans through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Residential Housing Finance Bond Fund. Please refer to the information in the notes to the financial statements included in Appendix B-1 to this Official Statement at pages 73 and 74 under the heading “Net Position — Restricted by Covenant.”

The Agency uses proceeds of Bonds it issues pursuant to the Bond Resolution to finance a portion of the activities undertaken pursuant to the Rental Housing Program (the “Program”). The multifamily division of the Agency administers the Program. The purpose of the Program is to increase the supply of, and to maintain and improve, the rental housing stock in Minnesota that is affordable to low and moderate income households. The Program has also provided financing for nonprofit group homes for the developmentally disabled. Through the use of bond financing and other funding sources, the Agency intends that the Program will provide both short-term and long-term, fixed rate, first lien (or second lien if the Agency also holds the first lien) mortgage loans (“Mortgage Loans”), and, under certain circumstances, subordinate mortgage loans (“Subordinate Mortgage Loans”), to finance the

*Preliminary, subject to change.

construction, acquisition, rehabilitation or refinancing of multifamily rental housing and group home developments (the “Developments”). The Bond Resolution authorizes, upon conditions set forth therein, the issuance of additional series of Bonds on a parity with the Outstanding Bonds, including the Series Bonds.

In recognition of certain risks inherent in mortgage lending, the Agency has adopted policies and review procedures for detailed evaluation of the Developments that it finances prior to making Mortgage Loan commitments. To assure completion of rehabilitation, construction and proper maintenance, the Agency has established reserve and escrow requirements and procedures for regulating and monitoring operations with respect to the Developments. The procedures the Agency presently uses to reduce those risks are described more fully herein under the heading “The Rental Housing Program.”

The Agency intends to use the proceeds of the Series Bonds to fund a short-term first lien mortgage loan, to a private owner, that will finance a portion of the costs of acquisition, construction and equipping of a multifamily housing development in Duluth, Minnesota. (See “The Development.”) The Series Bonds are general obligations of the Agency payable from any of its moneys, assets or revenues, subject to the provisions of other resolutions and indentures now or hereafter pledging particular moneys, assets or revenues, to particular notes or bonds, and federal or State laws heretofore or hereafter enacted appropriating funds to the Agency for a specified purpose. The net position of the General Reserve and the Alternative Loan Fund are legally available if needed to pay debt service on any obligations of the Agency, including the Series Bonds. (For purposes of the Resolutions, the General Reserve is designated as the General Reserve Account.) (See “The Agency — Net Position Restricted By Covenant and Operations to Date – General Reserve; Alternative Loan Fund.”)

The Agency has further pledged as security for the payment of the Series Bonds (on an equal basis with the Outstanding Bonds issued and that may be issued under the Bond Resolution) amounts on deposit and investments in certain accounts and funds established pursuant to the Resolutions, including the Debt Service Reserve Fund established pursuant to the Bond Resolution in accordance with the Act. Under the Act, upon certification by the Agency, the State Legislature may, but is not required to, appropriate amounts that may be necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. (See “Security for the Bonds.”)

Although the State has appropriated amounts to the Agency for various specific purposes (see “The Agency — State Appropriations”), the Agency generally pays its general and administrative expenses from certain interest earnings and fees charged in connection with its bond-funded programs. For programs funded through State appropriations, the Agency recovers the costs of administering the programs only to the extent of interest earnings on the appropriations. The appropriations are not available to pay debt service on the Bonds.

The Agency has no taxing power. Neither the State of Minnesota nor any political subdivision thereof is or will be obligated to pay the principal or redemption price of, or interest on, the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to that payment.

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long-term mortgage financing for that housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member

continues to serve until a successor has been appointed and qualified. The Chair of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

John DeCramer, Chair — Term expires January 2024, Marshall, Minnesota – Magnetics Engineer

The Honorable *Julie Blaha* — *Ex officio*, St. Paul, Minnesota – State Auditor

Melanie Benjamin, Member — Term expires January 2025, Onamia, Minnesota – Consultant

Craig Klausing, Member — Term expires January 2023, Roseville, Minnesota – Attorney

Stephanie Klinzing, Member — Term expires January 2023, Elk River, Minnesota – Writer and Publisher

Stephen Spears, Member — Term expires January 2026, Plymouth, Minnesota – Banker

Terri Thao, Vice Chair — Term expires January 2024, St. Paul, Minnesota – Program Director

Staff

The staff of the Agency presently consists of approximately 265 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint the permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the Program are as follows:

Jennifer Ho — Commissioner-Designee, appointed effective January 2019. When Governor Tim Walz took office on January 7, 2019, Ms. Ho was appointed Commissioner and has all of the powers and will perform all of the duties of the office. The appointment of Ms. Ho as Commissioner may be confirmed or rejected by the advice and consent of the state of Minnesota Senate. Prior to her appointment, Ms. Ho was the Senior Policy Advisor for Housing and Services at the U.S. Department of Housing and Urban Development during the Obama Administration. Prior to that, she served as deputy director at the United States Interagency Council on Homelessness (USICH), shepherding the creation of Opening Doors, the nation's first-ever comprehensive federal plan to prevent and end homelessness. Ms. Ho worked with former First Lady Michelle Obama to launch the Mayors Challenge to End Veteran Homelessness that resulted in reducing the number of veterans experiencing homelessness on any night by nearly half. In 1999, as Executive Director of Hearth Connection, a Minnesota non-profit, she began her work to end homelessness by managing a nationally-recognized demonstration project on supportive housing and long-term homelessness for single adults, youth and families in Ramsey and Blue Earth counties. Ms. Ho oversaw the replication of that project in 34 additional counties in partnership with the Fond du Lac, Bois Fort and Grand Portage Tribal Bands. She has served on the Boards of Directors for West Side Community Health Services in St. Paul, and nationally for the Corporation for Supportive Housing and the Melville Charitable Trust. Ms. Ho received a Bachelor of Arts Degree in philosophy from Bryn Mawr College.

Rachel Robinson — Deputy Commissioner, appointed effective March 2019. Prior to this position, Ms. Robinson was Fund Manager for the NOAH Impact Fund, a subsidiary of the Greater Minnesota Housing Fund, a certified Community Development Financial Institution, from 2016 to 2019, responsible for securing investment commitments, structuring transactions, developing investor and partner relations, and ensuring that social impact goals and compliance requirements were met. She has worked in affordable housing development and finance for over 15 years, including with CommonBond Communities from 2011 to 2015, where as Vice President she developed and led

enterprise asset management systems, and as Senior Housing Development Manager from 2008 to 2011. Ms. Robinson was also Director of Property Development at Artspace Projects, Inc. from 2015 to 2016. She holds a Master's degree in Urban and Regional Planning from the University of Minnesota Humphrey School of Public Affairs and a Bachelor of Arts degree in Urban Studies from Macalester College, St. Paul, Minnesota.

Michael Solomon — Chief Financial Officer, appointed effective August 2022. In this position, Mr. Solomon leads the finance and accounting teams of the Agency and provides strategic direction regarding the organization's financial resources. Prior to this position he served as Treasurer of the City of Saint Paul overseeing financial operations including cash, investment and debt management in addition to significant work in economic development and financial empowerment. He held other roles in the City's Office of Financial Services from 2012 to 2017 including Debt Manager leading the issuance of debt obligations from a variety of credits utilizing innovative financing tools. Mr. Solomon worked for a local municipal financial advisory and consulting firm from 2008 to 2012 specializing in the issuance and management of municipal debt. He received his degree in Financial Management from the University of St. Thomas in Saint Paul, Minnesota and is an active member of the Government Finance Officers Association, serving on its Treasury and Investment Management committee contributing to best practices and guidance used across the industry.

Debbi Larson — Director of Finance appointed effective December 2019. Ms. Larson was Controller and Director of Financial Operations for the Agency from August 2015 to December 2019. Prior to that position, she was Director of Finance and Information Technology for a subsidiary of Taylor Corporation and responsible for domestic and international locations and, prior to that, was the Chief Financial Officer for a division of the Minnesota Department of Corrections. Ms. Larson previously held various accounting positions of increasing responsibility. Ms. Larson holds a Bachelor of Science degree with a concentration in Accounting from the University of Phoenix, and an MMBA (accelerated MBA program) Executive Leadership certification from the University of St. Thomas.

James Lehnhoff — Assistant Commissioner, Multifamily, appointed effective March 2019. Mr. Lehnhoff was most recently the Director of Portfolio Strategy at CommonBond Communities. He has more than 16 years of local government, municipal finance, and real estate development experience, including extensive work in affordable housing development, Pro Forma analysis, land use planning, economic development, community engagement, and project management. Mr. Lehnhoff has successfully implemented complex and nationally recognized affordable housing development projects to advance community goals. Prior to joining CommonBond, he was a municipal advisor at Ehlers & Associates from October 2016 to September 2018, served as the Vice President of Real Estate at Aeon from August 2010 to October 2016, and was the Community Development Director for the City of Arden Hills from January 2006 to August 2010. Mr. Lehnhoff earned a Master's degree in Urban and Regional Planning from the University of Minnesota Hubert H. Humphrey School of Public Affairs and a Bachelor of Arts degree in Geography from the University of Minnesota Duluth.

The Agency's offices are located at 400 Wabasha Street North, St. Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency's Investor Relations Representative may be reached at the Agency's general telephone number. The Agency's website address is <http://www.mnhousing.gov>. No portion of the Agency's website is incorporated into this Official Statement.

Independent Auditors

The financial statements of the Agency as of and for the year ended June 30, 2022, included in this Official Statement as Appendix B-1, have been audited by RSM US LLP, independent auditors, as stated in their report appearing herein. RSM US LLP has not been engaged to perform, and has not performed, any procedures on the financial statements after June 30, 2022. RSM US LLP also has not performed any procedures relating to this Official Statement.

Financial Statements of the Agency

The Agency financial statements included in this Official Statement as Appendix B-1 as of and for the fiscal year ended June 30, 2022 are presented in combined "Agency-wide" form followed by "fund" financial statements presented for its major funds in order to comply with the requirements of Statement No. 34 of the Governmental Accounting Standards Board ("GASB").

Information regarding the Minnesota State Retirement System (“MSRS”), to which the Agency contributes, is included in Appendix B-1 in the Notes to Financial Statements at pages 75 through 77 under the heading “Defined Benefit Pension Plan.” The Agency’s allocable portion of net pension liability reported at June 30, 2022 with respect to MSRS is \$0.544 million. The Agency’s total net pension liability and post-employment benefits liability is \$2.423 million.

In Appendix B-2 to this Official Statement, the Agency has included certain unaudited financial statements of the Agency (excluding State Appropriated and Federal Appropriated Funds) as of and for the three months ended September 30, 2022. The Agency has prepared the information in Appendix B-2 and, in the opinion of the Agency, that information reflects all normal recurring adjustments and information necessary for a fair statement of the financial position and results of operations of the Agency (excluding State and Federal Appropriated Funds) for the period, subject to year-end adjustments. The information in Appendix B-2 is not accompanied by a statement from the independent auditors.

Disclosure Information

The Agency will covenant in a Continuing Disclosure Undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix C hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the Agency (the “Agency Annual Report”) and to provide notices of the occurrence of certain enumerated events. (There is no other obligated person under the Continuing Disclosure Undertaking.) The Agency must file the Agency Annual Report no later than 120 days after the close of each fiscal year, commencing with the fiscal year ending June 30, 2023, with the Municipal Securities Rulemaking Board, at its EMMA internet repository. The Agency also must file notices of the occurrence of the enumerated events, if any, with EMMA. (See “Appendix C — Summary of Continuing Disclosure Undertaking.”)

During the prior five years, one disclosure report timely filed with EMMA was not timely linked to all outstanding CUSIPs for the associated Bonds of the Agency. The Agency timely filed the Agency Annual Report for its fiscal year ended June 30, 2019 with EMMA; however, that Agency Annual Report was not specifically linked to two CUSIPs for the Agency’s Residential Housing Finance Bonds, 2014 Series C, and three CUSIPs for the Agency’s Residential Housing Finance Bonds, 2014 Series E. The Agency posted that Annual Report to CUSIP 60416SHP8, the only one of the five omitted CUSIPs with respect to bonds still outstanding, on February 1, 2021.

The specific nature of the information to be contained in the Agency Annual Report or the notices of events, and the manner in which these materials are to be filed, are summarized in “Appendix C — Summary of Continuing Disclosure Undertaking.” The Agency has made these covenants to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the “Rule”).

In addition to the information required by the Continuing Disclosure Undertaking, the Agency also uses its best efforts to prepare a semiannual disclosure report for the Bond Resolution and a quarterly disclosure report for its single family bond resolutions. Recent reports are available at the Agency’s website at <http://www.mnhousing.gov> (click on tab “Investors”), but no information on the Agency’s website is incorporated into this Official Statement. The Agency is also committed to providing appropriate credit information as requested by any rating agency rating the Bonds at the Agency’s request.

Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund

In addition to its bond funds pledged to the payment of particular bonds by bond resolutions of the Agency, the Agency has also established certain other funds that it has restricted by covenant. Currently, the restricted funds are the General Reserve and the Alternative Loan Fund. The General Reserve contains the Housing Endowment Fund (also referred to as “Pool 1”) and the Agency’s net investment in capital assets. The Alternative Loan Fund, which is held under the Residential Housing Finance Bond Resolution but is not pledged to pay bonds issued thereunder, comprises the Housing Investment Fund (also referred to as “Pool 2”) and the Housing Affordability Fund (also referred to as “Pool 3”). The net position of the General Reserve and the Alternative Loan Fund is not pledged to the payment of the Bonds or any other debt obligations of the Agency but, to the extent funds are available therein, are generally available to pay any debt obligations of the Agency, including the Bonds.

Subject to the restrictions in the Bond Resolution and its other bond resolutions, the Agency may withdraw excess assets from bond funds held thereunder. To the extent the Agency withdraws excess assets from bond funds, the Agency has pledged to deposit those excess assets in the General Reserve or the Alternative Loan Fund, except for any amounts as may be necessary to reimburse the State for money appropriated to restore a deficiency in any debt service reserve fund.

The Agency has further covenanted that it will use the money in the General Reserve and the Alternative Loan Fund only to administer and finance programs in accordance with the policy and purpose of the Act. This includes creating reserves for the payment of bonds and for loans made from the proceeds thereof, and accumulating and maintaining a balance of funds and investments as will be sufficient for that purpose. To ensure that assets available in the General Reserve and the Alternative Loan Fund provide security for the Agency's bondowners as covenanted in the bond resolutions, the Agency has established investment guidelines for Pools 1 and 2. The investment guidelines are subject to change by the Agency from time to time in its discretion.

Under the net position requirements and investment guidelines effective January 23, 2014, the required size of Pool 1 (which is intended to be a liquidity reserve) is 1 percent of gross loans receivable (excluding mortgage-backed securities, appropriated loans and loans credited to Pool 3) and the required size of Pool 2 is an amount that would cause the combined net position (exclusive of unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and swaps entered into by the Agency for which the unrealized loss or gain will not be realized if the security or swap is held to maturity or its optional termination date; and realized gains and losses resulting from the purchase and sale of investment securities between Agency funds) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be at least equal to the combined net position of the same funds as of the immediately preceding fiscal year end. Currently, this amount is \$619.865 million, representing the combined net position of these funds so calculated as of June 30, 2022. Pool 2 is intended to comprise amortizing interest-bearing housing loans or investment grade securities. Pool 1 and Pool 2 represent, with assets pledged to pay bonds of the Agency, the sustainable lending operations of the Agency. Pool 3 represents the more mission-intensive operations of the Agency and is intended to comprise deferred, zero percent and low interest-rate loans and grants and, for unapplied funds, investment grade securities. Pool 3 is not subject to the investment guidelines. Loan activity related to loans financed by funds in Pool 2 and Pool 3 is recorded as part of the Alternative Loan Fund. The Agency approves all interfund transfers. A further discussion of Pools 1, 2 and 3 and the amounts credited thereto as of June 30, 2022 appears in the Notes to Financial Statements of the Agency included in Appendix B-1 to this Official Statement at pages 73 and 74 under the heading "Net Position — Restricted by Covenant."

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The following summary indicates the revenues earned, the expenses paid, and funds transferred to and from the General Reserve (which contains Pool 1 and net investment in capital assets), for the two most recent audited fiscal years of the Agency and for the three-month period ended September 30, 2022 (unaudited) (in thousands):

	Three months Ended September 30, 2022 <u>(unaudited)</u>	Fiscal Year Ended <u>June 30, 2022</u>	Fiscal Year Ended <u>June 30, 2021</u>
Revenues			
Fees earned and other income ⁽¹⁾	\$	\$12,372	\$12,676
Interest earned on investments		157	212
Unrealized gain (loss) on investments	--	--	--
Administrative reimbursement ^{(2), (3)}	-	<u>31,161</u>	<u>33,144</u>
Total revenues		43,690	46,032
Expenses			
Salaries and benefits		17,676	32,501
Other general operating expenses		4,282	7,424
Interest		<u>423</u>	<u>--</u>
Total expenses		22,381	39,925
Revenues over expenses		21,309	6,107
Non-operating transfer of assets between funds ⁽⁴⁾	()	(22,153)	(8,363)
Change in net position	()	(844)	(2,256)
Net position beginning of period		<u>9,735⁽⁵⁾</u>	<u>12,307</u>
Net position end of period	\$	<u>\$8,891</u>	<u>\$10,051</u>

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- (1) Fees earned consist primarily of fees collected in conjunction with the administration of the low income housing tax credit program and HUD contract administration of certain non-Agency financed Section 8 developments.
- (2) The Agency transfers bond funds to the General Reserve for administrative reimbursement in accordance with the Agency's Affordable Housing Plan based on the adjusted assets of the bond funds. Adjusted assets are defined generally as total assets (excluding the reserve for loan loss), unrealized gains or losses on investments (including mortgage-backed securities and interest rate swap agreements), deferred loss on interest rate swap agreements and assets relating to escrowed debt.
- (3) Reimbursement from appropriated accounts consists of the portion of direct and indirect costs of administering the programs funded by the appropriations. The Agency recovers costs associated with administering state appropriations only to the extent of interest earnings on the appropriations. Costs associated with administering federal appropriations generally are recovered from the appropriations.
- (4) The Agency may transfer excess assets from bond funds to the General Reserve to the extent permitted by the resolution or indenture securing bonds of the Agency. In addition, the Agency may transfer funds in excess of the requirement for Pool 1 from the General Reserve to the Alternative Loan Fund. See the comments under the headings "Interfund Transfers" and "Net Position Restricted by Covenant" in the Notes to Financial Statements of the Agency in Appendix B-1 to this Official Statement for additional information.
- (5) Adjusted pursuant to required GASB 87 treatment of Leases as of July 1, 2021.

State Appropriations

Over the years, the State Legislature has appropriated funds to the Agency to be used for low interest loans, grants, programs for low and moderate income persons and families and other housing related program costs. The Agency generally does not pay its general or administrative expenses from appropriated funds, although it can recover its allocable costs of administering State appropriations from investment earnings thereon. The State Legislature has appropriated funds to the Agency for its programs in every biennium since 1975. The Agency has expended or committed most of the appropriations.

Over the biennial periods ended June 30, 2015, 2017, 2019 and 2021, the total appropriations to the Agency aggregated approximately \$436.5 million. For the biennium ending June 30, 2023, the Legislature has appropriated approximately \$125.6 million to the Agency.

The appropriations are not available to pay debt service on the Bonds.

Agency Indebtedness

The principal amount of bonds and notes of the Agency that are outstanding at any time (excluding the principal amount of any refunded bonds and notes) is limited to \$5,000,000,000 by State statute. The following table lists the principal amounts of general obligation indebtedness of the Agency outstanding as of _____, 2022 [TO BE UPDATED]:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds	8	2049	\$ 48,895	\$ 48,255
Residential Housing Finance Bonds	64	2052	3,739,010	2,236,475
Homeownership Finance Bonds	58	2051	2,624,572	1,057,596
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	12,720
Totals	131		\$6,427,477	\$3,355,046

*Does not include series of bonds or the original principal amount of any bonds that had been, as of _____, 2022, defeased or paid in full, whether at maturity or earlier redemption.

The payment of principal of and interest on general obligations of the Agency as shown above may be made, if necessary, from the General Reserve or the Alternative Loan Fund. (See “Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund” above.)

The Agency has entered into liquidity facilities and interest rate swap agreements in respect of its outstanding Residential Housing Finance Bonds that bear interest at a variable rate or floating rate and may be subject to optional and mandatory tender. Certain information related to those variable rate demand bonds, floating rate term bonds, liquidity facilities and swap agreements is included in the Notes to Financial Statements contained in Appendix B-1 to this Official Statement and in the unaudited financial statements contained in Appendix B-2 to this Official Statement. The Agency does not make any representation as to the creditworthiness of any provider or counterparty on facilities and agreements relating to its variable rate bonds.

Certain of the swap agreements obligate the Agency to make periodic fixed rate payments and entitle the Agency to receive periodic payments based on the United States dollar-denominated London Interbank Offered Rate (“USD LIBOR”). In 2017, the Financial Conduct Authority, a United Kingdom regulatory body which supervises USD LIBOR’s administrator, stated that it would not attempt to persuade or compel panel banks that currently submit interest rate information used in the setting of USD LIBOR rates to continue to do so after December 31, 2021. The Federal Reserve System and the Federal Reserve Bank of New York (the “NY Fed”) convened its Alternative Reference Rate Committee (“ARRC”) in 2014, consisting of public and private United States capital market participants, to identify alternative reference rates as an alternative to USD LIBOR, identify best practices for contract robustness in the interest rate market, and create an implementation plan to support an orderly adoption of new references rates. In 2017, the ARRC identified the secured overnight financing rate (“SOFR”), which the NY Fed

publishes, as the rate that represents best practice for use in certain new U.S. dollar derivatives and other financial contracts. Likewise, the International Swaps and Derivatives Association's ("ISDA") working group chose SOFR as its replacement for USD LIBOR, and ISDA has released its IBOR Fallbacks Supplement which amends the 2006 ISDA Definitions (applicable to trades occurring on and after January 25, 2021), as well as its IBOR Fallbacks Protocol, which allows contract participants to amend existing contracts to include the new fallback provision. Each of the NY Fed and ISDA has made certain information concerning their respective activities relating to USD LIBOR and alternative reference rates on their respective websites. The Financial Conduct Authority has confirmed that USD LIBOR will continue to be available through June 30, 2023, at which time these amendments are expected to become effective and SOFR will replace USD LIBOR. There can be no assurance as to the timing or outcome of these and other USD LIBOR-related regulatory developments, or as to the effects of market reaction to such developments. Further regulatory developments, such as the March 2021 announcement of the official cessation of publication of one week and two month USD LIBOR, may affect the determination of certain scheduled and, if applicable, termination payment obligations upon those derivatives agreements. The Agency continues to monitor the USD LIBOR-related developments and anticipates it will adhere to the IBOR Fallbacks Protocol or enter into substantially similar agreements directly with its swap providers. In addition, the Agency may seek additional amendments to its other agreements which still use USD LIBOR.

In 2009, the Agency issued \$13,270,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2009, to finance permanent supportive housing in two different multifamily housing developments. In 2011, the Agency issued \$21,750,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2011, to finance permanent supportive housing in five additional multifamily housing developments. Both series of bonds were issued under a separate indenture of trust, are not general obligations of the Agency and are not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008.

From time to time, beginning in 2012, the Legislature has authorized the Agency to issue housing infrastructure bonds (the "Housing Infrastructure Bonds") for various purposes payable, like the Nonprofit Housing Bonds, solely from a standing appropriation from the State General Fund and not from any other funds or assets of the Agency. The aggregate principal amount of Housing Infrastructure Bonds that the Agency may issue is \$515,000,000. The Agency has issued 30 series of its State Appropriation Bonds (Housing Infrastructure) in 2013 through 2022 in an aggregate principal amount of \$471,495,000 under a separate indenture of trust.

On December 23, 2021, the Agency issued its Third Amended and Restated Bank Note (the "Amended Bank Note") to Royal Bank of Canada (the "Bank"), pursuant to a Revolving Credit Agreement dated as of June 1, 2018, as amended by a First Amendment to Revolving Credit Agreement dated as of October 28, 2019, a Second Amendment to Revolving Credit Agreement dated as of November 22, 2019, a Third Amendment to Revolving Credit Agreement dated as of November 12, 2020, a Fourth Amendment to Revolving Credit Agreement dated as of February 25, 2021, and a Fifth Amendment to Revolving Credit Agreement dated as of December 23, 2021 (the "Amended Revolving Credit Agreement"), and as further amended from time to time, for the purpose of preserving current private activity bond volume cap by refunding the maturing principal or redemption price, as the case may be, of portions of Homeownership Finance Bonds and Residential Housing Finance Bonds previously issued by the Agency (collectively, the "Single Family Housing Bonds"). Upon the refunding of Single Family Housing Bonds with amounts advanced to the Agency pursuant to the Amended Revolving Credit Agreement as evidenced by the Amended Bank Note, funds representing prepayments and repayments of mortgage loans financed with Single Family Housing Bonds, and other amounts available under the applicable bond resolution for the payment of those Single Family Housing Bonds, will be deposited into a cash collateral fund established under a separate amended and restated indenture of trust, as amended (the "2018 Revolving Credit Indenture"), between the Agency and Computershare Trust Company, National Association, as successor trustee, as security for the repayment of the principal amount of the Amended Bank Note that has been advanced to the Agency. The Bank agrees to make advances until December 31, 2022, a later date if extended by the Bank or an earlier date upon an event of default or a termination pursuant to the terms of the Amended Revolving Credit Agreement or if the Agency elects an earlier termination. The amount of the advances outstanding and not repaid with respect to the Amended Bank Note bear interest at a variable interest rate equal to the forward looking Term SOFR Reference Rate for the following one month interest period plus a spread (currently 0.35%) and may not exceed \$150,000,000 at any time, and the cumulative amount of the advances made may not exceed \$1,700,000,000. The obligation of the Agency to pay the interest on, but not the principal of, the Amended Bank Note is a general obligation of the Agency. The Agency has requested advances in the aggregate principal amount of [\$1,063,907,216, \$105,717,656] of which is outstanding.

Agency Continuity of Operations Plan

Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the Agency's ability to conduct its business. A prolonged disruption in the Agency's operations could have an adverse effect on the Agency's financial condition and results of operations. To plan for and mitigate the impact such an event may have on its operations, the Agency has developed a Continuity of Operations Plan (the "Plan"). The Plan is designed to (i) provide for the continued execution of the mission-essential functions of the Agency and minimize disruption if an emergency threatens, interrupts or incapacitates the Agency's operations, (ii) provide Agency leadership with timely direction, control and coordination before, during and after an emergency or similar event, and (iii) facilitate the return to normal operating conditions as soon as practical based on the circumstances surrounding any given emergency or similar event. No assurances can be given that the Agency's efforts to mitigate the effects of an emergency or other event will be successful in preventing any and all disruptions to its operations.

Cybersecurity

The Agency relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Agency faces multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware, phishing, business email compromise, and other attacks on computers and other sensitive digital networks, systems, and assets. Housing finance agencies and other public finance entities have been targeted by outside third parties, including technologically sophisticated and well-resourced actors, attempting to misappropriate assets or information or cause operational disruption and damage. Further, third parties, such as hosted solution providers, that provide services to the Agency, could also be a source of security risk in the event of a failure of their own security systems and infrastructure.

The Agency uses a layered approach that employs sound operational strategies and security technology solutions to secure against, detect, and mitigate the effects of cyber threats on its infrastructure and information assets. The Agency conducts regular information security and privacy awareness training that is mandatory for all Agency staff. The Agency's Business Technology Support group has management responsibility for all information technology and leads the efforts of the Agency to keep its cyber assets secure. The Agency's Business Technology Support group and contracted services from the Office of MN.IT Services, an agency of the executive branch of the State, regularly conduct risk assessments, audits and tests of the Agency's cybersecurity systems and infrastructure.

Despite its efforts, no assurances can be given that the Agency's security and operational control measures will be successful in guarding against any and each cyber threat and attack, especially because the techniques used by perpetrators are increasingly sophisticated, change frequently, are complex, and are often not recognized until launched. To date, cyber attacks have not had a material impact on the Agency's financial condition, results or business; however, the Agency is not able to predict future attacks or their severity. The results of any attack on the Agency's computer and information technology systems could impact its operations for an unknown period of time, damage the Agency's digital networks and systems, and damage the Agency's reputation, financial performance, and customer or vendor relationships. Such an attack also could result in litigation or regulatory investigations or actions, including regulatory actions by state and federal governmental authorities. The costs of remedying any such damage could be substantial and such damage to the Agency's reputation and relationships could adversely affect the Agency's ability to conduct its programs and operations in the future.

COVID-19 Economic Disruption

The global outbreak of COVID-19, a respiratory disease declared to be a pandemic (the "Pandemic") by the World Health Organization in March 2020, was declared an emergency by federal and state governments. Since the start of the Pandemic, Presidential administrations, Congress, the Federal Reserve, HUD/FHA (including GNMA), the Federal Housing Finance Agency (including Fannie Mae and Freddie Mac), USDA Rural Development, the VA, the Centers for Disease Control, and the Consumer Financial Protection Bureau, along with the State, have enacted legislation and/or issued orders or directives (collectively, "Governmental Actions") to alleviate the effects of the Pandemic on homeowners, renters, landlords, servicers and lenders. Governmental Actions have included loan forbearance directives, moratoriums on foreclosures and/or evictions, loan modification directives, loan servicing assistance, rental assistance, and homeownership loan assistance. Some legislation and/or orders have been extended and/or modified, while others have expired or been enjoined. While it is generally expected that new legislation may

be enacted, new orders may be issued, and existing and new orders may be extended, modified, contested, or allowed to expire, no guarantee can be made with regards to the duration and/or effectiveness of any such legislation or orders.

The Agency has not entered into any forbearance agreements relating to multifamily housing mortgage loans. The Agency also has provided loans that secure outstanding bonds of the Agency under its single family housing program, many of which loans are covered by the relief provisions of the Governmental Actions, and has granted forbearance approvals when required. The Agency's loans provided under its home improvement program and its monthly payment loan program, as well as some loans for single family housing that are not pledged as security for any debt of the Agency, are not affected by the relief provisions of the Governmental Actions. However, the Agency has granted and may choose to grant forbearance approvals for certain of these loans during the Pandemic. (See "Other Programs")

On March 13, 2020, the Governor of the State declared a peacetime emergency with respect to the Pandemic. Through various executive orders, which have the force and effect of law during a peacetime emergency, the Governor directed various protective measures in response to the Pandemic, including the suspension of evictions and lease terminations. The peacetime emergency ended on July 1, 2021 and all executive orders made pursuant to the peacetime emergency have expired. However, legislation was enacted effective June 30, 2021 gradually phasing out eviction protections during the period that ended October 12, 2021. While those protections have expired, certain tenants who were eligible for, had applied for, but had not yet received, federal emergency rental assistance payments had eviction protection through June 1, 2022.

During the peacetime emergency, an executive order of the Governor designated the operation of the Agency as a critical service and Agency personnel, though almost exclusively teleworking, continued all operations in order to provide the Agency's programs (see "Agency Continuity of Operations Plan" above). The Agency plans to re-open its offices with a portion of its personnel returning to the workplace in 2022. At this time the Agency cannot predict (i) the duration or extent of the Pandemic; (ii) the duration or expansion of any foreclosure or eviction moratorium affecting the Agency's ability to foreclose and collect on delinquent mortgage loans; (iii) the number of mortgage loans that will be in forbearance or default as a result of the Pandemic and subsequent federal, state and local responses thereto, including the Government Actions; (iv) whether and to what extent the Pandemic may disrupt the local or global economy, real estate markets, manufacturing, or supply chain, or whether any of those types of disruption may adversely impact the Agency or its operations; (v) whether or to what extent the Agency or other government agencies may provide additional deferrals, forbearances, adjustments, or other changes to payments on mortgage loans; or (vi) the effect of the Pandemic on the State budget, or whether any such effect may adversely impact the Agency or its programs. The Agency continues to monitor and assess the impact of the Pandemic on its programs, operations and financial position, including its ability to continue to finance the purchase of Mortgage Loans. However, the continuation of the Pandemic and the resulting containment and mitigation efforts could have a material adverse effect on the Agency's programs, operations and finances.

THE DEVELOPMENT

The Development

The Agency intends to use the proceeds of the Series Bonds to make a short-term first lien bridge Mortgage Loan that will finance a portion of the costs of the acquisition and construction of a multifamily housing development. The Development, to be known as Brewery Creek, will be the acquisition and construction of a five-story building, located in Duluth, Minnesota. The Development will have 52 residential units. The total development cost is estimated to be approximately \$21.475 million. The Development is expected to be completed by July 2024. The Development will be acquired and rehabilitated by Brewery Creek LLLP, a Minnesota limited liability limited partnership.

The Agency expects to use the proceeds of the Series Bonds to be deposited in the Mortgage Loan Account to make the bridge Mortgage Loan with respect to the Development on the date of issuance of the Series Bonds. The bridge Mortgage Loan, in the principal amount of \$10.64 million,* will mature in full on January 1, 2025* The bridge

*Preliminary, subject to change.

Mortgage Loan will not be insured by FHA or secured by any other third-party credit enhancement, but the Agency expects the bridge Mortgage Loan to be repaid from all or a portion of two deferred payment loans from the Agency in the aggregate principal amount of \$9.879 million and a portion of the equity contributions from the tax credit investor, which is purchasing the low income housing tax credits described below. The bridge Mortgage Loan will be secured in part by guaranties from One Roof Community Housing and Three Rivers Community Action, Inc., each a Minnesota nonprofit organization.

As a result of the issuance of the Series Bonds, all of the dwelling units in the Development will be eligible for low income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended. Occupancy in all of those dwelling units will be limited to households with incomes at initial occupancy at or below 60 percent of the area median income, adjusted for household size, for a period of 40 years.

The Development will be benefitted by a project-based Section 8 Housing Assistance Payments Contract provided by the Housing and Redevelopment Authority of Duluth, with a 20-year term, covering 32 of the dwelling units.

Estimated Sources and Uses of Series Bond Proceeds and Agency Funds

The estimated sources and uses of proceeds of the Series Bonds and funds to be provided by or through the Agency are as follows:

Sources:

Principal Amount of Series Bonds	\$10,640,000*
Funds Available to the Agency	_____
Total Sources of Funds.....	<u>\$_____.</u>

Uses:

Series A Mortgage Loan Account	\$10,640,000*
Revenue Fund	_____
Costs of Issuance	_____
Total Uses of Funds	<u>\$_____.</u>

THE SERIES BONDS

The Series Bonds will be fully registered bonds initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”) which will act as securities depository for the Series Bonds. Computershare Trust Company, National Association, Minneapolis, Minnesota, serves as successor Trustee under the Bond Resolution.

The Series Bonds will be issued in the denominations of \$5,000 or any integral multiple thereof. The Series Bonds mature, subject to redemption as herein described, on the date and in the amount set forth on the inside front cover hereof.

The Series Bonds bear interest from their dated date, payable semiannually on February 1 and August 1 of each year, commencing August 1, 2023,* at the rate set forth on the inside front cover hereof until payment of the principal or redemption price of the Series Bonds. As long as the Series Bonds are in book-entry form, interest on the Series Bonds will be paid by moneys wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, and DTC will redistribute that interest. (See Appendix E – “Book-Entry-Only System.”)

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to that exchange or transfer.

Special Redemption at Par

The Agency may redeem the Series Bonds, at its option, in whole or in part on any date, at a redemption price equal to the principal amount thereof plus accrued interest, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development; or (ii) in the event the Agency receives or recovers Recovery Payments (as defined in Appendix D) relating to the Development. The Agency will apply any unexpended proceeds or Recovery Payments to the redemption of Series Bonds, as determined by the Agency. If Recovery Payments are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to redeem the Series Bonds in addition to the Recovery Payments.

Optional Redemption

The Agency may redeem the Series Bonds at its option, in whole or in part, on any date on or after August 1, 2024,* in amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

General Redemption Provisions

Any Series Bonds to be redeemed will be redeemed only upon receipt by the Trustee of a certificate signed by an authorized officer of the Agency stating the principal amount of the Series Bonds to be redeemed. If less than all Series Bonds are to be redeemed, the Series Bonds to be redeemed are to be selected in \$5,000 principal amounts at random by the Trustee. The Agency will not at any time cause Series Bonds to be optionally redeemed if this would have any material adverse effect on its ability to pay when due the principal of and interest on the Bonds Outstanding after the redemption.

The Trustee is required to mail a copy of the notice of redemption to the registered owner of any Series Bond called for redemption at least 30 days prior to the redemption date. Any defect in or failure to give the required mailed notice of redemption will not affect the validity of any proceedings for the redemption of Series Bonds not affected by that defect or failure.

SECURITY FOR THE BONDS

Outstanding Bonds, including the Series Bonds, are secured as provided in the Bond Resolution by a pledge and a grant of a security interest in (a) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of outstanding bonds and notes), (b) all Mortgage Loans and Investments made or purchased from the proceeds, (c) all Revenues as defined in the Bond Resolution, and (d) money, Investments, and other assets and income held in and receivables of Funds established by or pursuant to the Bond Resolution. The Bonds, including the Series Bonds, are also general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds, and federal or State laws heretofore or hereafter enacted pledging particular funds for a specified purpose. The pledge and security interests granted by the Bond Resolution are for the equal benefit, protection and security of Holders of all Bonds, including the Series Bonds.

The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Bonds, including the Series Bonds, and the Series Bonds are not a debt of the State.

Mortgage Loans

The Bond Resolution requires, except in certain circumstances hereinafter described, that each Mortgage Loan be secured by a first mortgage lien (subject to permitted encumbrances) on the real property, or leasehold interest of the Mortgagor in the real property under a lease with a term at least twice the length of the term of the Bonds, that

*Preliminary, subject to change.

is the site of the Development financed by that Mortgage Loan, and all improvements thereon. At the initial closing for each Development, the Agency receives a recorded Mortgage and a mortgagee's title insurance policy in the amount of the Mortgage Loan. The Agency may also participate with other parties in the making of a Mortgage Loan if the Agency's mortgage lien, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Bond Resolution also permits the Agency, if it holds a Mortgage that constitutes a first mortgage lien on a Development, to make an additional Mortgage Loan for the Development and secure the additional Mortgage Loan by a Mortgage on a parity with or junior and subordinate to the first lien Mortgage held by the Agency. In addition, the Bond Resolution allows the Agency to make Subordinate Mortgage Loans with respect to a Development upon the terms and conditions as the Agency may deem appropriate, but solely from amounts that would otherwise be available to be removed by the Agency from the lien of the Bond Resolution.

Under the Bond Resolution, there will at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution that, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from the calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that this covenant is met, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions must be based upon the Agency's reasonable expectations as of the date of the determination. The Agency may forgive a portion of the interest on any Mortgage Loan provided that, after giving effect to the reduction and all similar reductions then in effect, the Agency continues to comply with the covenant.

The scheduled payments of the Principal Installments of and interest on the Bonds are generally based on the receipt of scheduled payments by the Agency on the Mortgage Loans and any Subordinate Mortgage Loans, together with capitalized interest and estimated investment income of certain Funds and Accounts established by the Bond Resolution, to the extent provided therein. The ability of the Mortgagors to make scheduled payments to the Agency depends, among other things, on the Developments achieving and sustaining occupancy and rental levels necessary to generate rental income that, together with any applicable subsidies, the Agency expects will be sufficient to meet the required loan payments, to fund required reserves and escrows and to meet operating expenses. Under the Bond Resolution, the Agency (unless otherwise required by any agency of the United States guaranteeing, insuring or otherwise assisting in the payment of the Mortgage Loan or Subordinate Mortgage Loan) may give its consent to Prepayment of a Mortgage Loan or Subordinate Mortgage Loan only if certain conditions as described under the caption "Summary of Certain Provisions of the Bond Resolution — Mortgage Provisions and Conditions — Prepayments" in Appendix D hereto have been met. If any Mortgage Loan or Subordinate Mortgage Loan goes into default or investment income differs from the amounts estimated to be received, the amount of money available for the payment of Principal Installments of and interest on the Bonds may be adversely affected; however, as is described elsewhere in this Official Statement, moneys may be available from other sources, including the Debt Service Reserve Fund.

Appendix A to this Official Statement contains a brief description of the Mortgage Loans outstanding as of June 30, 2022 that have been financed by Bonds or that have been pledged as additional security under the Bond Resolution for the payment of Outstanding Bonds.

Debt Service Reserve Fund

No funds will be credited to the Debt Service Reserve Fund with respect to the Series Bonds (and the Debt Service Reserve Requirement in respect of the Series Bonds will be \$0.00), since, in addition to the other security provided pursuant to the Bond Resolution, payment of principal with respect to the bridge loan funded by the Series Bonds will be secured as described under "The Development."

Upon issuance of the Series Bonds, the aggregate Debt Service Reserve Requirement for the Bond Resolution will be approximately \$391,006 and the value of the investments in the Debt Service Reserve Fund as calculated under the Bond Resolution will not be less than the aggregate Debt Service Reserve Requirement. The Debt Service Reserve Fund secures all Bonds issued under the Bond Resolution, including the Series Bonds, on an equal basis.

The Act provides that the Agency may create and establish one or more debt service reserve funds for the security of its bonds. The Agency will use moneys held in or credited to a debt service reserve fund solely for the payment of principal of bonds of the Agency as the same mature, the purchase of those bonds, the payment of interest thereon or the payment of any premium required when the bonds are redeemed before maturity, provided that the moneys in that fund must not be withdrawn therefrom at any time in an amount as would reduce the amount reasonably necessary for the purposes of the fund, except for the purpose of paying principal and interest due on the bonds secured by the fund for the payment of which other moneys of the Agency are not available. The Agency may not issue any additional bonds or notes that are secured by a debt service reserve fund if the amount in that debt service reserve fund or any other debt service reserve fund at the time of that issuance does not equal or exceed the minimum amount required by the resolution creating that fund unless the Agency deposits in each fund at the time of the issuance from the proceeds of the bonds or otherwise an amount that, together with the amount then in the fund, will be no less than the minimum amount so required. The Act further provides that:

In order to assure the payment of principal and interest on bonds and notes of the agency and the continued maintenance of all debt service reserve funds created and established therefor, the agency shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding and secured by such fund; and (b) the amount, if any, determined by the agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amounts certified by the agency

. . . .

In the opinion of Bond Counsel and counsel to the Agency, the Legislature is legally authorized, *but not legally obligated*, to appropriate those amounts to the Debt Service Reserve Fund.

Additional Bonds

The Bond Resolution permits the issuance of additional Bonds, upon the adoption of a series resolution, to provide funds for the purpose of financing Mortgage Loans for Developments under the Agency's programs of making Mortgage Loans and, in addition, to refund outstanding Bonds or other obligations issued to finance Mortgage Loans, upon certain conditions contained therein (see Appendix D – "Summary of Certain Provisions of the Bond Resolution—Additional Bonds"), without limitation as to amount except as may from time to time be provided by law. Any additional Bonds issued under the Bond Resolution will be secured on an equal basis with the Series Bonds and the Outstanding Bonds and entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

Nothing in the Bond Resolution prohibits the financing of other multifamily housing developments under other bond resolutions.

State Pledge Against Impairment of Contracts

The State in the Act has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with them or in any way impair the rights and remedies of the Bondholders until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of those Holders, are fully met and discharged.

THE RENTAL HOUSING PROGRAM

The Bond Resolution is currently the primary source of funds borrowed by the Agency to fund its multifamily housing programs. The proceeds of Bonds issued under the Bond Resolution are lent by the Agency to for-profit, nonprofit and limited profit sponsors that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families with low and moderate incomes.

The precise nature of the multifamily housing programs financed under the Bond Resolution has varied over the years and is expected to continue to vary based on the housing needs of the State of Minnesota and resources available to address those needs. There follows a description of the housing programs for which there are loans outstanding that were either funded from Bond proceeds under the Bond Resolution or are pledged as additional security under the Bond Resolution. All of the Developments financed under the Bond Resolution in recent years have been processed under the Low and Moderate Income Rental Program, either as long-term loans or as bridge loans. Recently originated loans have included the acquisition and construction of rental properties that will be eligible for federal low-income housing tax credits and loans for the preservation of existing federal subsidies under the Section 8 program.

The existing Developments financed by Outstanding Bonds have been originated under the following programs:

—Low and Moderate Income Rental Program (including HUD Risk-Sharing Program)

—Section 8 Housing Assistance Payment New Construction/Substantial Rehabilitation Program (Uninsured Developments)/Asset Management Program

In addition to the programs listed above, loans contributed as additional security under the Bond Resolution have been financed under the following program:

—Market Rate Mortgage Loan Program

The following table provides summary data regarding the outstanding loans financed or pledged as a portion of the security for the Rental Housing Bond Resolution as of June 30, 2022 for the programs as listed above:

Rental Housing Program Mortgage Loan Program Summary as of June 30, 2022

Program	<u>Number of Loans</u>	<u>Number of Units</u>	<u>Outstanding Loan Amount</u>	<u>Percentage of Total Amount</u>
Section 8 Housing Assistance Payments/Asset Management Program*	10	686	\$19,903,198	12.34%
Low and Moderate Income Rental Program **	59	4,178	140,108,364	86.84
Market Rate Mortgage Loan Program ...	<u>2</u>	<u>163</u>	<u>1,326,410</u>	<u>0.82</u>
	<u>71</u>	<u>5,027</u>	<u>\$161,337,972</u>	<u>100.00%</u>

*Includes seven HUD Risk-Sharing loans for Developments originally financed with loans originated under this program, one of which does not currently have Section 8 housing assistance, with 568 aggregate units and an aggregate outstanding loan amount of \$18,604,160.

**Includes 38 HUD Risk-Sharing loans for Developments with 2,771 aggregate units and an aggregate outstanding loan amount of \$79,098,681 and five bridge mortgage loans for Developments with 346 units and an aggregate outstanding loan amount of \$35,955,000.

Low and Moderate Income Rental Program

The Low and Moderate Income Rental Program (the “LMIR Program”) is the program under which the Agency is currently making loans funded from the proceeds of Bonds issued under the Bond Resolution. Some of the loans involve the preservation of existing federal housing subsidies. The federal housing subsidies preserved in connection with loans under the LMIR Program have included Section 8 project-based assistance; this subsidy program is described below. Most recent developments financed under this program have also benefited from the receipt of federal low-income housing tax credits.

In the LMIR Program, which is administered by the Multifamily Division of the Agency, the Agency uses the proceeds of Bonds issued under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The Agency, under the LMIR Program, may also use other available funds to provide permanent and construction loan financing for the acquisition/rehabilitation, refinance/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds or other available funds are lent by the Agency to nonprofit or limited profit entities that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. Several of the loans made under the LMIR Program have been insured under the FHA Section 223(a)(7) and 241 insurance programs. Generally, loans to Developments financed under the LMIR Program also receive one or more low- or non-interest bearing, non-amortizing subordinate loans that facilitate keeping rents below market rate levels and reduce the amount of amortizing debt.

In the Agency’s administration of its LMIR Program, the Agency has made Mortgage Loans of up to 100 percent of total development costs. Mortgage Loans for Developments are generally made for terms of 30 to 40 years or are made as short-term loans payable when construction or rehabilitation is completed.

HUD Risk-Sharing Program

As part of the LMIR Program under the Bond Resolution, the Agency has made and expects to make Mortgage Loans under the Department of Housing and Urban Development Housing Finance Agency Risk-Sharing Program for Insured Affordable Multifamily Project Loans (“HUD Risk-Sharing Program”). Section 542(c) of the Housing and Community Development Act of 1992, as amended (the “Risk-Sharing Act”) authorized the Secretary of the Department of Housing and Urban Development (“HUD”) to enter into risk-sharing agreements with qualified state or local housing finance agencies (“HFAs”) to enable those HFAs to underwrite and process loans for which HUD, acting through the Federal Housing Administration (“FHA”), will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the “Regulations”) pursuant to the Risk-Sharing Act. The HUD Risk-Sharing Program allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, and provides for reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect.

The HUD Risk-Sharing Program requires that an interested HFA first be approved as a qualified housing finance agency. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement between the Commissioner of FHA and the HFA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, the number of units allocated to the HFA, a description of the HFA’s standards and procedures for underwriting and servicing loans, and a list of HFA certifications designed to assure its proper performance.

Projects eligible to be insured under the HUD Risk-Sharing Program include projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program.

The Agency has been designated by HUD as a “qualified HFA” under the Risk-Sharing Act. The Agency has entered into a risk-sharing agreement with HUD dated as of May 3, 1994 (the “Risk-Sharing Agreement”) which sets out the terms for the Agency’s participation in the HUD Risk-Sharing Program. The Agency has a “Level I” and “Level II” approval under the regulations, which means the Agency agrees to reimburse HUD for 50 percent, or from 10 percent to 50 percent, of any losses incurred as a result of a default under a HUD Risk-Sharing Program loan.

“Level I” approval permits the Agency to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application) to underwrite and approve loans with review and approval by the local HUD office. Most of the Developments committed to be financed to date under the HUD Risk-Sharing Program have been insured based upon a 50/50 split of any losses.

Prior to funding of a Mortgage Loan by the Agency, HUD issues a Risk-Sharing Firm Approval Letter under which it agrees to endorse the Mortgage Note either at closing (in which case all advances are insured) or upon completion of construction and satisfaction of various conditions relating to the Mortgage Loan, including funding of all anticipated sources of funds. If the Mortgage Note is not endorsed until completion of construction, HUD is not obligated to reimburse the Agency for any losses that occur as a result of a default under the loan documents prior to completion of construction and endorsement of the Mortgage Note for insurance by HUD.

A mortgagee under an FHA-insured mortgage is entitled to receive the benefits of insurance after the mortgagor has defaulted and that default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after that grace period and monthly thereafter, unless waived by HUD, until the default has been cured or the Agency has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Agency must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default unless extended at the request of the HFA. The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. HUD must make all claim payments in cash. The initial claim payment is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. Within 30 days of the initial claim payment, the HFA must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms and must also issue to HUD a debenture, payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing the HFA’s reimbursement obligation to HUD under its Risk-Sharing Agreement.

The Regulations provide that not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed-in-lieu of foreclosure or (2) expiration of the term of the HFA debenture, loss on the mortgaged property is determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the Mortgage Note and the Risk-Sharing Agreement.

The Agency Regulatory Agreement

The uninsured Section 8-assisted Developments and Developments financed under the LMIR and HUD Risk-Sharing Programs are all subject to regulatory agreements with the Agency regulating their rents, distributions, occupancy, management and operation. The regulatory agreements are in effect during the entire term of the Mortgage Loan. Under the regulatory agreements, a limited-profit or nonprofit owner may not make distributions to its partners or members in any one year in excess of a percentage of its initial equity in a Development. The allowable percentage of equity ranges from 6 percent to 15 percent, depending on the program under which the Mortgage Loan was financed.

Section 8 Program

General Description

Under the Section 8 Program, HUD provides for the payment of a subsidy for the benefit of low income families, which are defined generally as those families whose incomes do not exceed 80 percent of the median income for the area, as determined by HUD. Until recent years, almost all of the Developments with Section 8 subsidies financed by the Agency were financed from a set-aside from HUD under which the Developments were underwritten and financed by the Agency. The Agency entered into Traditional Contract Administration (“TCA”) Annual Contributions Contracts (“ACC”s) with HUD and Section 8 Housing Assistance Payments Contracts (“HAP Contracts”) with owners under which the subsidy payments were made on behalf of tenants in the Developments. Pursuant to the ACC for each Development, HUD committed funding through the entire term of the HAP Contract. The Agency receives monthly subsidy payments with respect to each assisted dwelling unit, and then in turn disburses or credits monthly housing assistance payments to the owner of the Development under the HAP Contract. In addition, several of these Developments also received an Agency first mortgage loan, some of which were insured under an FHA insurance program. After the initial contract expiration, many of these HAP Contracts have been renewed for a

period of 20 years. The owner has the option to renew for a shorter term. It is anticipated, but not assured, that HUD will continue to provide the opportunity for owners to renew expiring HAP Contracts under the provisions of Section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended. In recent years, the Agency has provided new financing (deferred or amortizing) to Developments with HAP Contracts, many in conjunction with a Declaration of Covenants, Conditions and Restrictions pursuant to which the owner has agreed to continuously renew the HAP Contract through the maturity date of the Agency's Mortgage Loan. It is anticipated, but not assured, that the federal government will continue to provide these owners with the option to renew their HAP Contracts upon expiration. Renewals of HAP Contracts beyond the expiration of the initial contract term are subject to annual appropriations and spending authority in the federal budget. Contracts to convert tenant-based HUD vouchers or certificates into project-based assistance (as described below) are also subject to annual appropriation and spending authorization in the federal budget.

HAP Contract Term for State Agency Set-Aside Program

Under HUD regulations, the initial terms of the HAP Contracts for uninsured Developments financed under the state agency set-aside program were for either 30 or 40 years, with provisions for renewal for five-year periods within the 30- or 40-year term. The term of the initial ACC is the same as the initial HAP Contract term. Nonrenewal of the Section 8 HAP Contract under federal law and Minnesota state statutes requires proper notification to the residents, the applicable city, the Metropolitan Council Housing and Redevelopment Authority, the Agency and HUD. This nonrenewal (opt-out) of the HAP Contract is independent of the Development's existing first mortgage financing. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.") Although the Section 8 housing assistance payments are made to the owner and in effect represent rental income, the HAP Contract may, with HUD's consent, be assigned as security by the owner to the first mortgage lender for the Development. All of the Developments with HAP Contracts within the Agency's first mortgage loan portfolio are assigned to the Agency as security for the Mortgage Loan. HAP Contracts may not be terminated by HUD if the Mortgage Loan on the Development goes into default, so long as the owner has not breached any of the owner's obligations under the HAP Contract. In the event of a breach of the HAP Contract by the owner, HUD may abate subsidy payments or terminate the HAP Contract after giving the owner reasonable opportunity to comply with the requirements of the HAP Contract. Under HUD regulations, the HAP Contract may be assigned to a new owner of the Development. HUD may also determine that the HAP Contract may be terminated or may reassign the Section 8 housing assistance payments subsidy to another development. If the Section 8 subsidy is assigned to another development, the HAP Contract and the ACC will continue in effect and housing assistance payments will continue in accordance with the terms of the HAP Contract. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.")

Certain Information Regarding Housing Assistance Payment Contracts

General

The following discussion provides certain information with regard to the Section 8 program and HAP Contract requirements that may affect payments made by HUD pursuant to the HAP Contracts. That information is not comprehensive or definitive and, as appropriate, is qualified in its entirety by reference to the United States Housing Act of 1937, as amended (the "Housing Act"), and HUD Section 8 Program Guidebooks, Handbooks, Notices, and Memoranda.

Adjustments in Contract Rents

The HAP Contract defines the type of contract rent adjustment that the Development can request. For HAP Contracts in the Agency's Traditional Contract Administration portfolio that are in their original term, owners can request an Annual Adjustment Factor Rent Adjustment based on the annual adjustment factor published by HUD. Interim revisions may be made where market conditions warrant. The annual adjustment factor is applied on the anniversary date of each HAP Contract to contract rents, resulting in upward adjustment. Pursuant to federal legislation enacted in 1997, if the contract rents for a Development exceed the applicable HUD fair market rents, then contract rents may not be increased beyond comparable market rents (plus the initial differential between the initial contract rents and the comparable rents). The comparable rents are determined by independent appraisals of Developments in the form of a Rent Comparability Study submitted by the owner. In addition, special additional adjustments may be granted to reflect increases in the actual and necessary expenses of owning and maintaining a Development resulting

from substantial “and general increase in real property taxes, assessments, utility rates and hazard insurance increases, where the increased cost is not sufficiently covered by the annual AAF adjustment.” HUD Notice H 2002-10. Adjustments may not result in material differences between rents charged for assisted units and unassisted units of similar quality and age in the same market area, except to the extent of the initial difference at the time of contract execution. Under current law, “[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section, unless the project has been refinanced in a manner that reduces the periodic payments of the owner.” 42 U.S.C. § 1437f(c)(1)(C). There can be no assurance that increases in contract rents will result in revenues sufficient to compensate for increased operating expenses of the Developments. There can be no assurance that there will not be a decrease in contract rents. A rent decrease may affect the ability of the owners of the Developments to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds with amounts pledged under the Bond Resolution. (See “Certain Recent Developments.”)

Limitations on Increases in Housing Assistance Payments

An increase in contract rents, because of the application of an annual adjustment factor or a special additional adjustment, will normally result in an increase in Housing Assistance Payments payable to the owner under the HAP Contract. The annual maximum housing assistance payments are initially limited to the initial contract rents. A project account is required to be established and maintained by HUD, in an amount determined by HUD, and the account must be established and maintained consistent with its responsibilities under the Housing Act. Whenever the estimated annual housing assistance payment exceeds the annual maximum housing assistance commitment and would cause the amount in the project account to be less than 40 percent of that maximum commitment, HUD is required to take additional steps authorized by Section 8(c)(6) of the Housing Act to assure that housing assistance payments will be increased on a timely basis. Section 8(c)(6) of the Housing Act authorizes “the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts.” Based on this guidance, HUD does not increase annual contributions contract authority until the project account has been exhausted.

Certain Recent Developments

In July 2002, HUD announced an interpretation of its Office of General Counsel with respect to the form of HAP Contract in use prior to 1979 (the “Old Regulation HAP Contract”). This interpretation provides that the HAP Contract terminates upon any prepayment of the original permanent financing of the related development, including any refinancing that included prepayment of the first Mortgage Loan. HUD also stated that it would agree to amend any HAP Contract to eliminate that termination. All of the first mortgage loans with this form of HAP Contract in the Agency’s TCA portfolio were provided by the Agency. There are many Developments with Agency mortgage loans that have been prepaid where HUD has continued to make payments under the HAP Contracts during the years since the Agency loans were prepaid. It is the Agency’s understanding that current HUD practice is to approve the continuation of HAP Contracts upon payment of the original financing when the owner has elected to remain in the Section 8 program. In 2015, HUD issued the final version of the Section 8 Renewal Policy Guide Book. Chapter 16 of the Guide Book reiterates the Office of General Counsel interpretation of the Old Regulation HAP Contract and gives prepaying owners the option to amend the HAP Contract to extend the term to the originally scheduled maturity date, renew the HAP contract under the Multifamily Assisted Housing Reform and Affordability Act (“MAHRA”), or opt out of the Section 8 program. Contracts that are subject to Chapter 16 will be renewed and amended as outlined in the newly revised chapter. At this time, the Agency cannot predict the potential risk for opt-outs under the provisions of Chapter 16; however, the Agency handles potential opt-outs proactively to support the Agency’s priority for preservation of federally assisted housing.

In recent years, there have been numerous pronouncements from HUD officials and various elected officials as to the future of HUD and the Section 8 program. The scope of these pronouncements has ranged from a total elimination of HUD and the Section 8 program to a restructuring of HUD and the reduction in funding of the Section 8 program. In addition, the consolidation and alignment of HUD’s programs and the transfer of certain administrative responsibilities for HUD programs to contract administrators, state and local governments and other entities continue to be proposed. (Note that HUD has contracted project-based Section 8 program administration services to state and local governments and other entities since 1999.) Furthermore, Congress continues to propose reductions in all federal spending, including funding for HUD and its programs.

HUD officials have from time to time proposed to Congress that it repeal the provision of the Housing Act prohibiting the Secretary of HUD from reducing contract rents below the current contract rents in effect as of April 15, 1987. (See “Adjustments in Contract Rents.”) It is not clear whether such a repeal would withstand a constitutional challenge. The effect of repealing those provisions would be to permit HUD to reduce the contract rents for Section 8 Developments to “market rents,” but not lower than the initial contract rents, plus the initial difference, approved by HUD for the Development. Reductions in current contract rents have occurred and continue to occur due to HUD’s changes to its Section 8 Renewal Policy Guide Book and its 4350.1 Handbook (Chapter 7).

At this time, the Agency cannot predict the terms of the legislation, if any, that may be enacted with respect to HUD. Legislation could significantly change HUD’s structure, its administration and its programs (including the Section 8 program), and the funding of HUD and its programs. The Agency also cannot predict whether any legislation, if enacted, would adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds (including the Series Bonds) with amounts pledged under the Resolutions.

Over the years, there have been several court decisions with respect to the Section 8 program and HAP Contracts. The United States Supreme Court, in its 1993 decision, *Cisneros v. Alpine Ridge Group*, held that HAP Contracts between private landlords and HUD did not prohibit the use of comparability studies with private market rents to impose an independent cap on formula-based rent adjustments. In a January 1997 decision, *National Leased Housing Association v. United States*, the United States Court of Appeals for the Federal Circuit upheld a decision of the Court of Claims that the “overall limitation” provision contained in the rent adjustment section in HAP Contracts (which states, in effect, that notwithstanding any other provision of the HAP Contract, adjustments provided for in that section of the HAP Contract must not result in material differences between the rents charged for assisted and comparable unassisted units except to the extent that differences existed with respect to the contract rents set at contract execution or cost certification, as applicable) permits HUD to use comparability studies to decrease contract rents to eliminate material differences between rents charged for assisted and comparable unassisted units that are greater than the initial difference. In addition, the Court of Appeals affirmed the decision of the Court of Claims that HAP Contracts permit HUD to reduce rents below a previous year’s rent levels through the use of comparability studies, and that the “initial difference” referred to in the HAP Contract is determined by the initial dollar amount and not by a percentage of the initial rents. Based on guidance in HUD’s Section 8 Renewal Policy Guidebook, issued in 2000, as amended, HAP Contracts that are renewed under MAHRA may have their contract rents reduced to “market rents.” This Guidebook also provides the opportunity for debt restructuring by HUD’s Office of Affordable Housing Preservation in conjunction with the reduction in contract rents if a property is eligible.

At this time, the Agency is unable to predict what additional actions, if any, HUD or Congress will take in the future with respect to rent adjustments. Future policy changes for rent adjustments may be impacted by federal budget constraints. Beginning in federal fiscal year 2012, HUD implemented three primary cost cutting measures that affect all New Regulation (i.e., post-1979) HAP Contracts. These cost cutting measures, which have been continued for federal fiscal year 2015, include using residual receipts in lieu of rent increases, using residual receipts in lieu of subsidy payments, using the lesser of budget-based or Operating Cost Adjustment Factor (“OCAF”) rent adjustments, offering automatic OCAF rent adjustments that are limited to market rents including option 4 multi-year annual renewals, and short funding HAP Contracts. Old Regulation HAP Contracts that have not initially renewed under MAHRA have not been affected by the cost cutting measure of using residual receipts in lieu of subsidy payments. As noted above under “Adjustments in Contract Rents,” Congress has passed legislation and HUD has implemented procedures to restrict Annual Adjustment Factor rent increases above fair market rents for the 1997 and subsequent federal fiscal years for contracts that are in their original 20-, 30- or 40-year term. Upon initial renewal of the HAP Contract, the Development generally is not eligible for Annual Adjustment Factor rent adjustments under MAHRA, but is eligible for budget based, Operating Cost Adjustment Factor, mark-up-to-market, and mark-to-market (mark down to market) rent adjustments. HUD’s Section 8 Renewal Policy Guide Book, as amended, and its Handbook 4350.1, Chapter 7 do not allow for the use of initial differences, Financing Adjustments, or Financing Adjustment Factors when determining these rent adjustments; they are excluded from rent adjustment calculations. Also, HUD has proposed additional changes to the Section 8 HAP Contracts that include provisions around combining HAP Contracts and risk-based monitoring. Currently, guidance for combining HAP Contracts has been issued through a HUD memorandum. The Agency has not seen this tool leveraged by owners; however, the potential does exist. This measure would reduce the number of on-site inspections and the number of financial statements that owners must submit, as well as allow properties to share income and operating expenses. The 2014 cost cutting measures remain in effect. Actions by HUD that limit options for contract renewals and restrict the definition of market rents in many cases result in a decrease in contract rents, which could negatively impact the ability of owners to pay principal and

interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds from the amounts pledged under the Bond Resolution.

Project-Based Vouchers

Recently, the Agency has been working with local housing and redevelopment authorities and public housing authorities to provide for project-based Section 8 Housing Choice Vouchers for a portion of the units in a Development financed under the LMIR Program. Under this program, approximately 20 percent of the units in a Development receive year-to-year project-based Housing Choice Vouchers with the rents set at the Section 8 Existing Housing Fair Market Rent (“FMR”) or payment standard. The Agency has found that the HUD-published FMR or payment standard is typically less than the market rent that could be charged without the subsidy; therefore, staff considers there to be minimal risk in the event of nonrenewal of the year-to-year ACC.

Section 8 Contract Administration

In 2000, the Agency was awarded an Annual Contributions Contract (“ACC”) with HUD as a Performance-Based Contract Administrator (“PBCA”) for the contract administration of a portion of HUD’s project-based Section 8 portfolio. Under the ACC, HUD partners with qualified entities for the administration of Section 8 HAP Contracts made directly between HUD and owners of the affected developments. In 2011, HUD held a national competitive rebid to qualified entities for the work performed under the ACC. The Agency was one of 11 states that had only one bid and were awarded a contract uncontested. As a result, the Agency was awarded a new two-year PBCA contract for the State of Minnesota, which was originally set to expire on September 30, 2013. The Agency has been granted extensions of its ACC since September 30, 2013. The most recent extension is in effect through January 31, 2023. The 2011 national rebid process resulted in a number of bid protests. As a result of those protests and the resultant litigation, the U.S. Court of Appeals for the Federal Circuit ruled that the PBCA ACCs should be awarded through the federal procurement process rather than the Notice of Funding Availability and cooperative agreements that HUD used in making its 2011 contract awards. The Supreme Court declined to review the ruling.

HUD issued two draft Request for Funding Proposals (“RFPs”) that encapsulated the work conducted under the PBCA program in late 2017. The draft RFPs contemplated significant program changes, including dividing the work between a national contract and multiple regional contractors. In March of 2018, HUD cancelled the RFPs in light of the extensive comments that were submitted regarding the drafts. The cancellation notices indicate that HUD plans to undertake additional due diligence and expects to issue new RFPs at some point in the future. It is unclear when HUD may issue any more RFPs related to the work conducted under the PBCA program. Depending on the form and content of any RFPs, there may be bid protests and litigation with respect to the RFPs and any new awards of the PBCA contracts that result from the RFPs. The Agency intends to seek to retain the PBCA work in the State of Minnesota. There is, however, significant uncertainty in this area as it is unknown when HUD will release any subsequent RFPs, what the terms of those RFPs will be, and what impact any bid protests or litigation may have on the process. HUD reserved the right to terminate the ACC with 120 days’ notice if HUD completes or anticipates completing the RFP solicitation process before the end of the extension term.

Market Rate Mortgage Loan Program

In its Market Rate Mortgage Loan Program, which is administered by the Multifamily Division of the Agency, the Agency issues Bonds under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds are lent by the Agency to nonprofit or limited profit sponsors that agree to construct the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. The Agency is not presently making any new Mortgage Loans pursuant to this Program.

Monitoring of Developments

In an attempt to minimize the risk inherent in long-term Mortgage Loans, the Agency has established the following guidelines for the monitoring of Developments:

- The Agency's Accounting Division is responsible for monthly billing of principal and interest and escrows, and for paying insurance, property taxes and other expenses in a timely manner.
- The Agency's Multifamily Asset Management Section is responsible for the supervision of all Developments, beginning with the feasibility processing. Prior to loan closing the Asset Management Section works with the sponsors and their marketing and management agents to review marketing and management plans. The management plan of a Development includes information on the management agent's proposed method of operating the Development. That information relates to the organizational structure and on-site duties and staffing of the management agent, initial and on-going marketing plans, contents of an orientation handbook for residents and requirements for reporting operating expenses, budget and energy conservation information. Upon completion of construction or rehabilitation, the Asset Management Section begins to monitor the implementation of the management plan, rent up and ongoing occupancy and reviews periodic submissions of income and expense data.

The Asset Management Section generally monitors the operations of Developments on an ongoing basis in generally the following ways:

- *On-Site Inspections.* After initial marketing has been completed, on-site inspections are periodically made to check on management performance. Reports summarizing findings of inspections are submitted to the owner and management agent along with a timetable for correcting deficiencies, if necessary.
- *Reporting Requirements.* Management agents for each Development are required to submit regular accounting and occupancy reports to the Agency's Asset Management Section. Smaller, non-subsidized Developments have proven to be erratic in meeting the Agency's reporting requirements. The reports are reviewed by the Housing Management Officer assigned to each Development in order to identify significant deviations from the operating budget or change in occupancy.

The Agency generally receives the following financial information related to each Development:

- (i) Monthly Operating Report—due the 15th day of the following month;
- (ii) Analysis of Accounts Payable and Receivable—due the 15th day of the month following the end of each quarter;
- (iii) Analysis of Reserve Accounts—prepared monthly by Asset Management staff;
- (iv) Annual Budget—due 60 days prior to the beginning of the fiscal year to which the budget relates; and
- (v) Annual Audited Financial Statements—due not more than 90 days (60 days for HUD Risk Share) following the end of each fiscal year.

For seasoned, well-maintained, financially sound Developments, the Agency may only require annual operating reports in the future.

- *Training Sessions.* The Agency provides technical assistance when needed for new management agents and the on-site resident manager to acquaint them with Agency and HUD procedures and requirements. Technical assistance is provided, as needed, throughout the life of the Mortgage Loan.

Applicable Federal Law Requirements

Applicable federal tax law imposes significant limitations on the financing of Mortgage Loans for Developments with the proceeds of qualified residential rental property bonds, such as the Series Bonds. (See “Tax Exemption and Related Considerations.”)

OTHER PROGRAMS

In addition to the Program funded from the proceeds of the Bonds, the Agency finances other housing programs that provide loans for the purchase or improvement of single family housing and the acquisition, construction or rehabilitation of multifamily rental housing in the State of Minnesota. The assets devoted to these programs are briefly described in the notes to the Financial Statements in Appendix B-1.

TAX EXEMPTION AND RELATED CONSIDERATIONS

General

The applicable federal tax law establishes certain requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). These requirements are generally described below. Noncompliance with these requirements may cause interest on the Series Bonds to become includable in gross income for purposes of federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which that noncompliance is ascertained or occurs.

The Bond and Series Resolutions, and loan documentation pertaining to the Development financed by the Series Bonds, contain provisions (the “Tax Covenants”), including covenants of the Agency and the owner, pursuant to which, in the opinion of Bond Counsel, the current requirements of the Code can be satisfied.

Opinion of Bond Counsel

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered, with respect to the Series Bonds, on the date of issuance of the Series Bonds, assuming the accuracy of certain representations and continuing compliance by the Agency with the Tax Covenants, under existing laws, regulations, rulings and judicial decisions, interest payable on the Series Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, provided interest on any Series Bond, is not excluded from gross income for federal income tax purposes of any holder of the Series Bonds who is a “substantial user” of a development financed by the Series Bonds or a “related person” thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is further of the opinion that interest on the Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax under the Code; however, interest on the Series Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022.

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the Series Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series Bonds, and renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series Bonds, or under state and local tax law.

A form of the Bond Counsel opinion with respect to the Series Bonds is attached hereto as Appendix F.

Prospective owners of the Series Bonds should be aware that the ownership of obligations such as the Series Bonds may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations and applicable corporations as defined in Section 59(k) of the Code relating to the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction, and Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series Bonds should consult their tax advisors as to the tax consequences of purchasing or owning the Series Bonds. Interest on the Series Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

The foregoing is a brief discussion of certain collateral Federal income tax matters with respect to the Series Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal Government. Noncompliance with those requirements may cause interest on the Series Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which that noncompliance occurs or is discovered. The Agency will covenant that it will do and perform all acts necessary or desirable to assure the exclusion of interest on the Series Bonds from gross income under Section 103 of the Code. The Agency will deliver a certificate with respect to ongoing Federal tax requirements with the issuance of the Series Bonds that will contain provisions relating to compliance with the requirements of the Code. The Agency also has required or will require owners to make certain covenants in the Mortgage Loan documents relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any covenant, the remedies available to the Agency or the owners of the Series Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the Series Bonds for Federal income tax purposes.

Low Income Set-Aside Requirements under the Code

Each series of bonds issued under the Bond Resolution with the intention that the interest paid thereon will be excludable from gross income for Federal income tax purposes ("Tax-Exempt Bonds"), including the Series Bonds, must satisfy the applicable requirements of the Code. In general, Tax-Exempt Bonds originally issued for new money purposes after the general effective date of the Code of August 16, 1986, are fully subject to the applicable requirements of the Code, including the more restrictive low income set-aside requirements under the Code. The Series Bonds are fully subject to the low income set-aside requirements of the Code. This section includes brief summaries of certain low income set-aside requirements and other requirements for qualified residential rental projects under the Code.

The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide "qualified residential rental projects." The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking, and sanitation that are available to the general public and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20 percent of the completed units in a project to be financed with the proceeds of the Series Bonds be continuously occupied during the "qualified project period" by individuals and families whose annual adjusted income does not exceed 50 percent of the area median income (with adjustments for family size), or (ii) at least 40 percent of the completed units in a

project to be financed with the proceeds of the Series Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60 percent of the area median income (with adjustments for family size). The Agency will make elections on the applicable low income set-aside requirements with respect to the Development expected to be financed with the proceeds of the Series Bonds prior to the issuance date of the Series Bonds. In addition, all of the units in the Development must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the “qualified project period” as the period beginning on the first day upon which 10 percent of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50 percent of the residential units in the project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the project is outstanding, or (iii) the date upon which any assistance provided with respect to the project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A Development generally will meet the continuing low income set aside requirement so long as a tenant's income does not increase to more than 140 percent of the applicable income limitation. Generally, upon an increase of a tenant's income over 140 percent of the applicable income limitation, the next available unit of comparable or smaller size in the applicable Development must be rented to a tenant whose income does not exceed the applicable income limitation; provided however, that if tax credits under Section 42 of the Code are allowed with respect to the applicable Development, the next available unit of a comparable or smaller size in the same building as the tenant whose income has increased over 140 percent of the applicable income limitation must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made to the Secretary of the Treasury regarding compliance with the applicable income limitations.

Certain State Tax Legislation

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota's exemption of that interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any court decision becomes final, irrespective of the date upon which the obligations were issued.

On May 19, 2008 the U.S. Supreme Court held in *Department of Revenue of Kentucky v. Davis* that Kentucky's taxation of interest on bonds issued by other states and their political subdivisions, while exempting from taxation interest on bonds issued by the Commonwealth of Kentucky or its political subdivision, does not impermissibly discriminate against interstate commerce under the Commerce Clause of the U.S. Constitution. In a footnote, however, the Court stated that it had not addressed whether differential treatment of “so-called ‘private-activity,’ ‘industrial-revenue,’ or ‘conduit’ bonds . . . used to finance projects by private entities” violate the Commerce Clause, adding that “we cannot tell with certainty what the consequences would be of holding that Kentucky violates the Commerce Clause by exempting such bonds; we must assume that it could disrupt important projects that the States have deemed to have public purposes. Accordingly, it is best to set this argument aside and leave for another day any claim that differential treatment of interest on private-activity bonds should be evaluated differently from the treatment of municipal bond interest generally.”

Since the Series Bonds are “private activity bonds” and the Supreme Court's opinion left open the possibility of a challenge to Minnesota's differential treatment of the interest on private activity bonds issued in other states, the Agency cannot predict the outcome of any challenge. If Minnesota's treatment of the bonds were held to unlawfully discriminate against interstate commerce, the court making such a finding would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those years preceding the decision were to exempt other states' bond interest rather than to tax Minnesota bond interest, application of the 1995 statute to subsequent years could cause interest on the Series Bonds to become taxable by Minnesota and the market value of the Series Bonds to decline.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above, prevent owners of the Series Bonds from realizing the full current benefit of the tax treatment of the Series Bonds or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced that, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency, overtly threatened any litigation against the Agency seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds or in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

The Agency is a party to various litigation arising in the ordinary course of business. While the ultimate effect of those actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

LEGAL MATTERS

The validity of the Series Bonds and the tax exemption of interest thereon are subject to the legal opinion of Kutak Rock LLP, Bond Counsel. A copy of the opinion of said firm, substantially in the form set forth in Appendix F hereto, will be available at the time of delivery of the Series Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Dorsey & Whitney LLP.

FINANCIAL ADVISOR

CSG Advisors Incorporated (the “Financial Advisor”) is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

RATINGS

The Series Bonds are rated “___” by Moody’s Investors Service, Inc., and “___” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC. The ratings reflect only the views of the applicable rating agency, and an explanation of the significance of that rating may be obtained only from the rating agency and its published materials. The ratings described above are not a recommendation to buy, sell or hold the Series Bonds. The Agency cannot give any assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Therefore, after the date of this Official Statement, investors should not assume that the ratings are still in effect. A downward revision or withdrawal of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds. The Agency has not assumed any responsibility either to notify the owners of the Series Bonds of any

proposed change in or withdrawal of any rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Undertaking (see Appendix C to this Official Statement), or to contest any revision or withdrawal.

TRUSTEE

Computershare Trust Company, National Association (the “Trustee”), a national banking association, serves as successor Trustee under the Bond Resolution to Wells Fargo Bank, National Association (“WFBNA”). The Trustee also serves as bond trustee for other outstanding bonds of the Agency. As part of the sale of WFBNA’s corporate trust services to the Trustee, virtually all corporate trust services employees of WFBNA along with most existing corporate trust services systems, technology and offices, transferred to the Trustee, together with all duties, obligations and rights of WFBNA under the Bond Resolution.

Pursuant to the Bond Resolution, any successor Trustee, including a successor by sale or transfer of the corporate trust business, must be a bank or trust company or national banking association having trust powers and combined capital and surplus aggregating at least \$75,000,000.

UNDERWRITING

RBC Capital Markets, LLC (the “Underwriter”) will purchase the Series Bonds. The Underwriter is to be paid a fee of \$_____ with respect to its purchase of the Series Bonds. The Underwriter may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

The Underwriter is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which it may have received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriter may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of the Agency.

MISCELLANEOUS

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statement made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or holders of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

**MINNESOTA HOUSING FINANCE
AGENCY**

_____, 202__.

By _____
Commissioner

APPENDIX A

**DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS
PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS, AND MORTGAGE LOANS AND
DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY
UNDER THE RENTAL HOUSING BOND RESOLUTION,
INCLUDING THOSE INTENDED TO BE FINANCED
WITH PROCEEDS OF THE SERIES BONDS**

APPENDIX B-1

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

APPENDIX B-2

**FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY
(EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS)
AS OF SEPTEMBER 30, 2022
AND FOR THE THREE MONTHS THEN ENDED (UNAUDITED)**

APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

The following statements are extracted provisions of the Continuing Disclosure Undertaking to be executed by the Agency in connection with the issuance of the Series Bonds.

Purpose

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the “Bondholders”) and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

Definitions

In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

“*Annual Financial Information*” means the following financial information and operating data (in addition to Audited Financial Statements): information about the Mortgage Loans and Developments of a type substantially similar to that in Appendix A in the Official Statement.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under the caption “Annual Financial Information Disclosure” herein.

“*Audited Financial Statements*” means the audited financial statements of the Agency, prepared pursuant to the standards and as described under the caption “Annual Financial Information Disclosure.”

“*Beneficial Owners*” means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

“*Commission*” means the Securities and Exchange Commission.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Financial Obligation*” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

“*Listed Event*” means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;
2. Nonpayment-related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);
13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties.

“*Listed Events Disclosure*” means dissemination of a notice of a Listed Event as described under the heading “Listed Events Disclosure” in this Appendix C.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“Undertaking” means the obligations of the Agency described under the headings “Annual Financial Information Disclosure” and “Listed Events Disclosure” in this Appendix C.

Annual Financial Information Disclosure

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below) for each fiscal year of the Agency, commencing with the fiscal year ending June 30, 2023, by one of the following methods: (i) the Agency may deliver such Annual Financial Information and the Audited Financial Statements to the MSRB within 120 days of the completion of the Agency’s fiscal year or (ii) delivery of an Official Statement of the Agency to the MSRB within 120 days of the completion of the Agency’s fiscal year, but only to the extent such Official Statement includes such Annual Financial Information and Audited Financial Statements.

The Agency is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Agency will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 120 days after the last day of the Agency’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the Agency, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

Listed Events Disclosure

The Agency hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution.

Consequences of Failure of the Agency To Provide Information

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondholder or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

- (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;
- (ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondholders of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Resolution at the time of the amendment; or
- (iv) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

The Undertaking of the Agency shall be terminated when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Additional Information

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Beneficiaries

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondholders and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

Recordkeeping

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains various covenants and security provisions, certain of which are summarized below. The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Bond Resolution, to which reference is hereby made, copies of which are available from the Agency or the Trustee.

Resolution Constitutes Contract with Trustee and Bondholders

Upon acceptance by the Trustee of the trusts created in the Bond Resolution and upon the purchase of Bonds by a Holder thereof, the Bond Resolution and applicable Series Resolution shall constitute a contract of the Agency with the Trustee and the Bondholders. The pledge made and security interests granted in the Bond Resolution are for the equal benefit, protection and security of all such Bondholders; all Bonds shall be of equal rank without preference, priority or distinction except as expressly provided or permitted in the Bond Resolution. The Agency covenants that it will cause to be deposited with the Trustee all proceeds of Bonds, all Mortgages, Mortgage Loans, and other securities purchased from Bond Proceeds and all income thereon. The pledge of the Agency is valid and binding from the time when made and all Mortgages, Mortgage Loans, securities and income thereon pledged and received by the Agency shall be subject to the lien thereof. The Agency pledges its full faith and credit for payment of principal, interest, and premium, if any, on the Bonds; the Bonds are a general obligation of the Agency. The State has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency nor impair the rights or remedies of the Bondholders until the Bonds, together with interest due, are fully paid.

Definitions

The following are definitions of certain terms used in the Bond Resolution and in this Official Statement (but not otherwise defined herein).

Accreted Value: for any Capital Accumulator Bond or Bonds, as of any date, the value (which may be rounded to the nearest dollar) resulting from the compounding of interest on the original principal amount and accretion thereof to principal on each prior Interest Payment Date at the approximate yield expressed in the Bond and provided in the applicable Series Resolution.

Agency Hedge Payment: a payment due to a Hedge Counterparty from the Agency pursuant to the applicable Hedge Agreement (excluding, however, payments in respect of any early termination of such Hedge Agreement).

Bond Requirement: as of any particular date of calculation, the sum of (i) that amount of the interest to become due on each Series of Outstanding Bonds at its next Interest Payment Date the deposit of which, once each month between that and the last such Interest Payment Date (or if none, since the Issue Date), would produce a sum sufficient to pay such interest, (ii) that amount of the Principal Installment due on each Series of Outstanding Bonds at its next Principal Installment Date, the deposit of which, once each month between that and the last such Principal Installment Date (or if none, once each month for a period of twelve months prior to the next Principal Installment Date), would produce a sum sufficient to pay such Principal Installment; (iii) any amount referred to in clause (i) and (ii) which has not been deposited in the Bond Fund in any month preceding the date of calculation; (iv) any Principal Installment and interest due and unpaid before the date of calculation; and (v) interest accrued on any such Principal Installment and (to the extent lawful) on any such interest, at the same rate as that borne by the Principal Installment before its maturity; provided that if, as of the date of calculation, the interest rate on any Variable Rate Bonds cannot be determined for any period before the next Interest Payment Date therefor, the interest rate for such period shall be assumed to be the Maximum Rate for such Variable Rate Bonds.

Capital Accumulator Bond: any Bond the interest on which is not currently payable on Interest Payment Dates during each year of its term (or portion of its term) but accrues and is accreted to principal on each Interest

Payment Date and is payable as part of the Accreted Value of the Bond at maturity, or at a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Current Interest Bond: any Bond the interest on which is payable on Interest Payment Dates during each year of its term (or portion of its term), or to a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Debt Service Reserve Requirement: as of any particular date of computation, an amount of money (or cash equivalent available under a letter of credit, insurance policy, surety bond or similar security instrument issued by an institution whose debt obligations at the time of such issuance are rated as high as or higher than the Bonds by a nationally recognized bond rating agency) equal to the sum of amounts computed for each Series of Outstanding Bonds, each in accordance with the applicable Series Resolution.

Development: a specific improvement or structure constituting residential housing as defined in the Act, containing units for possession pursuant to a leasehold estate or cooperative ownership, and financed in whole or in part by the issuance of Bonds or Notes.

Escrow Payment: any payment made in order to obtain or maintain mortgage insurance and fire and other hazard insurance, including payments for any Federal, state, local or private program intended to assist in providing Mortgages, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Mortgagor customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Mortgage Loan or any Subordinate Mortgage Loan.

Expense Requirement: such amount of money as may from time to time by Series Resolution or Supplemental Bond Resolution of the Agency be determined to be necessary for the payment of costs and expenses of the Agency pursuant to the Program (other than costs and expenses properly payable from a Cost of Issuance Account), and including any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds.

Hedge Agreement: a payment exchange agreement, swap agreement, forward agreement or any other hedge agreement between the Agency and a Hedge Counterparty, as amended or supplemented, providing for payments between the parties based on levels of, or changes in, interest rates or other indices, including, without limitation, interest rate exchange agreements, floors or caps, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to any Bonds outstanding or proposed to be issued and which is entered into in accordance with the requirements described under the subheading "Hedge Agreements."

Hedge Counterparty: any person or entity with whom the Agency shall from time to time enter into a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Hedge Counterparty Guarantee: a guarantee in favor of the Agency given in connection with the execution and delivery of a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Interest Payment Date: each date on which interest on any Series of Bonds is required to be paid under the applicable Series Resolution.

Investment Obligation: any of the following, including puts and call options in future contracts traded on a contract market designated and regulated by a federal agency, which at the time are legal investments for Fiduciaries under the laws of the State for moneys held hereunder which are then proposed to be invested therein: (i) direct general obligations of the United States of America; (ii) obligations the payment of the principal of and interest on which, in the opinion of the Attorney General of the United States, is unconditionally guaranteed by the United States; (iii) bonds, debentures, participation certificates, notes or other debt issued by any of the following: Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association, Export Import Bank of the United States, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Government National Mortgage Association, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of

the United States as an agency or instrumentality thereof or sponsored thereby; (iv) direct and general obligations of any state within the United States or of any political subdivision of the State of Minnesota, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (v) interest bearing deposit accounts in savings and loan associations or in state, national or foreign banks (including the Trustee and any Paying Agent), provided that either said deposits are insured by the Federal Deposit Insurance Corporation, are secured by obligations described in clauses (i) through (iii) above, or at the time the purchase is made the debt obligations of the depository are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vi) bankers' acceptances drawn on and accepted by commercial banks whose debt obligations at the time the purchase is made are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vii) commercial paper issued by United States corporations or their Canadian subsidiaries rated at the time the purchase is made in the highest rating category for commercial paper by each Rating Agency providing a Rating on Outstanding Bonds and maturing in 270 days or less; (viii) repurchase agreements and reverse repurchase agreements with banks which (1) are members of the Federal Deposit Insurance Corporation and (2) are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (i) through (iii) of this sentence; (ix) guaranteed investment contracts or similar deposit agreements with insurance companies with a claims paying rating from each Rating Agency providing a Rating on Outstanding Bonds at the time the contract or agreement is made at least equal to the respective Rating of the Bonds by the related Rating Agency, or with other financial institutions or corporations provided, at the time the contract or agreement is made, the debt obligations of any such financial institution or corporation are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds or such contracts or agreements are secured by obligations described in clauses (i), (ii), (iii) and (viii) above; (x) shares in an investment company registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933, or shares of a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least \$50,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, and whose only investments are qualified investments described in clauses (i), (ii), (iii) and (viii) above; (xi) notes, bonds, debentures or other debt issued or guaranteed by domestic corporations, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (xii) notes, bonds, debentures or other debt issued by the World Bank or the Inter-American Development Bank, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; and (xiii) any other investment that as of the date made does not impair the Rating of any Outstanding Bonds.

Maximum Rate: in respect of any Variable Rate Bonds, the maximum interest rate that such Bonds may bear as specified in the Series Resolution authorizing the issuance of the Variable Rate Bonds.

Mortgage: a mortgage deed, deed of trust, or other instrument, which, except as otherwise provided in the Bond Resolution, shall constitute a first lien in the State on improvements and real property in fee simple, or on a leasehold under a lease having a remaining term which, at the time the Mortgage is acquired, does not expire for at least that number of years beyond the maturity date of the Mortgage Loan or Subordinate Mortgage Loan secured by such Mortgage which is equal to the number of years remaining until the maturity date of the Mortgage Loan or Subordinate Mortgage Loan.

Mortgage Loan: a loan by the Agency to a Mortgagor for the financing and/or refinancing of a Development for the purposes set forth in Section 101 of the Bond Resolution, secured by a Mortgage on the Development.

Mortgagor: a natural person, a public or private corporation, a partnership, a joint venture or other organization or entity, to the extent permitted by the Act and the rules of the Agency thereunder (including the Agency or any corporation, agency or instrumentality created or controlled by the Agency).

Outstanding: a reference as of any particular time to all Bonds theretofore delivered except (i) any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Agency or by any other Fiduciary, at or before that time, and (ii) any Bond for the payment or redemption of which either (a) money equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or (b) Investment Obligations or money in the amounts, or the maturities and otherwise as described

and required under the provisions of paragraph (B) or (D) of Section 1201 of the Bond Resolution, has been deposited with one or more Fiduciaries in trust (whether upon or prior to the maturity or redemption date of the Bond) and except in the case of a Bond to be paid at maturity, of which notice of redemption has been given or provided for in accordance with Article VII therein, and (iii) any Bond in lieu of or in substitution for which another Bond has been delivered pursuant to Section 605, 607 or 906 of the Bond Resolution.

Prepayment: any money received from a payment of principal on a Mortgage Loan or Subordinate Mortgage Loan in excess of the scheduled payments of principal then due, or from the sale of a Mortgage Loan or Subordinate Mortgage Loan pursuant to Section 313 of the Bond Resolution, other than money constituting a Recovery Payment.

Principal Installment: as of any particular date of calculation, an amount equal to the sum of (i) the principal amount of Outstanding Current Interest Bonds which mature on a single future date, reduced by the aggregate amount of any Sinking Fund Installments payable before that date toward the retirement of such Outstanding Current Interest Bonds, plus (ii) the amount of any Sinking Fund Installment payable on said future date toward the retirement of such Outstanding Current Interest Bonds, plus (iii) the Accreted Value, as of the same future date, of Capital Accumulator Bonds which mature or are required to be redeemed as a Sinking Fund Installment on such date.

Program: the Agency's program of making Mortgage Loans, including the payment when due of principal of and redemption premium, if any, and interest on Notes, for the purposes specified in Section 101 of the Bond Resolution.

Rating: with respect to any Bonds and as of any date, the rating issued by a Rating Agency then in force and prior to a proposed action to be taken by the Agency. An action does not "impair" the Rating with respect to any Bonds if the action will not cause the Rating Agency to lower or withdraw the rating it has assigned to such Bonds.

Record Date: for (i) payment of principal of and interest on the Bonds shall be the 15th day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Recovery Payment: any money received or recovered by the Agency, in excess of the expenses necessarily incurred by the Agency in collection thereof, from (i) the sale or other disposition of a Development acquired by the Agency, or (ii) condemnation of a Development or part thereof, or (iii) other proceedings taken in the event of default by the Mortgagor, or (iv) the sale or other disposition of a Mortgage in default for the purpose of realizing on the Agency's interest therein, or (v) mortgage insurance or guaranty or hazard insurance.

Redemption Price: when used with respect to a Bond or portion thereof, the principal amount of a Current Interest Bond or the Accreted Value of a Capital Accumulator Bond or any portion thereof plus the applicable premium, if any, payable upon redemption thereof in accordance with its terms.

Revenues: all payments, proceeds, rents, charges and other income derived by or for the account of the Agency from or related to the Program, including without limitation the scheduled amortization payments of principal of and interest on Mortgages (whether paid by or on behalf of the Mortgagor or occupants of the Development subject to the Mortgage) and any Counterparty Hedge Payments payable by or received from or on behalf of any Hedge Counterparty pursuant to a Hedge Agreement or a Hedge Counterparty Guarantee, but not including Prepayments, Recovery Payments or Escrow Payments, and not including inspection, financing, application, commitment or similar fees or charges of the Agency which are included in the original principal amount of a Mortgage.

Sinking Fund Installment: any amount of money required by or pursuant to a Series Resolution as referred to in Section 202 of the Bond Resolution to be paid on a specified date by the Agency toward the retirement of any particular Term Bonds before their maturity.

Sinking Fund Installment Date: the date on which a Sinking Fund Installment is payable.

Subordinate Mortgage Loan: a Mortgage Loan, which may be junior and subordinate to other mortgage liens on a Development, made by the Agency pursuant to the authorization contained in Section 308 of the Bond Resolution.

Variable Rate Bonds: any Bonds the interest rate on which varies periodically such that the interest rate at a future date cannot be determined as of the date of calculation.

Authorization of Bonds

In order to provide sufficient funds for the Program, Bonds of the Agency designated as Rental Housing Bonds are authorized by the Bond Resolution to be issued from time to time without limitation as to amount except as provided in the Bond Resolution or as may be limited by law, and shall be issued subject to the terms, conditions and limitations established in the Bond Resolution. The full faith and credit of the Agency is pledged for the security of the Bonds, including interest and redemption premiums thereon, and the Bonds are general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of any other resolutions, indentures or state laws now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds.

Other Obligations

(A) Except as provided in Article II of the Bond Resolution, the Agency covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge or lien on the Revenues or will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution, including the Debt Service Reserve Fund. The foregoing provision shall not be construed as prohibiting the Agency from entering into hedging transactions, such as interest rate swaps, in connection with the issuance of any Series of Bonds, or in connection with the payment of any Series of Outstanding Bonds.

(B) The Agency expressly reserves the right to adopt one or more additional bond or note resolutions and reserves the right to issue other obligations so long as they are not a charge or lien prohibited by paragraph (A) of this Section of the Bond Resolution.

Pledge of the Resolution

The Agency in the Bond Resolution covenants that it will cause to be paid to and deposited with the Trustee, or to its credit with Depositories designated by the Agency, and pledges and grants to the Trustee a security interest in, all proceeds of Bonds, all Mortgages and Mortgage Loans and other securities made and purchased from such proceeds (or from the proceeds of Notes paid from the proceeds of Bonds), and all income and receipt therefrom. This pledge is intended to be valid and binding from the time when made, and the Bond proceeds, Mortgages, Mortgage Loans, other securities, income and receipts pledge and hereafter received by the Agency are immediately to be subject to the lien thereof without any physical delivery or further act, and the lien of such pledge is intended to be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, whether or not such parties have notice thereof.

Custody and Application of Bond Proceeds

Each Series Resolution authorizing the issuance of a Series of Bonds is required to specify the purposes for which the proceeds of such Series of Bonds may be used and to provide for the disposition of the proceeds thereof. Purposes for which Bonds may be issued are (a) the making of Mortgage Loans, (b) the financing of Mortgage Loans previously made from the proceeds of Notes, (c) the refunding of Outstanding Bonds, and (d) incident to these purposes, the deposit of amounts determined by or pursuant to the Bond Resolution to be credited and paid into the Funds and Accounts referred to in the Bond Resolution.

Note Accounts. Money in any Note Account shall be held by the Trustee and applied as directed by the applicable Series Resolution to the payment of Notes upon receipt of an Officer's Certificate identifying them by title, date of issuance and maturity or redemption, interest rate and the person to whom payment is to be made and the amount thereof. All interest and other income received from the deposit and investment of money in the Note Account pending application to the payment of Notes, unless otherwise directed by the applicable Series Resolution, shall be transferred as received to the Revenue Fund. Upon receipt of evidence satisfactory to the Trustee that such Notes have been paid and canceled, the Trustee shall transfer any balance remaining in the Note Account to the appropriate Project Account.

Project Account and Mortgage Loan Accounts. Money in each Project Account and Mortgage Loan Account shall be held by the Trustee or a Depository as directed by an Officer's Certificate. The Trustee shall create specific Mortgage Loan Accounts within the Project Account to finance specific Developments and the Trustee shall from time to time pay out or permit the designated Depository to pay out money in any Mortgage Loan Account held for the purpose of making a Mortgage Loan, upon receipt by the Trustee (or by the Depository with a copy to the Trustee) of an Officer's Certificate as to each payment or withdrawal, stating:

- (i) the name of the Mortgagor to, and Development for, which the payment is to be made;
- (ii) the amount to be paid; and
- (iii) that this amount, together with all prior withdrawals from said Mortgage Loan Account and all prior advances made by the Agency to the Mortgagor on account of the Mortgage Loan, will not exceed in the aggregate the authorized amount of the Mortgage Loan.

All interest and other income from time to time received from the deposit and investment of money in the Project Account or any Mortgage Loan Accounts shall be transferred as received to the Trustee for deposit in the Revenue Fund.

Promptly upon the fulfilling of its commitment to make a Mortgage Loan to a Mortgagor, or upon revocation of the commitment before any substantial disbursement of funds thereunder, the Agency will deliver to the Depository and the Trustee an Officer's Certificate stating such fact and the amount of money, if any, remaining in the applicable Mortgage Loan Account, and directing this amount to be transferred by the Depository to the Trustee and deposited by the Trustee in a designated Project Account or in one or more designated Mortgage Loan Accounts or the Redemption Fund.

Mortgage Provisions and Conditions

Each Mortgage Loan financed from the proceeds of Bonds or of Notes paid from the proceeds of Bonds or from amounts made available from the Redemption Fund, and the Mortgage securing it, shall conform to the following terms, conditions, provisions and limitations as well as those stated in "Program Covenants" herein, except to the extent, if any, that a variance therefrom is required by an agency or instrumentality of the United States guaranteeing, insuring, or otherwise assisting in the payment of the Mortgage Loans. In addition, the Agency may, solely from Excess Revenues under the Bond Resolution which could otherwise be withdrawn therefrom pursuant to Section 404(5) thereof, make Subordinate Mortgage Loans with respect to a Development upon such terms and conditions as the Agency may deem appropriate, and without regard to the following provisions.

Lien. With respect to each Mortgage Loan, the Mortgage and complementary financing statements and other necessary documents shall be executed, recorded and filed in accordance with the requirements of existing laws, so as to create and constitute a valid first mortgage lien on the real property or leasehold interest in real property of the Mortgagor which is the site of the Development and improvements thereon for which the Mortgage Loan is made, and a valid security interest in all personal property acquired with proceeds of the Mortgage Loan and attached to or used in the operation of the Development.

Title. Before the disbursement of Bond proceeds to make the Mortgage Loan or to pay Notes the proceeds of which were used to make it, the Mortgagor shall have acquired marketable title in fee simple to the site of the Development, or a leasehold interest therein sufficient as the subject of a Mortgage as defined in Section 103 of the Bond Resolution, subject only to liens and encumbrances which in the reasonable judgment of the Agency do not materially affect its value or usefulness for the intended use; and there shall be deposited with the Trustee, or with an agent (which may be the Agency) authorized by the Trustee to receive on its behalf and transmit to the Trustee, (i) the Mortgage; (ii) the note evidencing the Mortgage Loan; (iii) an acceptable title opinion or title insurance policy; and (iv) originals or photocopies of all other agreements and certificates of the Mortgagor relating to the Development.

Participation. The Agency may participate with another party or parties in the making of a Mortgage Loan for various purposes as set forth in the Resolution, if its mortgage lien and security interests, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The

Agency may make an additional Mortgage Loan in certain circumstances on a parity of lien with the Mortgage then held by the Agency or subordinate thereto (but not junior or subordinate to a mortgage held by any other party unless permitted by the Resolution).

Prepayments. With respect to each Mortgage Loan, the Mortgage shall not permit a Prepayment of the Mortgage Loan without the consent of an Authorized Officer of the Agency, unless required by an agency of the United States as contemplated in this section; but the Agency may undertake in the Mortgage to give its consent if the following conditions with respect to Prepayment exist:

- (a) the amount to be paid prior to satisfaction of the Mortgage equals, as of the date of the Prepayment:
 - (i) the unpaid principal balance of the Mortgage Loan; plus
 - (ii) accrued interest to the date of the Prepayment; plus
 - (iii) unless waived or modified by the Agency, a prepayment penalty calculated in accordance with the terms of the Mortgage; and
- (b) an Authorized Officer determines that after such Prepayment (whether total or partial), the Agency will remain in compliance with its Revenue Covenant.

The Agency may consent to the Prepayment of any Subordinate Mortgage Loan upon such terms as it, in its sole discretion, deems appropriate.

Insurance and Escrow. With respect to each Mortgage Loan, the Mortgage or an accompanying document shall require the Mortgagor:

- (a) to procure and maintain fire and extended coverage insurance on the Development in amount as determined by the Agency, payable to the Agency as its interest may appear;
- (b) to pay all taxes, special assessments and other lawful governmental charges with respect to the Development before they become delinquent, and all claims for work done and materials furnished with respect thereto before they are filed as liens on the Development, except during any period for which payment of part or all thereof may be deferred, with the written consent of and upon such terms as are specified by an Authorized Officer, for the purpose of contesting the same; and
- (c) to make monthly Escrow Payments to the Agency or a Servicer or a Depository sufficient to accumulate funds for taxes and other governmental charges and insurance premiums.

Disbursements. Before the disbursements of a Mortgage Loan from Bond proceeds the Mortgagor shall have completed the Development and paid all costs thereof in a manner approved by an Authorized Officer, or shall have:

- (a) obtained all governmental approvals required by law for the acquisition and construction of the Development;
- (b) obtained written approval by an Authorized Officer of final plans and specifications for the Development and provided, if required, assurance and documentation of a nature and in an amount sufficient in the opinion of an Authorized Officer, securing performance of the work in accordance therewith, provided that no disbursement of construction costs shall be made until such approval is given and such assurance furnished;
- (c) deposited with the Trustee or a Depository cash or an irrevocable letter of credit or other valuable consideration satisfactory to an Authorized Officer, in any amount by which the cost of the Development as estimated by the Agency exceeds the authorized amount of the Mortgage Loan.

The Agency may impose additional disbursement requirements, or modify the foregoing requirements, to the extent required to comply with the rules, regulations or procedures of any agency or instrumentality of the United States guaranteeing, insuring or otherwise participating in the making of a Mortgage Loan or the repayment thereof.

Alienation. Except as provided below, with respect to each Mortgage Loan, the Mortgage shall not permit the sale, lease or encumbrance of the Development without the written consent of the Agency, by its Authorized Officer, which consent may be given (but need not be given) only in the cases of:

- (a) receipt of full Prepayment conforming to the requirements stated below;
- (b) grant of easements, licenses or rights-of-way over, under or upon the site of the Development which, in the opinion of the Officer, do not destroy or diminish its usefulness for the purpose intended;
- (c) lease of the Development or a part thereof to a third party for the purpose of operation, provided that such lease is permitted by law and is subject to all of the terms, provisions and limitations of the Mortgage;
- (d) sale or exchange of any improved or unimproved land which in the opinion of an Authorized Officer is not needed for the efficient operation of the Development, provided that an appraisal acceptable to the Agency is received showing that the Development, subsequent to such release, has an appraised value not less than 110% of the outstanding principal balance of the Mortgage;
- (e) sale to another eligible Mortgagor approved by resolution of the Agency, who assumes all obligations of the original Mortgagor under the Mortgage and accompanying documents; in which case the Agency may release the original Mortgagor unless otherwise provided in the Mortgage;
- (f) grant of a parity mortgage lien on the Development or a portion thereof if such parity mortgage lien is given to secure financing for the expansion, improvement or renovation of the Development or portion thereof; or
- (g) grant of a subordinate mortgage lien on the Development or a portion thereof.

Enforcement. The Agency shall diligently enforce, and take all reasonable steps, actions and proceeding necessary for the enforcement, of all terms, covenants and conditions of Mortgages securing Mortgage Loans made by the Agency, including the prompt collection of Mortgage repayments and fees and charges and other Revenues.

Whenever it shall be necessary in order to protect and enforce the rights of the Agency under a Mortgage securing a Mortgage Loan and to protect and enforce the rights and interests of Bondholders under the Bond Resolution, the Agency shall commence foreclosure proceedings against each Mortgagor in default under the provisions of a Mortgage, shall bid for and purchase the Development covered by such Mortgage at the foreclosure or other sale thereof and shall acquire and take possession of such Development.

Upon foreclosure of a Mortgage securing a Mortgage Loan, or upon acquisition of the Development in lieu of foreclosure of a Mortgage in default, and so long as the Agency shall have title to or be in possession of the Development, the Agency shall, as the case may be, construct, operate and administer such Development in the place and stead of the Mortgagor in such manner as the Agency reasonably determines is in the best interests of the Bondholders. In so doing, the Agency, to the extent it may have money available for such purpose, including any money on deposit in the Mortgage Loan Account relating to the Development, may complete the construction and development thereof if not already completed in such manner as the Agency reasonably determines is in the best interests of the Bondholders. From money provided by the Agency from the ownership and operation of the Development, to the extent such money is sufficient for the following purposes, the Agency shall first pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to the Development, and after providing currently for these expenses shall pay the cost and expenses of operating the Development, including the repayments which the Mortgagor was obligated to pay pursuant to the terms and provisions of the Mortgage. The Trustee or other Depository of the Mortgage Loan Account established with respect to any Development foreclosed or otherwise acquired by the Agency prior to its completion shall be authorized to pay to the Agency upon its requisition any

amount on deposit in the Mortgage Loan Account, upon receipt of an Officer's Certificate that such amount is required to pay an item that would have been included in the cost of the Development had the Agency not acquired the same. If the Agency determines that completion of the Development is not in the best interests of the Bondholders, the remaining funds in any such Mortgage Loan Account shall be disposed of in the same manner as set forth in the Bond Resolution for funds remaining in a Mortgage Loan Account upon completion of a Development or cancellation of a commitment to make a Mortgage Loan for a Development.

Upon or after foreclosure of a Development under a Mortgage securing a Mortgage Loan, or acquisition thereof from the Mortgagor in lieu of foreclosure:

- (a) the Agency may resell the Development to an eligible Mortgagor and make a Mortgage Loan with respect thereto as if such eligible Mortgagor were the original Mortgagor, subject to all of the terms, provisions, conditions and limitations contained in this section and "Program Covenants" below; or the Agency may sell the Development to a party other than an eligible Mortgagor;
- (b) the Agency shall not resell the Development for a price less than its fair market value as reasonably determined by the Agency through a solicitation of bids for the purchase of the Development or by an appraiser or other real estate consultant selected by the Agency and acceptable to the Trustee;
- (c) subsequent to such sale the Agency must remain in compliance with its Revenue Covenant under the Bond Resolution; and
- (d) all proceeds from the sale of any Development shall be considered a Recovery Payment and shall be deposited in the Suspense Account in the Redemption Fund.

The foregoing provisions regarding foreclosure of mortgages shall not apply to Mortgages securing Subordinate Mortgage Loans, and the Agency may proceed to protect and enforce the rights of the Agency under a Mortgage securing a Subordinate Mortgage Loan in such manner as the Agency, in its sole discretion, deems appropriate.

Modification. Except as otherwise permitted by the terms of the Bond Resolution, the Agency shall not consent to the modification of the security for or any terms or provisions of any Mortgage Loan or the Mortgage securing the same in a manner materially detrimental to Bondholders. No reduction in the interest rate or schedule of payments will be made which would result in a failure by the Agency to comply with its Revenue Covenant. Notwithstanding the foregoing, the Agency may consent to the modification of the terms of any Subordinate Mortgage Loan or Mortgage securing such loan in any manner and to any extent the Agency, in its sole discretion, deems appropriate.

Sale. The Agency may sell any Mortgage or other obligation securing a Mortgage Loan provided that after such sale an Authorized Officer determines the Agency will remain in compliance with its Revenue Covenant. The Agency may sell any Mortgage or other obligation securing a Subordinate Mortgage Loan upon such terms and conditions as the Agency, in its sole discretion, deems appropriate.

Program Covenants—Revenue Covenant

The Agency shall from time to time, with all practical dispatch and in a sound economical manner consistent in all respects with the Act as then amended and in effect and with the provisions of the Bond Resolution, use and apply the proceeds of the Bonds, to the extent not required by the Bond Resolution for other Program purposes, to make Mortgage Loans pursuant to the Act and the Bond Resolution, and shall do all such acts and things as are necessary to receive and collect Revenues, Prepayments, Recovery Payments and Escrow Payments, consistent with sound practices and principles, and shall diligently enforce and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of the Mortgage Loans. The Agency shall also take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of Subordinate Mortgage Loans.

There shall at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution which, when added to any other legally enforceable payments on Mortgage Loans or with respect

to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from such calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that the Agency is in compliance with this covenant, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such determination.

The Agency reserves the right:

- (a) at the time of issuance of any Series of Bonds for the purpose of repaying notes or Bonds the proceeds of which were used to make a Mortgage Loan, to consent to a reduction of the interest on that Mortgage Loan, provided that the Agency will then be in compliance with the preceding paragraph;
- (b) at any time, to forgive a portion of the interest on a Mortgage Loan by consenting to the establishment of scheduled payments of principal and interest lower than those required to amortize the Mortgage Loan during its then remaining term at the agreed interest rate, provided that (i) the scheduled payments of principal and interest on all Mortgage Loans, giving effect to that and all similar reductions then in effect, will in the aggregate be sufficient to comply with the preceding paragraph, and (ii) if it is subsequently determined by an Authorized Officer that such aggregate scheduled principal and interest payments will or may be insufficient for such compliance, such forgiveness may be terminated in whole or in part with respect to subsequent payments on that Mortgage Loan; and
- (c) to consent to any modifications to a Subordinate Mortgage Loan, including forgiving all or a portion of principal thereof or interest thereon, as the Agency may determine in its sole discretion. The Agency reserves the right to withdraw any amount from its General Reserve Account and deposit it in the Bond Fund in payment and satisfaction of a corresponding amount of the scheduled principal or interest payments on any Mortgage Loan. The Agency shall be entitled to recover from the Mortgagor any amounts so advanced, together with interest thereon at the rate payable on the Mortgage Loan, or to enforce its right to such recovery under the Mortgage, but only after all other defaults thereunder have been cured.

Deposit of Revenues and Other Money

The Agency will collect and deposit or will require a Servicer to collect and deposit with the Trustee or a Depository, on the date of receipt so far as practicable, all Revenues, Prepayments, Recovery Payments and Escrow Payments receivable from Mortgagors, and will forward or require the Depository to forward promptly to the Trustee statements of each amount deposited except Escrow Payments. The Trustee shall be accountable only for moneys actually so deposited, other than Escrow Payments. All moneys so deposited shall be apportioned by the Agency or Servicer and paid into and credited on the books of the Depository and the Trustee as follows:

- (a) Revenues to the Revenue Fund;
- (b) Prepayments and Recovery Payments to the Redemption Fund; and
- (c) Each Escrow Payment to an Escrow Account separately held by the Depository or the Agency.

Revenue Fund

As of the first and on or before the tenth day of each month after the first delivery of Bonds, on any Interest Payment Date or on any date as further provided in clause (d) below, from any moneys in the Revenue Fund then held by the Trustee and Depositories, the Trustee shall withdraw and pay into each of the following Funds the amount indicated in the following tabulation, or so much thereof as remains after first crediting to each Fund preceding it in the tabulation the full amount indicated for that Fund:

- (a) to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Bond Requirement;

(b) to the Debt Service Reserve Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Debt Service Reserve Requirement;

(c) to an Account in the Revenue Fund held by the Trustee at its Principal Office, the additional amount needed to make each of the payments which will be required under the foregoing clauses (a) and (b) to be made as of the first day of the following month:

(d) if payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) equal or exceed the Requirements applicable thereto, to the Expense Fund, the amount then required to increase the balance therein to the Expense Requirement (provided that the Agency may elect to receive the Expense Requirement from time to time by payment directly from the Revenue Fund upon providing the Trustee with an Officer's Certificate as provided in the Bond Resolution); and

(e) when authorized by an Officer's Certificate, the Trustee may credit Revenues to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions) upon receipt, up to the amount of the current Bond Requirement, and in excess of that requirement if the current Debt Service Reserve and Expense Requirements, if any, have been met.

In the event that on any Interest Payment Date, after payment of all interest and Principal Installments then due, the amounts in all Funds and Accounts referred to in clauses (a) to (d) equal or exceed the Requirements applicable thereto, any amount then on hand in the Revenue Fund and any Revenues thereafter received in excess of the current requirements of all of said Funds and Accounts may be transferred to the Agency's General Reserve Account, and shall be so transferred upon request in writing by an Authorized Officer; provided that no such transfer shall be made unless, after giving effect to such transfer, total assets of the Bond Resolution shall exceed total liabilities, determined in accordance with generally accepted accounting principles and evidenced by an Officer's Certificate.

The Agency reserves the right, in its sole and absolute discretion, to deliver to the Trustee from time to time funds not constituting Revenues or otherwise subject to the pledge of the Bond Resolution and an Officer's Certificate directing the Trustee to credit such funds to one or more Funds or Accounts hereunder, and the Trustee is authorized to credit such funds in accordance with the directions of the Officer's Certificate and such funds shall thereupon become subject to the lien and provisions of the Bond Resolution, as applicable.

Bond Fund

(a) The Trustee shall withdraw from the Bond Fund, prior to each Interest Payment Date an amount equal to the unpaid interest due on the Outstanding Bonds on or before that date, and shall cause it to be applied to the payment of said interest when due, or shall transmit it to one or more Paying Agents who shall apply it to such payment as provided in Series Resolutions.

(b) If the withdrawals required under (a) above on the same and every prior date have been made, the Trustee shall withdraw from the Bond Fund, prior to each Principal Installment Date and Sinking Fund Installment Date, an amount equal to the principal amount or Accreted Value of the outstanding Bonds, if any, maturing or subject to mandatory redemption on or before that date and shall cause it to be applied to the payment of the principal or Accreted Value of said Bonds when due or transmit it to Paying Agents who shall apply it to such payment.

(c) Each withdrawal from the Bond Fund under (a) and (b) above shall be made not earlier than five (5) days prior to the Interest Payment or Principal Installment Date or Sinking Fund Installment Date to which it relates, and the amount so withdrawn shall be deemed to be part of the Bond Fund until the Interest Payment Date or Principal Installment Date or Sinking Fund Installment Date.

(d) The Trustee shall apply money in the Bond Fund to the purchase or the redemption of Outstanding Term Bonds subject to mandatory redemption in the manner provided in this paragraph and Section 702 of the Bond Resolution, provided that no such Bond shall be purchased during the period of thirty (30) days next preceding the Date of a Sinking Fund Installment established for such Bonds. The price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased pursuant to this paragraph shall not exceed the Redemption Price applicable on the next date on which such Bond could be redeemed in accordance with its terms as part of a Sinking Fund Installment. Subject to the limitations set forth and referred to in this paragraph, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Agency may determine in an Officer's Certificate furnished to the Trustee.

(e) As soon as practicable after the forty-fifth and before the thirtieth day prior to the Date of each Sinking Fund Installment, unless a different notice period is required by the applicable Series Resolution, the Trustee shall call for redemption on that date the principal amount or Accreted Value of the remaining Bonds entitled to said Installment, and on that date the Trustee shall apply the money in the Bond Fund to the payment of the Redemption Price of the Bonds so called for redemption.

(f) If, on any Interest Payment Date for Bonds that are subject to a Hedge Agreement, payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) under the heading "Revenue Fund" equal or exceed the Requirements applicable thereto, then any amounts on hand in the Bond Fund in excess of the Bond Requirement on such date shall be transferred to the Expense Fund upon the written request of an Authorized Officer if required to increase the balance therein to the Expense Requirement in respect of Agency Hedge Payments and credit or liquidity support or remarketing fees then owing.

(g) No amount is to be withdrawn or transferred from or paid out of the Bond Fund except as described in this Section.

Debt Service Reserve Fund

(a) If at any time there is not a sufficient amount in the Bond Fund to provide for the payment when due of Principal Installments of and interest on the Outstanding Bonds, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Bond Fund the amount of the deficiency then remaining. The Trustee shall notify the Agency in writing ten (10) days prior to any such withdrawal from the Debt Service Reserve Fund.

(b) In addition to the payments made into the Debt Service Reserve Fund pursuant to Section 404 of the Bond Resolution or otherwise, the Agency shall deposit in the Debt Service Reserve Fund any

money appropriated and paid to the Agency by the State pursuant to the Act for the purpose of restoring the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(c) If as of the first day of any month the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the Trustee within ten (10) days thereafter shall withdraw any amount therein in excess of the Debt Service Reserve Requirement, and pay the same into the Revenue Fund.

(d) The Agency shall at all times maintain the Debt Service Reserve Fund and will do and perform or cause to be done and performed each and every act and thing with respect to the Debt Service Reserve Fund provided to be done or performed by or on behalf of the Agency or the Trustee under the terms and provisions of Article IV of the Bond Resolution and of the Act.

(e) In order to better secure the Bonds and to make them more marketable and to maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement, and in accordance with the provisions of Section 22, Subdivision 8 of the Act, the Agency shall cause the Chairperson, annually, on or before December 1 of each year, to make and deliver to the Governor of the State a certificate stating (a) the amount, if any, that is necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement (but not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all Bonds and Notes which are then Outstanding and secured by the Debt Service Reserve Fund) and (b) the amount, if any, determined by the Agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received into the Revenue Fund during that year, for the payment of the principal and interest due and payable in that year on all then Outstanding Bonds and Notes secured by the Debt Service Reserve Fund. All moneys received by the Agency from the State in accordance with the provisions of Section 22, Subdivision 8 of the Act pursuant to any such certification shall be paid to the Trustee for deposit in and credit to the Debt Service Reserve Fund or Revenue Fund, as provided in the Bond Resolution.

(f) No amount is to be withdrawn from or paid out of the Debt Service Reserve Fund except as described in this Section.

Expense Fund

(a) Money deposited in the Expense Fund, if any, shall be disbursed for the payment of continuing expenses of the Program (including operating and maintenance expenses of Developments in the possession of the Agency), any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds upon receipt of an Officer's Certificate stating the name of the party to be paid, the amount to be paid and the purpose of the payment.

(b) Income received or other money held in the Expense Fund in excess of the Expense Requirement shall be credited by the Trustee to the Revenue Fund.

(c) No amount is to be withdrawn, transferred or paid out of the Expense Fund except as described in this Section.

Redemption Fund

(a) The Trustee shall establish a Suspense Account in the Redemption Fund, to which it shall credit all Prepayments and Recovery Payments, and all surplus amounts transferred from Mortgage Loan Accounts under Section 307(G) of the Bond Resolution; each of which shall be used and applied as directed by an Officer's Certificate, either (i) to provide additional funds to a Mortgage Loan Account for an increase in the amount of a Mortgage Loan authorized by the Agency, or (ii) for the establishment of one or more Mortgage Loan Accounts for new Mortgage Loans made by the Agency, or (iii) for the purchase or redemption of Outstanding Bonds, or (iv) if no Bonds of a Series are Outstanding and Prepayments have been received from one or more Mortgage Loans financed by Bonds of the Series, any such remaining Prepayments, for the payment of any Agency Hedge Payments under, or any amounts payable by the Agency upon early termination of, a Hedge Agreement relating to such Series of Bonds; provided that as of the first

day of each month while any Prepayment or Recovery Payment is held in the Suspense Account, the Trustee shall transfer from that Account to the Bond Fund the scheduled monthly payment of principal of the Mortgage Loan with respect to which the Prepayment or Recovery Payment was received, less the amount of any payment of principal actually received with respect to such Mortgage Loan, if such transfer is required in order to meet the Bond Requirement.

(b) By Officer's Certificate the Agency may authorize the increase of any Mortgage Loan or the making of a new Mortgage Loan as contemplated above, and for that purpose may appropriate any money at the time available in or transferred to the Redemption Fund in accordance with the provisions of Article IV of the Bond Resolution to one or more designated Mortgage Loan Accounts for disbursement pursuant to Section 307 of the Bond Resolution. Upon the filing with the Trustee of the Officer's Certificate, the Trustee shall withdraw from the Redemption Fund and deposit the amount authorized in each Mortgage Loan Account designated in the Certificate.

(c) Upon receipt of the Officer's Certificate referred to in Section 702 of the Bond Resolution, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with paragraphs (a) and (b) above to the purchase of Bonds designated in the Certificate at the most advantageous price obtainable with due diligence. Bonds not so purchased may be redeemed at a Redemption Price determined by Series Resolution at the time and in the manner provided in Article VII of the Bond Resolution. Bonds shall not be purchased pursuant to this paragraph during the period of forty-five (45) days next preceding a redemption date from money to be applied to the redemption of Bonds on such date.

(d) Notwithstanding the foregoing, any Prepayment or Recovery Payment received with respect to a Subordinate Mortgage Loan may be used and applied, as directed by an Officer's Certificate, in such manner as the Agency, in its sole discretion, may determine.

(e) Income from the investment of the Redemption Fund shall be credited as received to the Revenue Fund.

(f) No amount is to be withdrawn or transferred from or paid out of the Redemption Fund except as described above.

Escrow Accounts

Escrow Payments received by the Agency or a Servicer, whether separately or as part of some other payment, shall be deposited in an Escrow Account and shall be promptly applied by the Agency or Servicer to the purpose for which such payments were received, and any such payments received by the Trustee or a Depository, whether separately or as part of some other payment, shall immediately be paid to the Agency and applied by the Agency to the purpose for which they were received.

General Reserve Account

All amounts authorized in Article IV of the Bond Resolution to be withdrawn from the Revenue Fund and deposited in the General Reserve Account of the Agency shall be free and clear of any lien or pledge created by the Bond Resolution and may be used for any purpose authorized by the Act, subject to the provisions of Section 102, clauses (6) and (7) of the Bond Resolution.

Investment and Deposit of Funds

(a) Subject to instructions from time to time received from an Authorized Officer (which need not be in writing), and with the objective of assuring the maximum yield reasonably possible on money held in each Fund, each Fiduciary shall keep all money held by it invested and reinvested, as continuously as reasonably possible, in Investment Obligations defined in Section 103 of the Bond Resolution (including interest-bearing time deposits and certificates of deposit). All Investment Obligations shall mature or be redeemable (at the option of the holder) and bear interest payable at the times and in the amounts estimated to be necessary to provide funds for Mortgage Loan disbursements and for the payment of the principal and Accreted Value of and interest and premium, if any, on Bonds when due or when scheduled for redemption pursuant to applicable Series Resolutions. The maturity date of a security purchased under a repurchase

agreement shall be deemed to be the agreed repurchase date. The maturity date of a time deposit or certificate of deposit shall be deemed to be any date on which, with such notice as may be required, the deposit may be withdrawn without loss of interest.

(b) Money in separate Funds may be commingled for the purpose of investment or deposit, subject to instructions from an Authorized Officer, to the extent possible in conformity with the provisions of paragraph (a) of this Section. Moneys in separate funds or series accounts may be invested in common trust funds or pools of which such money forms a part pursuant to the terms of which each Fund or series account is allocated a share of a pooled security proportionate to the amount contributed to the purchase price of the pooled security, subject to the provisions of paragraph (a) of this Section and to the restrictions on Investment Obligations imposed by each Series Resolution. Investments shall be sold at the best price obtainable, and amounts held in certificates of deposit or time deposits shall be withdrawn, whenever necessary in order to make any disbursement or repurchase of Mortgage Loans, payment of expenses of debt service. Investment Obligations need not be disposed of to make required transfers from one Fund or Account to another, but one or more Investment Obligations or portions thereof may be transferred in lieu of cash.

(c) Subject to approval by an Authorized Officer, the Trustee or another Fiduciary may apply money pertaining to any Fund or Account created by or pursuant to the Bond Resolution to the purchase of Investment Obligations owned by it or its individual capacity, and may sell to itself in its individual capacity Investment Obligations held by it in any such Fund or Account as such Fiduciary.

Additional Bonds

The Bond Resolution provides that after authorization by a Series Resolution and compliance with such requirements as are set forth therein, Bonds of any Series may be delivered upon the following, among other, conditions:

The Agency shall furnish to the Trustee:

(a) copies of the Bond Resolution and the applicable Series Resolution, certified by an Authorized Officer;

(b) a Counsel's Opinion that:

(i) the Bond Resolution and the applicable Series Resolution have been duly adopted by the Agency and are valid and binding upon it and enforceable in accordance with their terms;

(ii) the Bond Resolution creates the valid pledge which it purports to create; and

(iii) the principal amount of the Bonds to be issued and other obligations theretofore issued by the Agency does not exceed any legal limitation;

(c) an Officer's Certificate stating:

(i) the amounts to be deposited in all Funds and Accounts;

(ii) that the issuance of the Bonds will have no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on all Bonds (including the Outstanding Bonds and the Bonds then to be issued);

(iii) that after such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of Notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all Funds and Accounts created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on the Bonds then Outstanding and the

additional Series of Bonds on their Principal Installment and Interest Payment Dates (excluding from such calculations the amounts to be received by the Agency pursuant to any Subordinate Mortgage Loans); provided that, in making such statement the Authorized Officer may set forth the assumptions upon which the statement is based (including, without limitation, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such Officer's Certificate; and

(iv) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by the additional Bonds); and

(d) if the Bonds to be issued are Variable Rate Bonds or are the subject of a Hedge Agreement, written confirmation from each Rating Agency that the issuance of such Bonds will not impair the Rating on any Bonds then Outstanding.

The Trustee shall determine and certify:

(a) that it has received the documents listed above; and

(b) that the amount of Bond proceeds or other funds of the Agency to be deposited in the Debt Service Reserve Fund is sufficient to increase the amount in the Fund to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

Hedge Agreements

The Agency may from time to time enter into one or more Hedge Agreements with respect to any Series of Bonds outstanding or proposed to be issued on the terms and conditions and subject to the limitations set forth in this section and elsewhere in the Bond Resolution. The Agency shall not enter into a Hedge Agreement unless (1) as of the date the Agency enters into the Hedge Agreement, either the Hedge Counterparty or the person or entity executing a Hedge Counterparty Guarantee relating thereto has outstanding unsecured long-term debt obligations rated by, or other applicable rating given by, as high as or higher than the Rating on the Outstanding Bonds; and (2) if the Hedge Agreement relates to Outstanding Bonds, the Trustee receives written confirmation from each Rating Agency that the execution and delivery of the Hedge Agreement by the Agency will not impair the Rating on any Bonds then Outstanding. To secure its obligation to make Agency Hedge Payments to a Hedge Counterparty pursuant to a Hedge Agreement, the Agency may grant to the Hedge Counterparty a subordinate and junior pledge and security interest (subordinate and junior to the pledge and security interest granted to the Bondholders) in all or any of the Revenues, Prepayments, Recovery Payments or any other moneys, securities, Funds or Accounts hereunder; provided, however, that the payment of Agency Hedge Payments shall not be secured by the Debt Service Reserve Fund. Nothing in this Section 205 is intended to prohibit the Agency from securing any payments it is obligated to make in respect of the early termination of a Hedge Agreement by the full faith and credit of the Agency, by amounts to be transferred to the General Reserve Account pursuant to the last sentence of the first paragraph under the heading "Revenue Fund" or by other moneys, assets or revenues of the Agency not pledged to the payment of Outstanding Bonds under the Bond Resolution.

Amendments of the Bond Resolution

Amendments of or supplements to the Bond Resolution may be made by a Supplemental Bond Resolution (a “Supplemental Resolution”).

Supplemental Resolutions may become effective upon filing with the Trustee if they add restrictions on the Agency, add covenants by the Agency, surrender privileges of the Agency, authorize additional Bonds and fix the terms thereof or affect only Bonds not yet issued.

Supplemental Resolutions become effective upon consent of the Trustee if they concern only curing or clarifying an ambiguity, omission, defect or inconsistency, or make any other change which, in the judgment of the Trustee, is not prejudicial to the Trustee and which does not adversely affect the interests of Bondholders. Other Supplemental Resolutions become effective only with consent of the Holders of at least a majority in principal amount and Accreted Value of the Outstanding Bonds affected thereby.

However, no amendment shall permit a change in the terms of redemption or maturity of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or Accreted Value thereof or the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentage of the Holders the consent of which is required to effect any such amendment, without unanimous consent of the Bondholders.

Any amendment may be made with unanimous consent of the Bondholders, except that no amendment shall change any of the rights or obligations of any Fiduciary without the consent of the Fiduciary.

Defeasance

If the Agency shall pay or cause to be paid to the Holders of the Bonds, the principal, Accreted Value and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then, unless there shall be an Officer’s Certificate delivered to the Trustee to the contrary, the pledge of the Revenues, Prepayments, Recovery Payments and other moneys, securities and funds pledged by the Bond Resolution and the covenants, agreements and other obligations of the Agency to the Bondholders thereunder shall be discharged and satisfied.

Bonds and interest thereon for the payment or redemption of which moneys shall have been deposited with the Trustee shall be deemed to have been paid, provided that, if any of such Bonds are to be redeemed prior to the maturity thereof, provision satisfactory to the Trustee shall have been made for the giving of notice of redemption thereof. Moneys so held by the Trustee shall be invested by the Trustee, as directed by the Agency, in Investment Obligations which are direct obligations of the United States or guaranteed by the United States. If the maturing principal of such Investment Obligations and the interest to fall due thereon at least equal the amount of money required for the payment on any future date of the interest on and principal of or Redemption Price on such Bonds, the Bonds shall be deemed to have been paid.

Events of Default

Each of the following shall constitute an event of default under the Bond Resolution: (a) interest on any of the Bonds is not paid on any date when due, or the principal, Accreted Value or Redemption Price of any of the Bonds is not paid at maturity or at a Redemption Date at which the Bonds have been called for redemption; (b) Bonds subject to redemption by operation of Sinking Fund Installments shall not have been redeemed and paid in the amount required in the applicable Series Resolution on any date; (c) a default shall be made in the observance or performance of any covenant, contract or other provision in the Bonds, the Bond Resolution, or applicable Series Resolution contained and such default shall continue for a period of ninety (90) days after written notice to the Agency from a Bondholder or from the Trustee specifying such default and requiring the same to be remedied; or (d) certain acts of bankruptcy, insolvency or reorganization by the Agency.

Remedies

Upon the happening and continuance of an event of default, the Trustee may, and shall upon the request of the Holders of twenty-five percent (25%) in principal amount and Accreted Value of the Bonds then Outstanding affected by an event of default described in clause (a) or (b) of “Events of Default” above, or twenty-five percent (25%) in principal amount and Accreted Value of all Bonds then Outstanding if the event of default is one described in clauses (c) or (d) of “Events of Default” above, proceed to protect and enforce the rights of the Bondholders under the laws of the State of Minnesota or under the Bond Resolution. No Bondholder shall have the right to institute any proceedings for any remedy under the Bond Resolution unless the Trustee, after being so requested to institute such proceedings and offered satisfactory indemnity, shall have refused or neglected to comply with such request within a reasonable time and unless the proceeding is brought for the ratable benefit of all Holders of all Bonds. However, nothing in the Bond Resolution contained is intended to affect or impair the right of any Bondholder to enforce the payment of the principal or Accreted Value of and interest on his Bonds at the time and place expressed in the Bonds.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York (“DTC”), is to act as securities depository for the Series Bonds. The ownership of one fully registered Series Bond for each maturity of the Series Bonds in the aggregate principal amount of that maturity will be registered in the name of Cede & Co., DTC’s partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds, references herein to the Bondholders, Holders or registered owners of Series Bonds will mean Cede & Co. or the other nominee and will not mean the Beneficial Owners (as hereinafter defined) of the Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for the Series Bonds is discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or another name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. or other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts the Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond issuer as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series Bonds are credited on the Record Date.

Payment of the principal, redemption price, and interest on the Series Bonds will be made to Cede & Co., or another nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price, and interest to Cede & Co. (or other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of payments to Direct Participants will be the responsibility of DTC, and disbursement of payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under the Resolutions, payments made by or on behalf of the Agency to DTC or its nominee satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriter as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the Underwriter and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the Underwriter nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Resolutions to be given to Holders of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (6) any consent given or other action taken by DTC as a Bondholder.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, the Series Bonds are required to be delivered as described in the Resolutions. The Beneficial Owner, upon registration of Series Bonds held in the Beneficial Owner's name, will become the Bondholder.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for the Series Bonds. In that event, the Series Bonds are to be delivered as described in the Resolutions.

APPENDIX F
FORM OF OPINION OF BOND COUNSEL

_____, 2022

Minnesota Housing Finance Agency
St. Paul, Minnesota 55102

Minnesota Housing Finance Agency
Rental Housing Bonds
2023 Series A

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the “Agency”) in connection with the authorization, issuance and delivery by the Agency of its Rental Housing Bonds, 2023 Series A, in the aggregate principal amount of \$_____ (the “2023 Series A Bonds”), which are issuable only as fully registered bonds of single maturities in denominations of \$5,000 or any integral multiple thereof.

The 2023 Series A Bonds are dated, mature on the date, bear interest at the rate and are payable as provided in the Series Resolution referenced below. The 2023 Series A Bonds are subject to optional and special redemption prior to maturity, including special redemption at par, as provided in the Series Resolution referenced below.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency’s Bond Resolution adopted February 25, 1988, as amended and supplemented (the “Bond Resolution”), and the Series Resolution relating to the 2023 Series A Bonds adopted November 17, 2022 (the “Series Resolution”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the owner of the Development financed by the 2023 Series A Bonds with the covenants contained in the Bond Resolution, the Series Resolution and the loan documentation relating to the Development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution and Series Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Mortgage Loans, Revenues, moneys, securities and other Funds held and to be set aside under the Bond Resolution and Series Resolution; (3) the 2023 Series A Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond Resolution and Series Resolution, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, and federal or state laws heretofore enacted appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2023 Series A Bonds are not a debt of the State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2023 Series A Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the Legislature, and the Legislature is legally authorized, but

Minnesota Housing Finance Agency

_____, 2022

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is not legally obligated, to appropriate such amount to such Debt Service Reserve Fund; and (5) the interest payable on the 2023 Series A Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, interest on any 2023 Series A Bond is not excluded from gross income for federal income tax purposes of any holder of such bonds who is a “substantial user” of a development financed by such 2023 Series A Bond or a “related person” thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”).

Interest on the 2023 Series A Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals; however, interest on the 2023 Series A Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022. Interest on the 2023 Series A Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the 2023 Series A Bonds. All owners of 2023 Series A Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations, applicable corporations as defined in Section 59(k) of the Code relating to the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022 and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2023 Series A Bonds.

Noncompliance by the Agency or the owner of the Development financed by the 2023 Series A Bonds with their covenants in the Bond Resolution, Series Resolution or applicable loan documentation relating to the Development may result in inclusion of interest in federal gross income and Minnesota taxable net income retroactive to the date of issuance of the 2023 Series A Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2023 Series A Bonds, the Bond Resolution and the Series Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully yours,

RESOLUTION NO. MHFA 22-094

RESOLUTION RELATING TO RENTAL HOUSING BONDS; AUTHORIZING THE ISSUANCE AND SALE THEREOF FOR A MULTIFAMILY HOUSING DEVELOPMENT IN DULUTH, MINNESOTA

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Background and Recitals. By Resolution No. MHFA 88-12, adopted February 25, 1988, as heretofore amended and supplemented (as so amended and supplemented and as from time to time hereafter amended or supplemented in accordance with its terms, the “Bond Resolution”), the Agency has provided the terms and conditions for the issuance and the covenants and agreements for the security of its Rental Housing Bonds to be issued for the purposes of its Program of making or purchasing Mortgage Loans to finance the acquisition, construction, rehabilitation and betterment of rental housing intended for occupancy primarily by persons of low and moderate income. It is now determined to be necessary and desirable to provide for the issuance of a series of Bonds pursuant to the Bond Resolution and Minnesota Statutes, Chapter 462A, as amended, to be used to finance one Mortgage Loan (the “Mortgage Loan”) to a Mortgagor (the “Mortgagor”) for the purposes of financing the acquisition and construction of the multifamily housing development (the “Development”) described in Exhibit A hereto (which is hereby incorporated herein and made a part hereof). All terms defined in the Bond Resolution are used with like meaning in this resolution. This resolution is referred to herein as the “Series Resolution.” The Mortgage Loan to the Mortgagor shall be evidenced by a Mortgage Note to be executed by the Mortgagor to the Agency and a Mortgage to be entered into between the Mortgagor and the Agency and certain other documents referred to in the Mortgage (collectively, the “Loan Documents”).

Section 2. Authorization of Series Bonds.

(a) *Purpose.* To provide sufficient funds to be used and expended for the purposes set forth in Section 1, it is now determined to be necessary to issue one series of Bonds pursuant to the Bond Resolution, which is designated as “Rental Housing Bonds, 2022 Series,” in the principal amount to be determined pursuant to Section 2(E) (the “Series Bonds”). The “2022” in the designation of the Bonds may be changed to “2023” and “Series” followed by an uppercase letter, each as an Authorized Officer of the Agency (as hereinafter defined) shall so designate. Proceeds of the Series Bonds are to be used:

- (i) For the financing of the Mortgage Loan to the Mortgagor; and
- (ii) Incident to this purpose, for the funding of the deposit of amounts determined by and pursuant to Section 303 of the Bond Resolution to be paid into the Funds and Accounts referred to in Sections 302 and 402 thereof.

(b) *Single Issue.* Pursuant to the provisions of Section 1.150-1(c)(1) of the Income Tax Regulations (the “Regulations”), the Agency may treat the Series Bonds, together with any other Bonds issued or to be issued pursuant to the Bond Resolution which may be sold by the Agency less than fifteen days apart from the date of sale of the Series Bonds, as a single issue of bonds. The Series Bonds and such other Bonds are herein collectively referred to as the “Issue.”

(c) *Pledge.* The pledge made and security interests granted in the Bond Resolution and all covenants and agreements made by the Agency therein, are made and granted for the equal benefit, protection and security of the Holders of all of the Series Bonds and other Outstanding Bonds issued and to be issued thereunder, without preference, priority or distinction of one Bond over any other of any Series, except as otherwise expressly provided for therein.

(d) *Debt Service Reserve Requirements.* Upon issuance of the Series Bonds, the Debt Service Reserve Requirement for the Series Bonds shall be as established in the Officer’s Certificate delivered by an Authorized Officer to the Trustee pursuant to Sections 5 and 6 of this Series Resolution.

(e) *Sale and Offering Documents.* The Agency hereby authorizes the issuance and sale of the Series Bonds for the purposes described in Section 2(a). It is acknowledged that the final terms of the Series Bonds have not been determined as of this date.

The Series Bonds may be offered for sale by negotiating for the sale of the Series Bonds to RBC Capital Markets, LLC, as underwriter (the “Underwriter”) pursuant to a preliminary official statement and a bond purchase agreement.

The Agency has received and examined a draft of the form of a Preliminary Official Statement (the “Preliminary Official Statement”), containing information relating to the Agency, the Bond Resolution, the Series Resolution, the Development, and the Series Bonds. Any of the Chair, the Commissioner, the Chief Financial Officer, or the Finance Director (each an “Authorized Officer”) is hereby authorized to finalize the Preliminary Official Statement and establish the date of sale of the Series Bonds.

Any Authorized Officer is hereby authorized to approve the final terms of the Series Bonds as follows, subject to the following parameters:

- (i) the principal amount of the Series Bonds; provided that the principal amount of the Series Bonds is not in excess of \$10,640,000;
- (ii) the maturity date of the Series Bonds; provided that the Series Bonds mature at any time in such amount not later than 3 years from the Issue Date thereof;
- (iii) the interest rate borne by the Series Bonds; provided that the interest rate on the Series Bonds shall not exceed 6.00%; and

(iv) the commission payable to the Underwriter of the Series Bonds; provided that the commission shall not exceed three percent of the principal amount of the Series Bonds.

Such approval shall be conclusively evidenced by the execution of a bond purchase agreement with the Underwriter (the “Purchaser”) by such Authorized Officer. The terms of the Series Bonds, including the purchase price, shall be set forth in the Officer’s Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof.

Following a negotiated sale of the Series Bonds to the Underwriter, preparation and distribution of an Official Statement, substantially in the form of the Preliminary Official Statement, except for revisions required or approved by counsel for the Agency, and insertion of the final terms of such Series Bonds, is approved and the final Official Statement is authorized to be signed by the Chair or the Commissioner, and furnished to the Underwriter in a reasonable quantity for distribution to investors.

The Agency has received and examined a draft of the form of the bond purchase agreement (the “Bond Purchase Agreement”). An Authorized Officer is authorized to execute and deliver in the name and on behalf of the Agency the Bond Purchase Agreement with the Purchaser reflecting the terms of sale authorized pursuant to this Section 2(e).

(f) *Approval of Continuing Disclosure Undertaking.* The Agency has also examined the form of a Continuing Disclosure Undertaking relating to the Series Bonds, wherein the Agency will covenant for the benefit of the beneficial owners of the Series Bonds to provide annually certain financial information and operating data relating to the Agency and to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Undertaking is approved substantially in the form submitted and is authorized to be signed on behalf of the Agency by an Authorized Officer.

Section 3. Forms.

(a) *Generally.* The Series Bonds shall be issuable only in the form of fully registered Bonds, subject to transfer, re-registration and exchange as provided in Article VI of the Bond Resolution. The Series Bonds shall be numbered serially and no Series Bonds, whether issued initially or upon re-registration, transfer or exchange, shall bear the same number as any other Series Bond of the same series which is contemporaneously outstanding.

(b) *Form of Series Bonds.* The Series Bonds shall be in substantially the form of Exhibit B hereto (which is hereby incorporated herein and made a part hereof), with such additions, deletions or modifications as are permitted or required by the Bond Resolution or this Series Resolution, including but not limited to changes required as a result of the sale of the Series Bonds in accordance with Section 2(e) and the spacing and rearrangement of the text to facilitate machine entry of data upon registration, transfer and exchange.

Section 4. Terms of Series Bonds.

(a) *Issue Date, Denominations, and Interest Payment Dates.* The Issue Date of the Series Bonds shall be the date of original delivery of the Series Bonds or such other date as shall be approved by an Authorized Officer and as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof. The Series Bonds shall be issued in denominations of \$5,000 principal amount or any integral multiple thereof, not exceeding the principal amount maturing on any maturity date. Interest on the Series Bonds shall be payable each February 1 and August 1, commencing February 1, 2023, or a subsequent August 1 or February 1 as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be.

(b) *Maturities, Interest Rates and Redemption.* The Series Bonds shall mature on the date or dates and in the principal amounts, shall bear interest at the rate or rates per annum, and shall be subject to redemption as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be, all subject to the limitations in Section 2(e).

(c) *Procedure for Redemption.* All actions taken by the Agency and the Trustee in the redemption of Series Bonds shall conform to the provisions of Article VII of the Bond Resolution, save and except as otherwise expressly provided in this paragraph. Upon selection of a Series Bond or Bonds or portions thereof to be redeemed, the Trustee shall give notice, in the name of the Agency, of the redemption of such Bonds, which notice shall contain the information required by Section 702 of the Bond Resolution. The Trustee shall mail such notice, postage prepaid, not less than thirty (30) days before the redemption date, to the registered Holder of any Series Bond all or a portion of which is to be redeemed, at the Holder's last address appearing on the registry books as of the Record Date. Notice having been so mailed, the Series Bond or Bonds or portion thereof therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

(d) *Trustee.* The principal amount of and interest and any redemption premium on the Series Bonds shall be payable in lawful money of the United States by check drawn to the order of the registered owner, or other agreed means of payment, by Computershare Trust Company, National Association, in Minneapolis, Minnesota, the successor Trustee and Paying Agent under the Bond Resolution, or its successor, and shall be payable to the registered owner as shown on the registry books as of the Record Date. The principal amount of and any redemption premium on a Series Bond shall be payable only upon surrender of the Series Bond at the Principal Office of the Trustee (subject to the provisions of Section 607 of the Bond Resolution in the case of Bonds which are mutilated, destroyed, stolen, or lost), except as otherwise provided in Section 5(b) herein.

(e) *Record Date.* For purposes of this Series Resolution, where the Trustee is required to establish a Record Date hereunder, said Record Date for (i) payment of principal of and interest on the Series Bonds shall be the fifteenth (15th) day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Section 5. Issuance and Delivery.

(a) *Preparation and Execution.* The Series Bonds shall be prepared in substantially the form incorporated herein, in denominations requested by the Purchaser, and shall be executed in the manner provided in Article VI of the Bond Resolution, by the facsimile signatures of the Chairman and Commissioner of the Agency and shall be authenticated by the Trustee by manual signature of an authorized representative and shall be delivered to the Purchaser after compliance with the conditions set forth in this Section and upon deposit of the proceeds with the Trustee.

(b) *Securities Depository.*

(i) For purposes of this section the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Series Bond, the person in whose name such Series Bond is recorded as the beneficial owner of such Series Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series Bonds.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds Series Bonds as securities depository.

(ii) The Series Bonds shall be initially issued as separately authenticated fully registered bonds, and one Series Bond shall be issued in the principal amount of each stated maturity of the Series Bonds. Upon initial issuance, the ownership of the Series Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Trustee and the Agency may treat DTC (or its nominee) as the sole and exclusive owner of the Series Bonds registered in its name for the purposes of payment of the principal of, premium, if any, and interest on the Series Bonds, selecting the Series Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Series Bonds under the Bond Resolution or this Series Resolution, registering the transfer of Series Bonds, and for all other purposes whatsoever, and neither the Trustee nor the Agency shall be affected by any notice to the contrary. Neither the Trustee nor the Agency shall have any responsibility or obligation to any Participant, any person or entity claiming a beneficial ownership interest in the Series Bonds under

or through DTC or any Participant, or any other person or entity which is not shown on the bond register as being a registered owner of any Series Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of, premium, if any, and interest on the Series Bonds, with respect to any notice which is permitted or required to be given to owners of Series Bonds under the Bond Resolution or this Series Resolution, with respect to the selection by DTC or any Participant of any person or entity to receive payment in the event of a partial redemption of the Series Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Series Bonds. So long as any Series Bond is registered in the name of Cede & Co., as nominee of DTC, the Trustee shall pay all principal of, premium, if any, and interest on such Series Bond, and shall give all notices with respect to such Series Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the principal of, premium, if any, and interest on the Series Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series Bonds will be transferable to such new nominee in accordance with subsection (4) hereof.

(iii) In the event the Agency determines to discontinue the book-entry-only system through DTC with respect to the Series Bonds, the Agency may notify DTC and the Trustee, whereupon DTC shall notify the Participants of the availability through DTC of Series Bonds in the form of certificates. In such event, the Series Bonds will be transferable in accordance with subsection (iv) hereof. DTC may determine to discontinue providing its services with respect to the Series Bonds at any time by giving notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series Bonds will be transferable in accordance with subsection (iv) hereof.

(iv) In the event that any transfer or exchange of Series Bonds is permitted under subsection (ii) or (iii) hereof, such transfer or exchange shall be accomplished upon receipt by the Trustee of the Series Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of the Bond Resolution and this Series Resolution. In the event Series Bonds in the form of certificates are issued to registered owners other than Cede & Co., its successor as nominee for DTC as registered owner of all the Series Bonds, or another securities depository as registered owner of all the Series Bonds, the provisions of the Bond Resolution and this Series Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Series Bonds in the form of bond certificates and the method of payment of principal of, redemption premium, if any, and interest on such Series Bonds.

(c) *Opinion and Officer's Certification.* The Trustee has been furnished a copy of the Bond Resolution. Before delivery of the Series Bonds, the Agency shall furnish to the Trustee a certified copy of this Series Resolution, together with an Opinion of Counsel

to the Agency and an Officer's Certificate executed by an Authorized Officer, in form and substance as required in Section 203 of the Bond Resolution and Sections 2(e), 4(a), 4(b) and 6 of this Series Resolution, and shall obtain from the Trustee the certification required in Section 203(C) of the Bond Resolution.

Section 6. Application of Proceeds; Funds and Accounts. Proceeds of the Series Bonds, and funds of the Agency, if required, shall be deposited to accounts in the Bond Fund relating to such Series Bonds, and to the Cost of Issuance Account and Project Account relating to such Series Bonds, or used to reimburse the Agency for funds it advances pursuant to Section 11, all as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) of this Series Resolution.

Section 7. General Tax Covenant. The Agency will not take, or permit or cause to be taken, any action that would adversely affect the exclusion from federal gross income of the interest on any Series Bonds, nor otherwise omit to take or cause to be taken any action necessary to maintain such exclusion from gross income and, if it should take or permit, or omit to take or cause to be taken, as appropriate, any such action, the Agency shall take all lawful actions necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof.

Section 8. Specific Tax Covenants relating to the Development. In fulfillment of the general covenant set forth in Section 7, the Agency represents as follows:

(a) The Development financed will be acquired and constructed for the purpose of providing multifamily residential rental property and will constitute a "qualified residential rental project," as such phrase is used in Sections 142(a)(7) and 142(d) of the Code.

(b) At least forty percent (40%) of the completed units in the Development shall be occupied (or treated as occupied) by Qualifying Tenants. "Qualifying Tenants" shall mean those persons and families (treating all occupants of a unit as a single family) who shall be determined from time to time by the Mortgagor to be eligible as "individuals whose income is sixty percent (60%) or less of area median gross income" within the meaning of Section 142(d)(2)(B) of the Code. The term of the foregoing restrictions shall commence on the date of issuance of the Series Bonds and shall end on the latest of the following: (i) the date which is 15 years after the date on which at least 50% of the units in the Development were first occupied; or (ii) the first day on which none of the Series Bonds are Outstanding; or (iii) the termination date of any Housing Assistance Payments Contract relating to the Development under Section 8 of the United States Housing Act of 1937, including the initial term and any renewal thereof.

(c) Each unit in the Development will be rented or available for rental to members of the general public on a continuous basis for the longer of (i) the period during which any of the Series Bonds remain Outstanding or (ii) the term of the restrictions set forth in subsection (a) of this Section 8.

(d) At no time will either the Mortgagor or any related party be permitted to occupy a unit in the Development other than units occupied or to be occupied by agents,

employees or representatives of the Mortgagor and reasonably required for the proper maintenance or management of the Development. In the event a unit within the Development is occupied by the Mortgagor, the Development will include no fewer than four units not occupied by the Mortgagor.

(e) The Development consists of a single “development” and, for this purpose, proximate buildings or structures are part of the same development only if owned for federal income tax purposes by the same person or entity and if the buildings are financed pursuant to a common plan; buildings or structures are proximate if they are all located on a single parcel of land or several parcels of land which are contiguous except for the interposition of a road, street, stream or similar property.

(f) None of the units in the Development will at any time be utilized on a transient basis, or used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium or rest home.

(g) The Mortgagor shall not restrict Qualifying Tenants (as defined in the Loan Documents) from the enjoyment of unrestricted access to all common facilities and common areas of the Development.

(h) The Mortgagor shall not discriminate on the basis of race, creed, color, sex, or national origin in the lease, use or occupancy of the Development or in connection with the employment or application for employment of persons for the operation and management of the Development.

(i) No portion of the Development is presently used for purposes other than residential rental purposes and the Agency will not permit any other use unless it first obtains an opinion of bond counsel that such use will not impair the exclusion from federal gross income for interest payable on the Series Bonds.

Section 9. Additional Federal Tax Covenants Relating to the Development Financed and the Series Bonds. In furtherance of the general tax covenant made in Section 7 above, the Agency further represents as follows:

(a) All proceeds of the Series Bonds lent to the Mortgagor will be used to finance costs properly chargeable to the capital account of the Development within the meaning of Section 142(d) and functionally related and subordinate property thereto.

(b) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to provide any airplane, skybox, or other private luxury box, health club facility, facility primarily used for gambling or liquor store.

(c) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to acquire (i) property to be leased to the government of the United States of America or to any department, agency or instrumentality of the government of the United States of America, or (ii) any property not part of the Development.

(d) No portion of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land (or an interest therein) to be used for farming purposes, and less than twenty-five percent (25%) of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land to be used for purposes other than farming purposes.

(e) [Reserved].

(f) The average reasonably expected economic life of the Development within the meaning of Section 147(b) of the Code is not less than 25 years.

(g) In order to qualify the Mortgage Note and Mortgage received from the Mortgagor as “program investments” within the meaning of Section 1.148-1(b) of the Treasury Regulations, the Agency will not permit the Mortgagor (or any “related person” thereto within the meaning of Section 147(a) of the Code) to take any action the effect of which would be to disqualify the Mortgage Note and Mortgage as part of a “program” under said Section 1.148-1(b), including, but not limited to, entering into any arrangement, formal or informal, with the Mortgagor or any related party to purchase bonds or notes of the Agency in an amount related to the amount of the Mortgage Note and Mortgage.

(h) In accordance with the requirements of Section 147(f) of the Code, the Agency has held a public hearing on the issuance of the Series Bonds after published notice as required by the Regulations and will obtain the approval of the Governor of the State for the issuance of the Series Bonds.

(i) Not more than 2% of the proceeds of the Series Bonds will be applied to the payment of Costs of Issuance, and all Costs of Issuance in excess of that amount, if any, will be paid by the Agency from funds other than proceeds of the Series Bonds.

(j) No obligations the interest on which is excludable from gross income for federal income tax purposes have been or will be issued which were sold at substantially the same time as the Issue, sold pursuant to the same plan of financing as the Issue and which are reasonably expected to be paid from substantially the same source of funds as the Issue.

(k) The Series Bonds will not be hedge bonds since the Agency reasonably expects to use at least 85% of the spendable proceeds of the Issue to make or purchase Mortgage Loan within three years after the date of issue of the Issue and not more than 50% of the proceeds of the Issue will be invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

(l) The Series Bonds shall be counted against the unused volume cap of the Agency under the provisions of Section 146 of the Code and applicable state law for calendar year 2022. The Agency has unused volume cap in excess of the amount of the Series Bonds and shall take all necessary action to allocate the required portion of its unused volume cap to the Series Bonds.

(m) None of the proceeds of the Series Bonds will be used by the Agency to reimburse itself or a Mortgagor for any expenditure with respect to the Development which the Agency or the Mortgagor paid or will have paid more than 60 days prior to the issuance of the Series Bonds unless, with respect to such prior expenditures, the Agency shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations; provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Development meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to “preliminary expenditures” for the Development as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the “issue price” of the Series Bonds.

Section 10. Arbitrage. The Agency covenants that it will not use the proceeds of the Series Bonds in such a manner as to cause the Series Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations. The Agency will take all actions as may be prescribed in the future by regulations or rulings of the Internal Revenue Service to assure that the Series Bonds will meet the requirements of Section 148 of the Code relating to arbitrage, to-wit:

(a) The effective rate of interest on the Mortgage Loan purchased in whole or in part from the proceeds of the Series Bonds may not exceed the yield on the Issue, computed in accordance with Section 148 of the Code, by more than one and one-half percentage points.

(b) The Agency acknowledges that the Series Bonds are subject to the rebate requirements of Section 148(f) of the Code and applicable Regulations. The Agency agrees that it will retain such records, make such determinations, file such reports and documents and pay such amounts at such times as required under Section 148(f) of the Code and applicable Regulations to preserve the exclusion of interest on the Series Bonds from gross income for federal income tax purposes.

Section 11. Advance of Agency Funds. If the Mortgage Loan must be made before proceeds of the Series Bonds are available therefor, Agency funds legally available therefor shall be advanced by the Agency to fund the Mortgage Loan in anticipation of the issuance of the Series Bonds, and proceeds of the Series Bonds shall be used, to the extent required, to reimburse the Agency funds or accounts from which such advance was made.

Section 12. Discretion of Authorized Officer. Notwithstanding anything contained in the foregoing sections of this Series Resolution, if an Authorized Officer, upon consultation with the Chair and upon the advice of bond counsel or counsel to the Agency, determines that it is not in the best interests of the Agency to issue and sell the Series Bonds or any portion thereof (subject to any applicable provisions of any bond purchase agreement theretofore executed or the terms and conditions of the public sale of the Series Bonds following the award thereof), then such Series Bonds shall not be issued or sold in accordance with this Series Resolution.

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Adopted by the Minnesota Housing Finance
Agency this 17th day of November, 2022.

By: _____
Chairman

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 22-094]

EXHIBIT A

DESCRIPTION OF MORTGAGOR AND DEVELOPMENT

<u>Mortgagor</u>	<u>Name</u>	<u>Location</u>	<u>Number of Units</u>
Brewery Creek Developer LLC	Brewery Creek	Duluth, MN	52

EXHIBIT B
FORM OF SERIES BONDS

No. _____ \$ _____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND

[2022] SERIES ____

Interest Rate

Maturity

Date of Original Issue

CUSIP

The Minnesota Housing Finance Agency, a public body corporate and politic organized and existing under the provisions of Minnesota Statutes, Chapter 462A, as amended, for value received promises to pay to

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing _____, until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Computershare Trust Company, National Association, in Minneapolis, Minnesota, successor Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, 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 enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series Bond is not a debt of the State.

This Series Bond is one of a duly authorized series of Rental Housing Bonds, [2022] Series ___, issued in the original aggregate principal amount of \$_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and construction of a multifamily housing development in Duluth, Minnesota (the "Development"). The Series Bonds are issued under and

pursuant to the Agency's Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 22-094, adopted November 17, 2022, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series Bonds, and the terms upon which the Bonds, including the Series Bonds, are issued, delivered and secured.

The Series Bonds are issuable only in fully registered form and comprise current interest bonds of a single stated maturity. The Series Bonds are issued in denominations of \$5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

The Series Bonds are subject to special redemption at the option of the Agency, in whole or in part, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with allocable amounts on deposit in the Debt Service Reserve Fund, if any; or (ii) from Recovery Payments (as defined in Section 103 of the Bond Resolution) relating to the Development allocable to the Series Bonds. If said Recovery Payments allocable to the Series Bonds are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to the special redemption of the Series Bonds in addition to the allocable amount of Recovery Payments.

The Series Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after _____, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

Upon any redemption of the Series Bonds or portions thereof, the Trustee will select them in a manner specified by the Agency. Upon partial redemption of the Series Bonds, a new Series Bond will be delivered to the Holder without charge, representing the remaining principal amount outstanding.

Notice of any redemption of Series Bonds will be mailed to the registered Holders of the Series Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series Bonds to be redeemed, (iii) that on the redemption date the redemption price of the Series Bonds or portions thereof to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series Bonds not affected by such failure or defect. Notice having been so mailed, the Series Bonds or portions of Series Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

The Agency has issued Bonds and the Bond Resolution also authorizes additional Series of Bonds to be issued and secured by the pledge made and security interest granted therein, all of which, regardless of the times of issue or maturity, will be of equal rank with Outstanding Bonds without preference, priority or distinction of any Bond of any series over any other except as expressly provided or permitted in the Bond Resolution, subject to conditions specified in the Bond Resolution, including conditions (a) that after each such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans, and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all funds and accounts created by the Bond Resolution, will be sufficient to pay the principal installments of and interest on the Bonds then Outstanding and the additional Series of Bonds; and (b) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Holder of any Bond may institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust thereunder or for any other remedy thereunder except upon the conditions therein provided, but nothing therein shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on each Bond, or the obligation of the Agency to pay the same at the time and place expressed in the Bond.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Computershare Trust Company, National Association, in Minneapolis, Minnesota, the successor Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series Bond, so long as this Series Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series Bond, and shall give all notices with respect to this Series Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

[Remainder of page intentionally left blank]

Unless the Trustee's Certificate hereon has been manually executed by or on behalf of the Trustee, this Series Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series Bond to be executed by the facsimile signatures of its Chairman and Commissioner, the Agency having no corporate seal, and has caused this Series Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee's Certificate

MINNESOTA HOUSING FINANCE
AGENCY

This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.

By: _____
Chairman (Facsimile Signature)

COMPUTERSHARE TRUST COMPANY,
NATIONAL ASSOCIATION, Minneapolis,
Minnesota, as successor trustee

By: _____
Authorized Representative

Attest: _____
Commissioner (Facsimile Signature)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(please print or type name and address of transferee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever

Signature Guaranteed: _____

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Please insert social security or other identifying number of assignee:

Item: Approval, State of Minnesota Housing Tax Credit (HTC) 2024-2025 Qualified Allocation Plan (QAP)

Staff Contact(s):

Summer Jefferson, 651.296.9790, summer.jefferson@state.mn.us

Nicola Viana, 651.296.8277, nicola.viana@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests approval of the 2024-2025 Housing Tax Credit (HTC) Qualified Allocation Plan (QAP) and Self-Scoring Worksheet (SSW). Collectively, these two documents align Housing Tax Credit (HTC) program policies, processes and procedures with Minnesota Housing's Strategic Plan for the purposes of distributing Housing Tax Credit and applicable deferred funding resources.

Fiscal Impact:

The HTC Program is a federally sponsored program, and the allocation of housing tax credits does not have any direct fiscal impact on Minnesota Housing's financial condition. Deferred loans are generally funded through state or federal appropriations and does not generate interest revenue for the Agency.

Meeting Agency Priorities:

- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):

1. Background

a. Suballocator Participation

b. QAP Development Timeline

c. Links to Public Comments

- o Initial Proposed 2024-2025 QAP Public Comments (June 6, 2022 – June 29, 2022)

- Final Proposed 2024-2025 QAP Public Comments (September 28, 2022 – October 5, 2022)
- d. Summary of Proposed Revisions
- 2. 2024-2025 QAP Summary of Engagement Feedback and Proposed Changes (as of June 6, 2022)
- 3. Proposed Rent Increase Limit Policy
- 4. 2024-2025 HTC Documents
 - a. 2024-2025 HTC Qualified Allocation Plan (QAP) - Redline
 - b. 2024 -2025 HTC Qualified Allocation Plan (QAP)
 - c. Self-Scoring Worksheet (SSW) - Redline
 - d. Self-Scoring Worksheet (SSW)
- 5. Methodology Guide - Redline

Background:

The Federal Tax Reform Act of 1986 established the Low Income Housing Tax Credit (HTC) Program for qualified residential rental properties. The HTC Program is the principal federal subsidy contained within tax law for the acquisition/substantial rehabilitation and new construction of affordable rental housing.

Section 42 of the Internal Revenue Code (IRC) requires that state allocating agencies develop a Qualified Allocation Plan (QAP) to distribute housing tax credits within their jurisdiction. The 2024-2025 QAP sets forth the requirements to allocate credits from the state's HTC volume cap and award HTCs through the issuance of tax-exempt volume limited bonds. The QAP is subject to modifications to help ensure the provisions conform to the changing requirements of the IRC, applicable state statute, the changing environment and market conditions, and to best promote Minnesota Housing's Strategic Plan. The 2024-2025 QAP also sets the overall funding selection priorities for the competitive 2023 and 2024 Multifamily Consolidated Request for Proposals (RFP), which includes deferred loans funded from state and federal funding resources.

Minnesota Housing's HTC program administration includes two primary documents:

- Qualified Allocation Plan – includes detailed definitions and procedures for implementing the HTC Program; and,
- Self-Scoring Worksheet – assigns preferences and points for developments that meet Minnesota Housing's HTC Program and deferred loan funding priorities. The Self-Scoring Worksheet is comprised of six selection categories that establish the scoring framework. Each category is broken down into selection criteria. The selection categories are: Greatest Need Tenant Targeting, Serves Lowest Income for Long Durations, Increasing Geographic Choice, Supporting Community and Economic Development, Efficient Use of Scarce Resources, and Building Characteristics.

The HTC program is reviewed annually to address Internal Revenue Service (IRS) requirements and Minnesota Housing's Strategic Plan; more substantial policy changes are recommended every two years. The current 2022-2023 QAP was adopted by the board in December 2020.

Copies of the current 2022-2023 QAP and Self-Scoring Worksheet are available on Minnesota Housing's website at www.mnhousing.gov (Home – Multifamily Rental Partners > Apply for Funding > Tax Credits > 2022-2023 HTC Qualified Allocation Plan (QAP)).

The only revisions staff will make after board approval are nonmaterial edits for such items as formatting, spelling, grammar, or other readability purposes. The 2024-2025 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 2023 HTC 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 Minnesota Housing's annual Multifamily Consolidated RFP in the spring.

QAP Development Timeline:
 2024-2025 HTC QAP Development Schedule

Date	Activity
November, 2021 – February, 2022	Gathered feedback from communities and partners through several engagement sessions
June 6, 2022	Initial draft of proposed changes released for public comment
June 6 – June 29, 2022	Initial public comment period
June 9, 2022	Minnesota Housing discussion with partners and the public via webinar
June 14, 2022	Minnesota Housing Partnership/Metropolitan Consortium of Community Developers co-sponsored discussion with Minnesota Housing
June 28, 2022	First public hearing
September 28, 2022	Second draft of proposed changes released for public comment
September 28 – October 5, 2022	Second public comment period
October 4, 2022	Second public hearing
November 17, 2022	Minnesota Housing board meeting: final action
December 2022	Submit QAP to the governor’s office for final approval

Public Comments:

The IRS requires that allocating agencies hold a public hearing, where interested individuals have a reasonable opportunity to express their views. Public hearings are advertised on our website and via agency eNews, the State Register, and the Star Tribune at least 10 days before the events. Individuals have the opportunity to provide verbal or written comments on issues related to the QAP.

Minnesota Housing’s public comment and public hearing process includes two stages. The first stage is designed to share initial ideas for changes and collect comments and questions. The feedback from this first public comment period is then used to identify areas of support, clarification, new ideas, or concerns. Staff evaluate and research all comments to propose additional changes to clarify or update language in the second release of the QAP. The second stage is the forum to share the results from the first stage and address any new items or changes.

Public comments from the first release (June 6 – June 29, 2022) can be found at http://www.mnhousing.gov/get/mhfa_285713.

Public comments from the second release (September 28 – October 5, 2022) can be found at http://www.mnhousing.gov/get/mhfa_285714.

You can also access the documents on our website at www.mnhousing.gov > (Home > Multifamily Rental Partners > Apply for Funding > Tax Credits > click the Quick Link: “Qualified Allocation Plan (QAP) -> under heading “2024-2025 QAP and Self-Scoring Worksheet Engagement.”

Summary of Proposed Revisions to the 2024-2025 Housing Tax Credit Program Qualified Allocation Plan and Review of Public Comments

Minnesota Housing (the Agency) adopted significant changes in the 2022-2023 QAP to better align with Agency Strategic Plan priorities that focus on serving people and communities most impacted by housing instability and housing disparities. The 2021 Multifamily Consolidated RFP was the first funding round to implement the new policies. Staff are now beginning to see the results from those changes. For example, in the 2022-2023 QAP, the Agency added a new requirement called Deeper Rent Targeting, where all applicants are required to include units with rent restrictions to serve very low income Minnesotans. Results have been positive with projects incorporating more affordable units. The proposed changes to the 2024-2025 QAP are more targeted and focused in areas where we can continue to leverage our previous work and engagement, expand and clarify our policies, and streamline our processes.

The Agency solicited feedback from communities and partners through several engagement sessions held in winter 2021 through early 2022 that served as a foundation for the recommended QAP changes presented to the Minnesota Housing board in May 2022, and summarized in Attachment 2: 2024-2025 Qualified Allocation Plan Summary of Engagement and Proposed Changes, which was first released for public comment on June 6, 2022.

The Agency held two public comment periods and two public hearings on the proposed changes. The first public comment period was from June 6 to June 29, 2022. On June 28, 2022, Minnesota Housing held the first public hearing on the proposed changes. Eleven participants from the public attended the hearing and two of those eleven provided verbal comments at the hearing. In addition, the Agency received a total of 17 comment letters with 98 distinct comments during the first public comment period.

Agency staff reviewed the comments and proposed additional changes as a result of those comments. Updates to the proposed QAP were subsequently released on September 28, 2022, for public comment. These changes are outlined. The Agency accepted public comments from September 28 to October 5, 2022, and held a second public hearing on October 4, 2022. Sixty-one participants from the public attended the second hearing and nine of those 61 provided verbal comments. In addition, the Agency received a total of 53 comment letters with 96 distinct comments during the second and final public comment period.

This report outlines several significant public comment themes and questions received during both public comment periods, including recommendations that have been incorporated into the proposed QAP. This report also acknowledges comments that were not incorporated into the draft QAP or may have broader Agency applicability outside of the QAP.

Public Comments Related to the First Proposed QAP Changes (June 6 – 29, 2022)

The Agency received 98 public comments during the first public comment period from June 6 – June 29, 2022.

Summary of Comments in Support of First Round Proposed Changes

From the June 2022 public comment period, Minnesota Housing received a number of comments in support of the initial proposed changes to the QAP and Self-Scoring Worksheet. The full set of comments is available on the [Minnesota Housing website](#). In summary, many comments were in support of our proposal to:

- Add language in the Permanent Supportive Housing for High Priority Homeless (HPH) and People with Disabilities criteria to address potential market issues in areas of the state where there may not be a need for more of those unit types.
- Reduce and streamline the application materials for Permanent Supportive Housing for High Priority Homeless (HPH) and People with Disabilities criteria.
- Add a hold harmless provision to the Workforce Housing Communities selection criteria to help accommodate for the fluctuation in job growth due to the COVID-19 pandemic. Workforce Housing Communities is outlined in the Self-Scoring Worksheet under selection category 3: Increasing Geographic Choice.
- Add language to help refine and clarify documentation requirements for Equitable Development selection criterion. Equitable Development, part of the selection category 4: Supporting Community and Economic Development in the Self-Scoring Worksheet, was a new selection criterion in the 2022-2023 QAP.
- Continue to expand the diverse community partners by increasing the total points for Black-, Indigenous-, People of Color-, Women-owned Business Enterprises, which is outlined in the Self-Scoring Worksheet under selection category 4: Supporting Community and Economic Development.
- Create a new incentive for diverse ownership opportunities by adding a new tiered point option for ownership/sponsorship for Black-, Indigenous-, People of Color-, Women-owned Business Enterprises, which is outlined in the Self-Scoring Worksheet under selection category 4: Supporting Community and Economic Development.
- Proceed with changes to the Rural/Tribal methodology, found in the Methodology Guide, so smaller rural areas and more urbanized areas are balanced.
- Continue to increase the development limit to recognize the changes in market conditions and keep pace with construction cost increases. The QAP currently states that projects are subject to a development limit of no more than \$1,350,000 in cumulative 9% HTCs allocated to any one development. Due to rising construction costs, staff analyzed the current need and proposed increasing the limit to \$1,700,00 for 2024 and 2025.

- Expand the definition for Rural Development (RD)/Small Project Set-Aside in the QAP to help projects become more financially stable, support preservation activities, and increase opportunities for small projects in rural areas of Minnesota.

Public Comments Incorporated into the Proposed QAP

Based on the public feedback, the following additional changes were incorporated into the second draft of the QAP and Self-Scoring Worksheet.

- **Greatest Need Tenant Targeting** (Selection Category 1)
 - **Permanent Supportive Housing.** In the first draft of the SSW, the permanent supportive housing section included some of the most significant proposed changes with a focus on simplifying the application requirements for those projects that are categorized as partially supportive housing. Since almost all applications include a few permanent supportive housing units, the changes are intended to reduce the collective application burden and focuses the work only on those projects that are able to be selected. Commenters encouraged the Agency to provide additional details on the requirements that will be in place after a project is selected, which have since been incorporated into the Self-Scoring Worksheet or will be included in the HPH application materials, and the Multifamily Underwriting Standards that will be released in early 2023.
- **Serves Lowest Income for Long Durations** (Selection Category 2)
 - **Preservation.** The Agency received comments to simplify and clarify the Preservation criteria and process. After discussions with the Interagency Stabilization Group¹ and engagement sessions, staff modified the Self-Scoring Worksheet to continue to prioritize projects with project-based federal rental assistance that are at risk of loss, while also modifying the “tiers” that encompass other critical affordable units to focus on preservation of units that serve those with extremely low and low incomes.
- **Supporting Community and Economic Development** (Selection Category 4)
 - **Equitable Development.** The Agency received several comments requesting additional clarification on the definition of the Qualified Stakeholder Group. Additional language was added to the Self-Scoring Worksheet to further clarify the definition and requirements of the Qualified Stakeholders Group, as well as clarifying the documentation required to receive the points.
 - **Black-, Indigenous-, People of Color-, and Women-owned Business Enterprises.** Some commenters recommended increasing the points to prioritize economic opportunities for Black, Indigenous, people of color, and women to lead and participate in the development process. The Agency conducts a sensitivity

¹ The Interagency Stabilization Group is a statewide working group of Agency staff and external funding partners who meet regularly to discuss the preservation of properties with existing federal subsidies and collaborate on policy issues and funding needs.

analysis to determine the appropriate points for each category. The Agency increased the points for project owners/sponsors of a nonprofit business enterprise from 2 points to 4 points.

- **Building Characteristics** (Selection Category 6)
 - **Enhanced Sustainability.** Several commenters encouraged the Agency to consider additional pointing incentives for projects certified with Passive House (Passive House Institute Classic, Passive House Institute United States) based upon the fact that the certification process is more rigorous and the outcomes are more likely to achieve higher energy performance. Staff evaluated the request and modified the criteria in the Self-Scoring Worksheet. Enhanced Sustainability will be expanded from its current 1-5 points, three-tiered category to a new 1-6 points, four-tiered category. The fourth tier will provide additional points for projects following and being certified under Passive House or other certification programs outlined under Option 2 within Criterion 5.4 of the 2020 Enterprise Green Communities Criteria.
- **HTC Reallocation Policy.** The Agency received several requests to modify the HTC return policy to allow a return and reallocation of 9% HTCs. The policy would allow projects that have received a prior allocation of 9% HTCs and are unable to place in service by the required deadline to request a return and reallocation. The Agency evaluated the request, and the new policy is incorporated in Chapter 2.V. of the 2024-2025 QAP. An owner that requests a return and reallocation will not be required to submit a new application or be scored against other applicants under the QAP applicable to the future credit year. Projects must meet certain conditions to be eligible for consideration, including the reason for the request, which is limited to extenuating circumstances such as fire, natural disaster, pandemic, or other large-scale issues with significant impact to the housing industry.

Other Public Comment Acknowledgments

- **Consider additional language regarding the Violence Against Women Act (VAWA).** The Agency received comments requesting stronger language to address housing barriers that impact survivors of domestic violence and modify processes and protocols of the Housing Tax Credit (HTC) Program as reflected in the QAP, Compliance Manual, and related documents, as they pertain to VAWA. Clarifying language will be added to the next HTC Compliance Guide update that is tentatively scheduled for the December 2022 board meeting.
- **Consider Rental Assistance Alternatives.** Several commenters encouraged Minnesota Housing to consider rental assistance alternatives other than project-based rental assistance, such as tenant-based vouchers, for units serving High Priority Homeless or People with Disabilities. They expressed concern that the project-based rental options are limited and do not always work with certain populations. The Agency acknowledges the need for alternative rental assistance and subsidies to support affordable housing and reduce the number of cost burdened households. The IRC already prohibits HTC

projects from discriminating against voucher holders. The Agency acknowledges the need and the concern for the number of units with tenant-based vouchers; however, the number of units in a project are not committed and can fluctuate throughout the term of the loan and/or declaration. This prevents the use of tenant-based vouchers as a resource to score as a scoring incentive and also as a source of revenue for long-term underwriting.

- **Geographic Scoring and Impact on Communities.** Several commenters shared concerns that the geographic scoring for certain areas in the metro or rural/tribal communities in Greater Minnesota impacts competitiveness for HTCs. Minnesota Housing considers geographic distribution of resources and the resulting amount and type of anticipated housing production throughout the state when making Multifamily Consolidated RFP selection decisions. Minn. Stat. § 462A.222 prescribes how 9% HTCs are distributed by region in HTC Round 1 and HTC Round 2. The Agency acknowledges that many of the geographic based scoring criteria are designed to support new construction HTC projects in areas with larger populations where there is a significant market demand for the units. While the HTC Program is an important funding tool, the Agency works to support a variety of housing needs, including those in smaller urban and rural communities, and combine HTC resources with other Agency resources that are state appropriated or provided by the federal government. This includes the state and federal resources awarded in the Multifamily Consolidated RFP, Workforce Housing Development Program, the Rental Rehabilitation Deferred Loan Program, the Publicly Owned Housing Program, and all other multifamily programs.
- **The Role of Geographic Boundaries.** Several commenters expressed concern that geographic based scoring is too rigid and is weighted too high in points. Commenters noted that geographic boundaries based on census data do not adequately value parcels that may be ‘across the street’ or largely share the same characteristics of geographies within higher point boundaries, and that the use of geographic data does not adequately reflect point in time changes in certain locations such as new homeless encampments that have developed. Other commenters expressed concern that the census data is inaccurate and does not reflect the complete population for Indigenous communities. The Agency considered the weighting between the Increasing Geographic Choice scoring criterion and all other scoring criterion when we proposed new scoring in the 2022-2023 QAP. The 2021 Multifamily Consolidated RFP was the first funding round to implement the new policies. We are now seeing the results from those changes. We are committed to continuing to evaluate project selection outcomes and remain open to discussions around the proper weighting for geographic based scoring criterion while also balancing creating incentives for HTC projects in geographies where community members face a significant housing cost burden or where there is a lack of available rental housing.
- **Rent Increase Limit Policy.** The Agency received a number of written and verbal comments requesting a policy that would limit the size of annual rent increases in projects that are developed using HTCs and/or other Agency funding. Based on the

feedback, several policy options were drafted for the second public comment period to solicit public feedback. The purpose of the policy options was to help mitigate the impact to cost burdened households and to prevent economic displacement due to rent changes. The policy options represent variations on relief provisions for rent increases exceeding 5% annually. The draft contained several potential options for various populations, including all populations and seniors and options by program type. If adopted into the QAP, the annual rent limit is not retroactive to existing properties and would only apply to those projects selected under the new QAP.

Public Comments Related to the Second Proposed Changes (September 28 – October 5, 2022)

The Agency received 96 public comments during the second public comment period from September 28 – October 5, 2022.

Summary of Comments in Support of the Proposed Second Round QAP Changes

From the September-October 2022 public comment period, Minnesota Housing received a number of comments in support of the second proposed changes to the QAP and Self-Scoring Worksheet. Support was noted for the following recommendations. The full set of comments is available on the [Minnesota Housing website](#). In summary, many comments were in support of our proposal to:

- Clarify post selection requirements for partially supportive housing projects.
- Add additional language to expand the definition of HPH and allow for an alternative referral and prioritization system to Coordinate Entry.
- Add a pointing incentive for projects certified with Passive House in the Enhanced Sustainability category.
- Continue with modifications to points and additional tiers for nonprofit Black-, Indigenous-, People of Color-, and Women-owned Business Enterprises.
- Revised the language in the preservation selection criterion to clarify and streamline.
- Add additional language to allow a new HTC reallocation policy.

Additional Change Incorporated into the Proposed QAP based on the Public Feedback

A commentor encouraged the Agency to clarify and emphasize how other races and ethnicities fit into the selection criteria for Black-, Indigenous- and People of Color- and Women-owned Business Enterprises. A commentor also asked for additional language to clarify which scoring categories are applicable to tribal corporate entities. Based on the feedback, staff evaluated the requests and further modified the criteria in the Self-Scoring Worksheet to clarify that tribal corporate entities are also included in this category.

Annual Rent Increase Limit Policy Options

The draft policy options, outlined in Attachment 3: Draft Rent Increase Policy Options for Public Comment, to limit the size of annual rent increases were released in response to comments from the first public comment period and other concerns submitted to Minnesota Housing. The policy options were shared with the express purpose of collecting public comments to help determine if or how the policy may be incorporated into the 2024-2025 QAP or to determine if additional analysis was needed. As previously noted, if any of the options were to be incorporated into the QAP limiting the size of annual rent increases, they would not be retroactive to operating properties and would only apply to future projects selected under the new QAP.

Minnesota Housing received a wide spectrum of responses from strongly support to strongly against the policy options. For those comments expressing support for the policy options, comments included references to preferring Option #1, which applied the limit on annual rent increases to HTCs and to deferred loans for all population types. There were also references to limiting annual rent increases to 3% instead of the 5% limit referenced in the policy options. The supportive comments generally focused on ensuring long term affordability and reducing economic distress or displacement.

For those comments not in support of the policy options, comments included concerns related to unintended consequences to the affordable housing industry, including potential negative impacts on new affordable housing production given the current economic environment of rising interest rates, operating expenses, and escalating construction costs. Another concern was the potential for long-term budgetary issues due to periods of stagnant or negative rent growth and increased operating expenses, including rising insurance rates and property taxes. Most of the commenters emphasized the need for exceptions or relief provisions and encouraged the Agency to take additional time to evaluate the proposed rule change.

Based on the wide spectrum of responses and the important questions posed in the comments that require additional research, evaluation, and public discussion, the proposed 2024-2025 QAP does not incorporate a limit on annual rent increases. However, adopting the QAP does not inhibit future consideration of QAP amendments to further protect residents and to help prevent economic displacement. We remain committed to researching this important issue and working with community and development partners to identify options.

In the meantime, the proposed QAP and Self-Scoring Worksheet continue to encourage deeper affordability and longer-term affordability in future project selections. In the recent 2021 Consolidated RFP selections, nearly 50% of the units were either underwritten to rents affordable at 30% of area median income or were otherwise deeply affordable with rental assistance. Most project selections also included affordability periods exceeding 30 years.

Public Comments Related to Potential Non-compliance with the HTC Program

The Agency received several comments from residents with concerns related to their property owner or property manager in existing operating properties. The commenters included

potential non-compliance issues, including general upkeep and maintenance of certain HTC properties.

Federal law requires that Minnesota Housing provide a procedure to monitor for compliance with Section 42 and to notify the IRS of non-compliance. All projects with HTCs are required to comply with the HTC Compliance Guide, which includes periodic inspections conducted by Minnesota Housing at least once every three years. Inspections include a sampling of units and tenant files.

IRS regulations require monitoring agencies to inspect properties using the U.S. Department of Housing and Urban Development's Uniform Physical Conditions Standards (UPCS). If a property is not in compliance with UPCS standards, the compliance officer issues a notice of non-compliance, and the owner is given a period of time to make corrections. After the correction period, the compliance officer is required to notify the IRS of the non-compliance, regardless of whether it is corrected. Additionally, when Minnesota Housing staff receive complaints from residents regarding maintenance issues that are not compliant with UPCS, staff follow up with the owner or management agent until the issues are resolved.

Commenters also recommend additional penalties for non-compliance. The QAP currently includes an unacceptable practice policy for non-compliance with Minnesota Housing's compliance policies, procedures, and/or requirements. Failure to comply with Minnesota Housing's compliance policies, procedures, and/or requirements after repeated notices may be considered an unacceptable practice and result in up to negative 35 points or ineligibility to receive an HTC award or allocation.

2024-2025 QAP
Summary of Engagement Feedback
and Proposed Changes
(as of June 6, 2022)



2024-2025 Qualified Allocation Plan Summary of Engagement Feedback and Proposed Changes

For the 2022-2023 Qualified Allocation Plan (QAP), Minnesota Housing staff engaged with over 400 interested parties across the state in 2020. Our primary focus in the 2022-2023 QAP was to make changes to better serve people and places most impacted by housing instability and housing disparities. We incorporated significant policy changes and made substantive changes to many scoring criteria as a result of the community engagement work.

The 2021 Multifamily Consolidated Request for Proposals (RFP) was the first funding round based on the 2022-2023 QAP and Self-scoring Worksheet (SSW), and we are just beginning to see the results from those changes. Aligning with our previous strategy, the proposed changes to the 2024-2025 QAP are more targeted and focused in areas where we can continue to leverage our equity work, expand and clarify our policies, and streamline our processes.

Summary of Engagement Feedback

For the 2024-2025 QAP update process, Minnesota Housing staff led and participated in several engagement opportunities from November 2021 through January 2022 to gather early feedback from a variety of stakeholders including local units of government, community-based organizations, economic development organizations, other state agencies, funding and collaborating partners, developers, and communities most impacted by housing needs. Staff received feedback on several key themes and recommendations, including:

- Clarify the Equitable Development criterion and application materials to better convey eligibility requirements.
- Continue to prioritize economic opportunity for people of color and indigenous communities to lead and participate in the development process by considering additional scoring incentives.
- Participants recommended changes to the geographic criteria to expand the definition to include tribal sponsored projects and provide more opportunities for projects that are sponsored by a tribe or located on tribal nation service areas.
- Participants recommend changes to the geographic criteria and the Rural Development/Small Project set aside to expand the definition to prioritize smaller, rural communities in Greater Minnesota.
- Minnesota Housing should continue to explore ways to simplify the criteria and application process for projects, including both the High Priority Homeless and People with Disabilities criteria.
- Continue to prioritize High Priority Homeless projects in the state while addressing potential need and resource fit complexities. There is a need for homeless units that are better tailored to meet the needs of the local community.
- Continue to prioritize projects that intend to serve People with Disabilities while addressing need and resource fit complexities. There is a need for units that better align the proposed population/household type with the planned resources and the needs of the local community.

- Prioritize smoke-free policies to address the Agency’s goal of creating and preserving safe and healthy housing.
- Address housing barriers that impact survivors of domestic violence and modify processes and protocols of the Housing Tax Credit (HTC) Program as reflected in the QAP, Compliance Manual, and related documents, as they pertain to the Violence Against Women Act (VAWA).

Self-Scoring Worksheet Proposed Changes

In addition to updates that will add clarifications and remove duplications, the initial proposed changes to the Self-Scoring Worksheet are summarized below. For reference purposes, the revisions are listed by Selection Category as listed in the in the current 2022-2023 Self-Scoring Worksheet (SSW) is included in parentheses.

- **Greatest Need Tenant Targeting** (Selection Category 1)
 - Permanent Supportive Housing for High Priority Homeless (HPH) –
 - Add language to address potential market issues in parts of the state where there are sufficient HPH units to meet local needs, to help ensure that projects are serving the needs of the local community.
 - Substantially reduce and streamline the application materials for the majority of projects that include units that will serve High Priority Homeless households. This change is expected to reduce the cost and time associated with submitting an application, and it will focus work on those projects that are selected.
 - People with Disabilities (PWD) –
 - Clarify documentation requirements to help ensure that projects are serving the intended population and are serving the needs of the local community.
 - Clarify language to address potential market issues due to resource misalignment. In some instances, applicants propose rental assistance that may not serve the intended population.
 - Substantially reduce and streamline the application materials for all projects that include units to serve People with Disabilities. Similar to the HPH category, this change is expected to reduce the cost and time associated with submitting an application and focus on those projects that are selected.
- **Serve Lowest Income for Long Durations** (Selection Category 2)
 - Preservation – Streamline and simplify the current two tiers into one category focused on preserving existing units with rents at or below the county 30% to 50% Multifamily Tax Subsidy Project (MTSP).
- **Increasing Geographic Choice** (Selection Category 3)
 - Workforce Housing – Add additional language to expand the hold harmless provision and modify how communities are evaluated and updated on an annual basis. The Agency will continue to evaluate job growth and long commute communities and add any new workforce communities with updated jobs numbers, but no communities

would be removed for the duration of the 2024-2025 QAP. This will help accommodate for the fluctuation in job growth due to the COVID-19 pandemic so that projects do not lose eligibility for what may be a temporary dip caused by job losses during the pandemic.

- **Supporting Community and Economic Development** (Selection Category 4)
 - Equitable Development – Add language to help refine and clarify documentation requirements.
 - Refine Qualified Stakeholder Group requirements to:
 - Further define and clarify entities that qualify as a Qualified Stakeholder group.
 - Help ensure representation and meaningful community participation and engagement to directly center community voices in the development process.
 - Add language to refine the requirement of the Qualified Stakeholder Group letter that is submitted with the application.
 - Black, Indigenous and People of Color-owned/Women-owned Business Enterprises –
 - Create a new incentive for diverse ownership opportunities by adding a new tiered point option for ownership/sponsorship.
 - Expand diverse community partners by increasing the total points.
 - Modify the incentives for participation and add two opportunities for points for projects that meet one of three partnership scenarios.
 - Rural/Tribal – Revise the rural/tribal methodology to a two-tier scoring category based on the population of a community and recalibrate the points to help ensure balance between smaller rural areas and urbanize areas in Greater Minnesota.
 - Qualified Census Tract (QCT)/Community Revitalization, Tribal Equivalent Areas, and Opportunity Areas –
 - Language to clarify when a Community Development Plan is required
 - Language to clarify that the hold harmless provision is applicable to QCT selection criterion.
- **Efficient Use of Scarce Resources and Leverage** (Selection Category 5)
 - Financial Readiness to Proceed/Leverage Funds – Refine the language to clarify documentation required for Historic Tax Credit projects.
- **Unacceptable Practices** – Eliminate QAP specific language in the Self-scoring Worksheet that can result in penalties or disqualification. The policy currently only applies to HTC projects, but the Self-scoring Worksheet is used for both HTC projects and projects funded with only deferred loans.

Qualified Allocation Plan Proposed Changes:

The QAP will be reviewed to clarify requirements and streamline. The proposed policy changes are anticipated to include:

- Increase the development limit from \$1,350,000 to \$1,700,000 to reflect cost changes and help meet project needs.
- Rural Development/Small Project Set-Aside (RD set-aside)
 - Increase the RD set-aside amount from \$375,000 to \$425,000.
 - Expand the Rural Development definition to match the definition in the Rural/Tribal Methodology.
 - Increase the maximum number of units from 12 to 24 to create more flexibility, opportunity for preservation, and to align with common RD project sizes.
- Administrative Updates
 - Add language to allow discretion for supplemental HTC requests if the project was a partial allocation.
 - Add language to allow discretion to allow additional extensions to submit carryover requirements.
 - Eliminate any references to prior HTC forms that have become unnecessary.
 - Add language to clarify that administrative, non-material modifications are allowed.

Next Steps

The full language of the QAP and SSW will be released in early June. Opportunities for feedback and public comment are listed below.

The formal comment period is anticipated to begin on Monday, June 6, 2022 and close on Wednesday, June 29, 2022 at 5:00 p.m. CT. Minnesota Housing will consider all comments received through this deadline. Presentation and final action on the 2024-2025 QAP are expected to occur at Minnesota Housing's board meeting that will be held on Thursday, November 17, 2022. All times are Central Time (CT).

Date/Time	Activity
Monday, June 6, 2022 – Wednesday, June 29, 2022 Public comment period closes at 5:00 p.m. CT on June 29, 2022	Public Comment Period Email to: htc.mhfa@state.mn.us , or By phone at: 651.297.5142, or By mail to: Attn: Tamara Wilson, Minnesota Housing 400 Wabasha Street North, Suite 400 St. Paul, MN 55102-1109
Thursday, June 9, 2022 9:30 a.m. – 10:30 a.m. CT	Minnesota Housing discussion and webinar
Tuesday, June 14, 2022 2:00 p.m. – 4:00 p.m. CT	Minnesota Housing Partnership/Metropolitan Consortium of Community Developers co-sponsored discussion with Minnesota Housing
Tuesday, June 28, 2022 10:00 a.m. – 11:00 a.m. CT	Public hearing
Wednesday, June 29, 2022 5:00 p.m. CT	Public comment period closes
Late September/Early October 2022	Second public release and public comment period
Thursday, November 17, 2022	Minnesota Housing board meeting: final action

Proposed Rent Increase Limit Policy



2024-2025 Qualified Action Plan Proposed Rent Increase Limit Policy

In June 2022, Minnesota Housing released the draft 2024-2025 Qualified Allocation Plan (QAP) for public comment. At the close of the public comment period in July 2022, Minnesota Housing received a number of comments requesting a policy that would limit the size of annual rent increases. The purpose of the new policy includes mitigating the impact to cost burdened households and helping to prevent economic displacement.

Rent Increase Limit Policy Options

Based on comments submitted to Minnesota Housing, the below options to limit the size of annual rent increases were drafted for additional public feedback. The different options represent variations on relief provisions for rent increases exceeding 5%; the funding programs included in the policy; and, the populations included in the policy.

After this second comment period, final wording for a rent increase limit policy may be incorporated into the 2024-2025 QAP and/or other agency requirements for consideration by the Minnesota Housing Board of Directors in November 2022. If adopted in the QAP, a final policy would apply to the 2024-2025 QAP and any award or allocation of 4% and 9% Housing Tax Credits (HTC) subject to that QAP.

1. No Relief Provisions; HTC + Deferred Loans; All Populations

All projects awarded or allocated deferred loan(s) and/or HTCs are limited to an annual rent increase of 5 percent or less for occupied affordable units when the resident does not have the benefit of rental assistance.

2. No Relief Provisions; HTC Only; All Populations

All projects awarded or allocated HTCs are limited to an annual rent increase of 5 percent or less for occupied HTC units when the resident does not have the benefit of rental assistance.

3. No Relief Provisions; HTC Only; Senior Only

All senior projects (projects operating or intending to operate housing for senior households) awarded or allocated HTCs are limited to an annual rent increase of 5 percent or less for occupied HTC units when the resident does not have the benefit of rental assistance.

4. With Relief Provisions; HTC + Deferred Loans; All Populations

All projects awarded or allocated deferred loan(s) and/or HTCs are limited to annual rent increase of 5 percent or less for occupied affordable units when the resident does not have the benefit of rental assistance. If an owner wishes to increase rents above 5 percent, they must submit a written request to Minnesota Housing for approval of a



2024-2025 Qualified Action Plan Proposed Rent Increase Limit Policy

budget-based rent increase. The requested increase must be within reasonable limits to cover increases in operating expenses such as property taxes, utilities, insurance, etc.

5. **With Relief Provisions; HTC Only; All Populations**

All projects awarded or allocated HTCs are limited to annual rent increase of 5 percent or less for occupied HTC units when the resident does not have the benefit of rental assistance. If an owner wishes to increase rents above 5 percent, they must submit a written request to Minnesota Housing for approval of a budget-based rent increase. The requested increase must be within reasonable limits to cover increases in operating expenses such as property taxes, utilities, insurance, etc.

6. **With Relief Provisions; HTC Only; Senior Only**

All senior projects (projects operating or intending to operate housing for senior households) awarded or allocated HTCs are limited to annual rent increases of 5 percent or less for occupied HTC units when the resident does not have the benefit of rental assistance. If an owner wishes to increase rents above 5 percent, they must submit a written request to Minnesota Housing for approval of a budget-based rent increase. The requested increase must be within reasonable limits to cover increases in operating expenses such as property taxes, utilities, insurance, etc.

Next Steps

Please review the proposed changes and provide feedback during the public comment period. The formal comment period is from Wednesday, Sept 28, 2022 and Wednesday, October 5, 2022 at 5:00 p.m CT. Minnesota Housing will consider all comments received through this deadline. Presentation and final action on the Amended 2022-2023 QAP and 2024-2025 QAP are expected to occur at Minnesota Housing's board meeting that will be held on Thursday, November 17, 2022.

2024-2025 Housing Tax Credit (HTC) Qualified Allocation Plan (QAP) Redline



2024-2025 Housing Tax Credit Qualified Allocation Plan

MINNESOTA HOUSING – ~~2022-2023~~2024-2025 HOUSING TAX CREDIT QUALIFIED ALLOCATION
PLAN

Revised: ~~12/2020~~11/2022

MINNESOTA HOUSING – ~~2022-2023~~2024-2025 HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN



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MINNESOTA HOUSING – ~~2022-2023~~2024-2025 HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN

An equal opportunity employer.

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

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Chapter 1 – Introduction and Preparation of the Qualified Allocation Plan

The Federal Tax Reform Act of 1986 created the Low-Income Housing Tax Credit (~~HTC~~Housing Tax Credit) Program (~~see~~refer to Section 42 of the Internal Revenue Code) for qualified residential rental properties. The Housing Tax Credit (HTC) offers a reduction in federal income 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) was designated by the Minnesota Legislature as the primary HTC Allocating Agency for the State of Minnesota, with certain other cities and counties also designated as suballocators of ~~HTC~~HTCs¹.

Section 42 of the Internal Revenue Code (IRC) requires that ~~housing credit~~HTC allocating agencies develop and adopt a Qualified Allocation Plan (QAP) for the distribution of ~~the~~ HTCs within the jurisdiction of the ~~allocating agency~~(Allocating Agency (Internal Revenue Service [IRS] Treasury Regulation 1.42-17 Qualified Allocation Plan)).

Minnesota Housing's QAP is developed in accordance with federal law, and all applicable federal requirements are hereby incorporated by reference². The QAP sets forth selection criteria that are appropriate to local conditions and priorities for allocating HTCs 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:

- ~~1. a.~~ Projects serving the lowest income tenants;
- ~~2. b.~~ Projects obligated to serve qualified tenants for the longest periods;
- ~~3. c.~~ Projects in Qualified Census Tracts (QCTs) that are part of a concerted community revitalization plan.

This document, and all forms and attachments, along with the Self-Scoring Worksheet, are a part of Minnesota Housing's QAP. The QAP is subject to modification or amendment to help ensure the provisions conform to the requirements of Section 42 and applicable state statutes.

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

¹ Minn. Stat §§ 462A.221 to 462A.225

² Section 42(m) of the Internal Revenue Code

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Minnesota Housing is also required to monitor HTC projects during the compliance period as well as notify the ~~Internal Revenue Service (IRS)~~IRS of any noncompliance with the requirements of Section 42 of which it becomes aware. All applicants should review ~~the~~ IRS Treasury Regulation 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 (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 QAP is provided solely for use in applying for HTCs from Minnesota Housing and may not be relied upon in structuring or investing in specific transactions, compliance with the ~~Internal Revenue Code, IRC,~~IRS Treasury Regulations, or any other laws or regulations governing HTCs. Interested parties should consult with a knowledgeable tax professional prior to entering into any commitment concerning the use and claim of HTCs.

Minnesota Housing maintains the right not to award or allocate HTCs for any project if it determines, in its sole discretion, that an award or allocation for such project does not further the purpose and goals as set forth ~~above~~in this QAP.

Chapter 2 – Policies and Procedures

A. Definitions

Metropolitan Area: As set out in Minn. Stat. 473.121, ~~subd.~~Subdivision 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 Falls), Hennepin (excluding the cities of Hanover and Rockford), Ramsey, Scott (excluding the city of New Prague) and Washington.

Greater Minnesota: Greater Minnesota means any area which is not under the Metropolitan Area as defined above.

Substantial Rehabilitation: Rehabilitation of at least \$5,000 per unit, as defined in Minn. Stat. § 462A.221, Subdivision 5 that also meets the qualifying rehabilitation requirements as defined in ~~IRC~~ Section 42(e).

Federally Assisted Building: The term “Federally Assisted Building” as defined by Section 42 of the Internal Revenue Code (Section 42) 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 United States Department of Housing and Urban Development (HUD) or by the Rural Housing Service of the United States Department of Agriculture- Rural Development (RD).

Internal Revenue Code (IRC): Title 26 of the United States Code.

Section 42 (Internal Revenue Code Section 42): Low-Income Housing Tax Credit (26 USC § 42~~)~~), as amended.

Housing Tax Credit Agency (Allocating Agency): Any entity authorized by the state of Minnesota and Section 42 to allocate HTC in Minnesota.

Qualified Allocation Plan (QAP): As defined in Section 42 (m)(1)(B) and including the Self-Scoring Worksheet and this document.

B. Geographic Distribution

The state of Minnesota is divided into two general geographic pools: (1) the Metropolitan Pool, as defined in Chapter 2.A.; and (2) the Greater Minnesota Pool, which consists of the balance of the state. Distribution of 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, ~~subdivision~~Subdivision 1a.

Under Minnesota Statutes § 462A.222, certain cities and counties have been designated as suballocators to allocate and monitor HTCs to eligible projects in their cities or counties. Some suballocators have entered into a Joint Powers Agreement with Minnesota Housing under which

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Minnesota Housing will perform the HTC allocation and compliance monitoring. These suballocators currently are the cities of Duluth, St. Cloud, and Rochester. Minnesota Housing will post on Minnesota Housing's website (www.mnhousing.gov) any update in suballocator information in early ~~2021~~2023 and ~~2022 on Minnesota Housing's website~~2024.

The HTC distribution plans for Greater Minnesota and the Metropolitan Area will be formulated in accordance with Minn. Stat. § 462A.222, ~~subdivision~~Subdivision 4.- The Greater Minnesota distribution will be as follows: (1) Rural Development (RD)/Small ~~project~~Project set-aside (~~seerefer to~~ Chapter 2.D.); (2) the three suballocators eligible to administer HTCs within their respective city limits: -Duluth, Rochester, and St. Cloud; and (3) the balance of Greater Minnesota ~~Area~~ and the nonprofit set-~~aside~~ (~~seerefer to~~ Chapter 2.C-), which is administered by Minnesota Housing.

The Metropolitan Area distribution will be as follows: (1) The four suballocators eligible to administer HTCs within their respective city/county limits: Minneapolis, Saint Paul, Dakota County, and Washington County; and (2) the balance of the Metropolitan Area and the nonprofit set-~~aside~~ (~~seerefer to~~ Chapter 2.C-), which is administered by Minnesota Housing.

As of January ~~2020~~2022, the distribution between the two pools is 39-~~percent~~% in the Greater Minnesota Pool and 61-~~percent~~% in the Metropolitan Pool. -Minnesota Housing will update the distribution for the ~~2022-2023~~2024-2025 QAP based upon updated demographic data in early ~~2021~~2023 and ~~2022~~2024, and the applicable distribution will be posted on Minnesota Housing's website.

C. Nonprofit Set-Aside

Federal law requires that 10-~~percent~~% of the total annual HTCs allocated from the states' HTC volume cap be reserved each year exclusively for projects involving ownership by qualified nonprofit organizations ~~which~~that 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~~%. Applicants to the nonprofit set-aside can also compete in Round 2 if there are nonprofit set-aside funds still available. If the nonprofit set-aside is not exhausted in Round 1, the nonprofit set-aside will be available in Round 2. -If a project is necessary to meet the federal requirement in Round 2, at Minnesota ~~Housing~~Housing's sole discretion, the project will have priority over other applicants in Round 2.

The nonprofit must be 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 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~~secure 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.

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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 HTC's 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 LURA
5. The relationship of the principals involved in the formation of the nonprofit organization with for-profit individuals concerning the 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 IRC in the development and operation of the project throughout the term of the 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 HTC's from the general pool and selected based upon its point ranking. However, any proposal that receives HTC's from the nonprofit set-aside must comply with the nonprofit requirements of IRC Section 42(h)(5)(C) and (D), including material participation for the term of the LURA. This requirement will be recorded as a covenant on the land that will apply to all subsequent owners.

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D. Rural Development/Small Project Set-Aside

Minnesota Housing designates a portion of the state's HTC volume cap to Rural Development (RD) financed or small projects. The amount of HTCs reserved to the RD/Small Project set-aside for ~~2022~~2024 and ~~2023~~2025 is \$~~375~~425,000. Eligible projects must ~~have~~ either:

1. ~~A Rural Development (Have an RD)~~ financing commitment, or,
2. A ~~site~~small project located in ~~an RD service area~~ Rural/Tribal Designated Area as defined in the Rural/Tribal Methodology in the Methodology Guide and consisting of ~~12~~24 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 RD/Small Project set-aside for consideration. Applicants to the set-aside can also compete in Round 2 if there are RD set-aside funds still available. ~~The HTCs~~IRS Form 8609 may not be ~~allocated~~issued to a new RD project until after financing commitment has been executed.

E. Application Rounds

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

Round 1

Round 1 uses a forward selection process, with selections generally taking place in ~~the fall of~~ the year proceeding the allocation year of the HTCs. Projects that have previously received a partial allocation of HTCs from Minnesota Housing may have priority over other applicants in Round 1.

During Round 1, for-profit applicants must apply directly to the suballocator for an HTC allocation if the project falls within a ~~suballocator's~~suballocator's jurisdiction. 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 HTCs to Minnesota Housing. Minnesota Housing will administer the HTCs for all areas outside the jurisdiction of suballocators. Nonprofit applicants may apply to the Minnesota Housing nonprofit set-aside or the suballocator individually or concurrently. Any unused HTCs are returned to Minnesota Housing prior to Round 2.

In Round 1, the nonprofit set-aside is divided proportionally between the two geographic pools. ~~On an annual basis, the nonprofit set-aside may be increased by five percentage points if all suballocators and Minnesota Housing agree to set aside this amount from their respective allocations to the respective geographic pool.~~ the Metropolitan Area pool and the Greater Minnesota pool. Nonprofit developers with projects located within the jurisdiction of a suballocator may apply for HTCs from Minnesota Housing, but only in the nonprofit set-aside. Nonprofit developers with projects located in the allocating jurisdiction of a suballocator may apply simultaneously to the suballocator and to the Minnesota Housing nonprofit

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set-aside. Nonprofit developments not located in the allocating jurisdiction of a suballocator will compete for HTC's in the respective general geographic pool once the nonprofit set-aside has been exhausted.

In Round 1, Minnesota Housing will establish a preservation allocation ceiling of 2/3 for each geographic pool, Metropolitan and Greater Minnesota, but not including the RD/~~small project~~Small Project set-aside or 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.

Round 2

Round 2 makes available for allocation any HTC's remaining or returned since Round 1. All remaining or returned HTC's, excluding a return of HTC's for projects requesting a reallocation, 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-asides³. Additionally, Round 2 establishes a waiting list for HTC's that may be returned. In Round 2, all projects located in suballocator jurisdictions may apply directly to Minnesota Housing. -Projects that have previously received HTC's from Minnesota Housing or a ~~Suballocator~~suballocator and have an annual HTC shortfall of at least ~~five percent~~5%, but not more than 33.33~~-percent~~% of the total qualified annual HTC amount, subject to Minnesota Housing approval, will have priority over other applicants in Round 2 and under the ~~Waiting List~~waiting list. If more than one project qualifies under the supplemental priority, ~~the Agency~~Minnesota Housing will evaluate and rank eligible requests according to points awarded.

Minnesota Housing may, at its sole discretion, establish a waiting list following Round 2 if sufficient HTC's are not available. See~~Refer to~~ Chapter 2.T. for additional details.

F.- Suballocator Procedures

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 HTC's 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 HTC's on behalf of each city. Minnesota Housing will administer the HTC's for areas outside the jurisdiction of the suballocators.

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's prior to the application closing date for Round 1.

³ 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~~nonprofit set-aside will also be carried forward until the end of Round 2.

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Before the application deadline for Round 2, the suballocators must return all uncommitted and unallocated HTC's to Minnesota Housing, along with copies of the HTC application and commitment agreements for all selected projects.

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

So that all ~~of~~ a project's HTC's are allocated by a single Allocating Agency, Minnesota Housing may apportion additional HTC's to a suballocator for a project that has already received a commitment or allocation of HTC's from the suballocating agency, if all ~~of~~ the suballocator's HTC's have been committed or allocated. These supplemental HTC'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 December 31 of the year in which the selection was made. If at any time after the apportionment of the HTC's a suballocator determines the project cannot use or is no longer eligible for all or a portion of the HTC's apportioned to the project, the HTC's must be returned to Minnesota Housing within 10 business days for reallocation.

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

As the primary and lead HTC agency for the state of Minnesota, Minnesota Housing is responsible for collecting and filing the required form with the IRS each year. 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 shall submit the following information to Minnesota Housing no later than January 31 for all HTC activity that has occurred in the preceding year:

1. 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
2. A completed HTC application form (Multifamily Workbook) for each development receiving an allocation or award through a reservation, carryover, or issuance of 8609 for HTC's issued from volume cap and in connection with tax-~~exempt~~ volume limited bonds
3. A completed IRS Form 8610 Schedule A for each development receiving a carryover allocation
4. 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
5. Any other information requested by Minnesota Housing necessary to meet federal and state reporting purposes

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Suballocators are responsible for monitoring HTC projects for the term of the LURA, including requirements imposed if Minnesota Housing apportions additional HTCs to a suballocator, in accordance with 42(m)(1)(B)(iii) (~~see~~refer to Chapter 2.W.) to help 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 HTCs from Minnesota Housing that are apportioned to a suballocating agency must incorporate Minnesota Housing restrictions that are a condition of the HTC award (e.g., nonprofit set-aside, homeless households).

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

1. Project name
2. Address
3. Building identification numbers (BIN)
4. Ownership entity and tax identification number (TIN)
5. Total number of residential units
6. Number of HTC units
7. Year of allocation or award
8. Amount of HTCs allocated or awarded
9. 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~~all IRS Form ~~8823~~8823s 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.

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 HTC allocation or award and compliance monitoring. As a condition of the Joint Powers Agreement, the participating suballocator will transfer its entire annual HTC distribution to Minnesota Housing.

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

G. 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

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land will also qualify if the project meets all ~~of~~ the other requirements described above and all units in the project are low-income units. - The Scoring Guide provides additional information on how thresholds and selection criteria will apply to scattered site projects.

H. Developer and Development Limits

For applicants statewide applying for a portion of the state’s HTC volume cap, the per-developer or general partner HTC limit is the greater of: the amount representing 10-~~percent~~% of the state’s per capita volume limit in 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,~~350~~700,000 in ~~2022~~2024 and ~~2023~~2025 in cumulative HTCs 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 -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 may provide a waiver ~~and to~~ the developer or development limit. The applicant must provide to Minnesota Housing justification for exceeding the applicable limit ~~to Minnesota Housing~~.

1. Developer Limit

- a. Developer/Sponsor capacity ~~—~~ The ability and capacity of the development team to proceed expeditiously to complete multiple developments, including other projects selected by Minnesota Housing for funding that have not yet been completed
- b. Financial Feasibility ~~—~~ The applicant must demonstrate that the HTCs are necessary for the financial feasibility of the proposed development project 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 HTCs at year-end.

2. Development Limit

- a. Financial Feasibility ~~—~~ The applicant must demonstrate that the 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 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.

I. Transfer of Ownership

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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 prior to the transfer of ownership.

Owners wishing to change or transfer ownership must submit a completed Request for Action Form (RFA), Transfer Agreement, a transfer of ownership ~~(see fee (refer to~~ Chapter 8) and/or an RFA processing fee (~~see~~refer to Servicing Fee on Minnesota Housing's website), and any other documentation that Minnesota Housing deems necessary.

J. 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 LURA will have an effect on all individuals/entities with an ownership interest on each side of the transfer that submit applications in future HTC rounds.
2. Failure to notify ~~—~~ Existing HTC projects that did not have a transfer approval requirement are required to notify ~~the agency~~Minnesota Housing of a transfer of ownership throughout the term of the LURA. Failure to notify ~~the agency~~Minnesota Housing will have an effect on all individuals/entities with an ownership interest on each side of the transfer that submit applications in future HTC rounds.

These entities may be penalized for an Unapproved Transfer or Failure to Notify 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 20 points on each application submittal)
- b. Two or more transfers (negative 35 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 up to 10 years.

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:

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- 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 may:
- a. Reduce or rescind the reservation/allocation or award of the HTC to the project prior to issuance of 8609
 - b. Assess a ~~-25~~negative25 point penalty to all parties involved in the ownership ~~and/or~~ management of the project for four funding rounds following notification of the assessment of the negative points by Minnesota Housing. This also applies to HTC projects financed by tax-exempt volume limited bonds, owners, and managers.

Changes to Project

The allocation of 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 HTCs up to the full amount of the allocation as well as the assessment of penalty points to the owner/developer of up to ~~-35~~negative35 points.

Late 8609 Application Submissions Resulting in the Loss of HTC 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 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 a period of up to 10 years. This applies to HTCs issued by Minnesota Housing, suballocators, and in conjunction with tax-exempt volume limited bonds.

Non-Compliance with Minnesota Housing's Fair Housing Policies or Tenant Selection Plan Guidelines, Procedures, and/or Requirements

At the sole discretion of Minnesota Housing, any failure to comply with Minnesota Housing's Fair Housing policies or Tenant Selection Plan Guidelines, procedures, or requirements may be penalized according to Minnesota Housing's Fair Housing policy, up to and including disqualification of the

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application. In addition, under the HTC program, Minnesota Housing may impose up to a ~~-35~~negative35 point penalty on future HTC developments to all parties involved in ownership and/or management on the development(s) that are found in non-compliance. The penalty points will be in effect for four funding rounds (generally two calendar years) following notification of the assessment of the negative points by Minnesota Housing. This also applies to 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 may be considered an unacceptable practice and result in negative points or ineligibility to receive an award or allocation of HTCs.

1. On the date of submission of an application for an award or allocation of 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, Minnesota Housing may impose a penalty up to ~~-35~~negative35 points under Unacceptable Practices.

~~b.a.~~ Failed minimum set-aside

~~d.b.~~ Any Exigent Health and Safety violation under Uniform Physical Conditions Standards

~~f.c.~~ Owner is charging rent on any HTC unit that exceeds the allowable rent limit or has violated Minnesota Housing's policy limiting rent increases to once annually (as stated in Section 5.01 of the Housing Tax Credit Compliance Guide).

~~h.d.~~ HTC unit rented to an ineligible household (~~i.e.g.~~, household not properly certified, over income at initial occupancy, or ineligible full-time student)

~~j.e.~~ Project not available to the general public

~~l.f.~~ Owner failed to respond to ~~agency~~Minnesota Housing request for inspection

~~n.g.~~ Other ~~Compliance~~compliance violations as determined by Minnesota Housing

2. On the date of submission of an application for an award or allocation of 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~~Section 42 program as indicated on line 11p of IRS form 8823 and has not taken steps to bring the property back into compliance to the

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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 may receive a penalty up to ~~-35~~ negative 35 points or be deemed ineligible to receive an award or allocation of HTC.

K. Minimum Underwriting Standards

A development selected for a reservation or preliminary determination of 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~~refer to Chapter 5), and the Minnesota Housing Multifamily Underwriting Standards~~s~~. These factors will be monitored throughout the HTC process until Minnesota Housing's issuance of the approved IRS Form 8609. **Minnesota Housing will not allow any significant adjustments to these standards without prior approval.** Not complying with these standards could lead to the revocation of the HTC allocation.

L. 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 sole 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 and/or familial relationship between the entities, including parent and subsidiary entities.

M. 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 (~~the~~ "significant parties"). These significant parties include, but are not limited to, general partners, accountants, architects, engineers, financial consultants, any other consultants, processing agents, management agents, and the general contractor. ~~(NOTE: Each team member may be required to 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

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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.

N. Determination of 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 HTC amount, Minnesota Housing may not allocate more 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 in accordance with Section 42:

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 HTCs, 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 HTCs needed by the project to fund the gap over a 10-year period, based on the estimated market value of the HTCs.

Based on this evaluation, Minnesota Housing will estimate the amount of 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 HTCs. The amount of the ~~HTC~~HTCs can change during the process due to variations in cost, mortgage amount, HTC percentage, syndication proceeds, etc. Minnesota Housing reserves the right not to allocate any HTCs.

This analysis to determine the maximum amount of HTCs must be performed by both Minnesota Housing and the owner/developer at the time of application, at the time of allocation, and at the time the project is placed in service, ~~providing~~provided all project costs are finalized and certified. For each analysis, 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.

If there are changes in resources and/or uses of funds or other material changes, Minnesota Housing will adjust the HTC amount to reflect the changes, and the HTC amount may be reduced. HTC amounts will not automatically be increased above the initial reservation request or allocation amount. Requests for additional HTCs for the project must follow the procedures in Chapter 2.O. and will depend upon the availability of HTCs.

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O. Requests for Additional 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 amounts. Under extenuating circumstances, such as significant changes in the market, Minnesota Housing may allow additional requests. -The determination and approval are at the sole discretion of ~~the agency~~Minnesota Housing.

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

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

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

P. Round 2 Resubmission Process for Non-Select Projects

In a current allocation year, if a project fails to receive ~~9-percent~~% HTCs in Round 1, it may be considered for a reservation of HTCs in Round 2 by following ~~these~~the guidelines listed below. 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, including all documentation that clearly supports the points claimed
5. Any requested documentation Minnesota Housing deems necessary
6. The Supplemental Application Fee

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Minnesota Housing reserves the right to require a full, new application for any project.

Q. Qualified Census Tracts, Difficult Development Areas and State Designated Basis Boosts

Projects that meet the following criteria may be eligible for a greater amount of HTC than the legislated maximum HTC percentage.

1. **Qualified ~~census tracts (QCT)~~Census Tracts (QCTs)** 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](#)). -Effective dates can be based upon year of application or allocation. -~~See~~Refer to the HUD Designation Notice found on HUD's website for additional details.
2. **Difficult ~~development areas (DDA)~~Development Areas (DDAs)** designated by HUD as having high construction, land, and utility costs relative to area median income. For DDA information, reference the same website ~~for QCTs~~ as QCTs above. -Effective dates can be based upon year of application or allocation. -~~See~~Refer to the HUD Designation Notice found on HUD's website for additional details.
3. **State Designated Basis Boost.** - For projects requesting HTCs from the state's HTC volume cap. Buildings Designated by State Housing Credit Agency [pursuant to 42(d)(5)(B)(v)(*)] (*refer to the end of this section for reference).

It is the goal of Minnesota Housing to optimize the use of all available sources of funding for multifamily developments 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 priorities. Consistent with this goal, the following criteria will be used to determine if, when, and in what HTC amount, Minnesota Housing will provide a basis boost for HTC developments on a building by building basis to obtain financial feasibility.

- a. ~~Development~~The development must meet at least one of the following selection criteria requirements:
 - i. Permanent Supportive Housing: Projects that will serve People with Disabilities or High Priority Homeless Households under the Permanent Supportive Housing for High Priority Homeless selection criterion or the People with Disabilities selection criterion.
 - ii. Preservation: Projects that serve existing federally assisted housing or other critical affordable housing projects must be eligible under the Preservation selection criterion.
 - iii. Tribal: Projects that are sponsored by, or have received, a significant financial contribution (as determined by Minnesota Housing) from a ~~Tribal~~tribal government, tribally designated housing entities, or tribal corporate entities.

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- b. The application must demonstrate that without the basis boost, a significant funding gap will remain for the proposed development and HTC allocations 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 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.

R. Reservations

Once Minnesota Housing has ranked applications and determined allowable HTC amounts for each application, staff will make recommendations to Minnesota Housing's board for final approval of the reservation of 9~~-percent~~% HTCs.

Reservations are site specific. Changing a development's site could lead to the revocation of the HTC reservation/allocation.

Minnesota Housing's HTC program permits its owners to elect the applicable percentage either at the time of reservation or when 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 - or as otherwise established by Section 42. 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 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 HTCs.

Selected applicants that will not place a project in service in the allocation year for which the reservation was issued may request a carryover allocation by submitting the required carryover application submissions.

S. Administrative Errors/Appeals Process

~~Applications~~Applicants requesting HTCs from the state's HTC 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 HTC amount at the time of application/reservation,

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the applicant must submit in writing evidence supporting their position by the appeal due date and time determined by Minnesota Housing, which is generally -five business days after- notification of application status. The applicant's appeal must be written in letter form containing a signature and stating that the communication is an appeal under Chapter 2.S. of ~~the~~this QAP. The appeal letter may be submitted ~~through~~via email to mhfa.htc.appeals@state.mn.us or mailed to: _____

Minnesota Housing
 HTC 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.

T. Waiting List

In Round 2, eligible applications that were not-selected or that were selected to receive a partial allocation 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, or unused and/or any returned HTCs. This excludes a return of credit for projects requesting a reallocation. A project on the waiting list that is selected for its HTC request through the subsequent Round 1 will no longer be eligible to receive HTCs through the waiting list and will be removed from the list. -Projects determined to meet the supplemental priority in accordance ~~to the~~with this QAP will receive priority over other applicants. The waiting list will follow Minnesota Housing's 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, and market and financial viability prior to receiving consideration for an HTC 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 HTCs 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 year, to receive consideration for an HTC allocation.

U. Carryover Allocations

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Federal law (IRS Treasury Regulation 1.42-~~066~~ 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 prior to the deadline established by Section 42, as may be extended by relief issued by the IRS.~~ 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 HTC's due to an IRS formula adjustment, National Pool, or unused and/or returned HTC's ~~the agency, Minnesota Housing~~ may allocate HTC's for any additional HTC requests based upon the score of the project's allocation request. This excludes a return of HTC's for projects requesting a reallocation 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 HTC's 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~~accountant (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 ~~the~~this QAP. 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 must be expended or incurred by the ~~later~~date, which is one year from the date of: the allocation

~~a. The date which is one year after the date that the allocation is made, or~~
~~a. 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, as may be extended by relief issued by the IRS and by no later than Minnesota Housing's submission deadlines identified in Chapter 6.B. 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

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may be issued that will require further adjustments to the QAP and additional reviews of developments relating to carryover.

V. Reallocation

Notwithstanding any other provisions of this QAP, when a project that has received a carryover allocation of 9% HTC from Minnesota Housing, has determined that it will be unable to place in service by the date required pursuant to Section 42, an owner may request (i) that they be able to return the original allocation of HTC and (ii) that Minnesota Housing reallocate the same amount of HTC in a future credit year.

Minnesota Housing reserves the right, at its sole discretion, to provide a new allocation of 9% HTCs to a project that received a carryover allocation in a prior calendar year. An owner that requests a return and reallocation will not be required to submit a new application or be scored again under the QAP applicable to the future credit year. To be eligible for this return and reallocation of HTC, at a minimum, the following conditions must be met to Minnesota Housing's satisfaction:

1. The owner must provide written notice to Minnesota Housing in a timely fashion, describing the circumstances surrounding the request, all remedial measures attempted by the developer to mitigate the delay, and any other pertinent information related to the inability to meet the required placed in service deadline, as part of their request to return their allocation.
2. The reason for the request must be extenuating circumstances beyond the reasonable control of the owner. These circumstances may include but are not limited to delays such as fire, natural disaster, pandemic, or other large scale issues with a significant impact to the housing industry.
3. The project is economically viable without additional HTCs or other deferred funding from Minnesota Housing.
4. Minnesota Housing must find that the project in all respects, except time to place in service, still meets the selection criteria and conditions upon which the HTC were originally allocated and the minimum requirement so the QAP applicable to the future credit year, and that the project continues to meet affordable housing needs in the community for which it is planned.

An owner may only return and receive a reallocation once per project. A developer may only return and received a reallocation once per year.

The owner shall submit the required fee listed in Chapter 8 with the written request. The fee is non-refundable regardless of outcome. The request is subject to Minnesota Housing board approval. Applicants should not assume that this reallocation will be automatically provided or rely on this statement when determining the timeline of the proposed project.

Minnesota Housing, in its sole discretion, may assess negative ranking points on subsequent applications from the applicant (or related entity).

A project located in a HUD-designated Difficult to Develop Area or Qualified Census Tract at the time of original allocation may retain its designation if consistent with Section 42. Effective dates can be based

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upon year of application or allocation. Refer to the HUD Designation Notice found on HUD's website for additional details.

W. Final Allocations

Except for carryover allocations, no allocation of HTC'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 HTC's 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 development does not intend to obtain a carryover allocation, but instead intends to take a project from 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 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 HTC's.

The HTC 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 QAP. 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 LURA.

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

WX. Monitoring for Compliance

Federal law requires that Minnesota Housing provide a procedure to monitor for compliance with Section 42 and to notify the IRS of noncompliance. Minnesota Housing is required to apply the monitoring procedure to all HTC projects developed within Minnesota Housing's jurisdiction, including HTC'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. HTC projects must comply with the Housing Tax Credit Compliance Guide as it may be amended. In general:

1. All HTC recipients must submit an annual certification to Minnesota Housing in a manner, form, and time established by Minnesota Housing. Owners are required to certify whether or not the

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property is in compliance with Section 42 regulations and whether or not the property complies with the restrictions and/or set-asides under which the HTC's were allocated. The certification will include, but is not limited to, certification statements required under IRS Treasury Regulation 1.42-5, the submission of completed IRS forms, and occupancy data including demographic data, income, student status, and rent. Annual monitoring fees will be due when the owner certification is due.

2. Minnesota Housing will conduct periodic inspections, including reviewing tenant files (including tenant applications, verification of income and income from assets, the tenant income certification, and documentation of eligible student status, etc.), a physical inspection using HUD's Uniform Physical Conditions Standards, and reviewing administrative records (including utility allowance and source documentation, tenant selection plans, marketing, Affirmative Fair Housing Marketing Plan, etc.) in accordance with the HTC Compliance Guide. If a property received its HTC allocation based on serving specific targeted population(s), administrative records and/or tenant files must demonstrate that the property and/or unit is serving such population(s).

Minnesota Housing will conduct its first monitoring inspection no later than the end of the second year of the compliance period.

3. A similar monitoring inspection will be conducted 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. Minnesota Housing, at its sole discretion, reserves the right to conduct more frequent inspections, at its sole discretion.~~
4. 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.
5. To accomplish its compliance monitoring responsibilities, Minnesota Housing will charge a per unit monitoring fee beginning with the first credit year. ~~The fee will be due annually throughout the compliance period and extended use period. See Refer to Sections 4.02 and 9.05 of the Housing Tax Credit Compliance Guide for details on the fee amount.~~ Minnesota Housing reserves the right to adjust the fee depending upon the requirements of the U.S. Treasury, IRS, or Minnesota Housing's increased cost to monitor. ~~The fee will be due in a manner and time as prescribed by Minnesota Housing. Minnesota Housing will provide prompt written notice to the owner of a low-income housing project if Minnesota Housing does not receive the annual certification and supporting documentation described above or discovers in an audit, inspection, or review, or in some other manner, that the project is not in compliance (or Minnesota Housing cannot determine the project is in compliance because the owner will not cooperate with or respond to monitoring requests) with the provisions of Section 42. ~~Owner~~The owner will be given a period of time to make corrections and supply evidence to Minnesota Housing that corrections have been made.~~ 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 regardless of whether the noncompliance has been corrected.

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6. Properties that received an HTC allocation in 1990 and later are subject to a minimum 15-year extended use period, which begins after the close of the 15-year compliance period. Compliance requirements and monitoring procedures for properties in the extended use period are contained in Chapter 9 of the HTC Compliance Guide.

~~8.7.~~ All project owners must maintain records in accordance with IRS Treasury Regulation 1.42-5. ~~See~~Refer to Chapter 3 of the HTC Compliance Guide for details.

~~XY.~~ **Qualified Contract**

All properties will be subject to a LURA with a term of 30 years or longer. - Section 42(h)(6)(E)(i)(II) of the IRC created a provision that housing credit agencies respond to the request for presentation of a ~~qualified contract~~Qualified Contract for HTC developments with expiring compliance periods. The request for presentation of a ~~qualified contract~~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 rent limits.

Owners of properties that receive 4-percent% or 9-percent% HTCs are required by Minnesota Housing to waive the right to request a ~~qualified contract for a minimum of 30 years. Some owners of 4 percent and 9 percent properties have agreed to extend the term of the LURA and to waive their right to~~ Qualified Contract for 40 or 50 years.

~~Y.~~_____

Z. **Tenant Selection Plan**

Minnesota Housing requires that a Tenant Selection Plan (~~Plan~~TSP) be readily available to anyone interested in such ~~Plan~~TSP for review and/or retention. Minnesota Housing will not develop or provide such a ~~Plan~~TSP to owners or management companies. The ~~Plan~~TSP must be developed and implemented in accordance with Minnesota Housing's ~~Tenant Selection Plan Guidelines~~Tenant Selection Plan Guidelines document, which is published on ~~the agency~~Minnesota Housing's website.

AA._____

~~Z.~~ **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 HTCs.

~~AAAB.~~ Amendments and Revisions to the Qualified Allocation Plan and Manual

This QAP has been prepared to comply with Section 42 ~~of the IRC~~ and applicable state and federal requirements.

The QAP is subject to modification or amendment at any time to help ensure that the provisions conform to the requirements of the IRC and other federal and state requirements, to make population

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and date changes as needed, to facilitate the award of HTC's that would not otherwise be awarded, and to address unforeseen circumstances. Minnesota Housing may make non-substantive administrative modifications to provisions of the QAP not mandated by Section 42 to the extent deemed necessary to facilitate the administration of the HTC program.

A substantive amendment to this QAP will occur only after public notice and public hearing.- Any substantive amendments will require approval of the Minnesota Housing board and the governor or appropriate approval entity. -Non-substantive amendments may be made by the Minnesota Housing board.- The Minnesota Housing board is authorized to waive any conditions of this QAP that are not mandated by Section 42 on a case-by-case basis for good cause shown. Written explanation will be made available to the general public for any allocation of HTC's that is not made in accordance with Minnesota Housing's established priorities and selection criteria.

To the extent that anything contained in 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 HTCs 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~~that are not subsidized, the applicable percentage is an amount resulting in aggregate HTCs having a present value of 70-~~percent~~% of qualified basis. Traditionally, this has resulted in an HTC 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~~that are federally subsidized and the acquisition of existing buildings that are rehabilitated, the applicable percentage is an amount ~~which~~that results in aggregate HTCs having a present value of 30-~~percent~~% of qualified basis. Traditionally, this has resulted in an HTC percentage of approximately 4-~~percent~~%.

The 9-~~percent~~% and 4-~~percent credit percentage~~% HTC percentages represent the maximum potential rate.

Applicants are strongly advised to consult closely with their HTC professionals (legal and tax) for guidance with respect to structuring a project to use either the 9-~~percent~~% or the 4-~~percent~~% HTC.

C. Qualifying Rehabilitation

Rehabilitation expenditure requirements are established both by state and federal law.

Under Section 42(e), rehabilitation expenses qualify for ~~the HTC~~HTCs if the expenditures for each building:

1. Are able to be 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~~that 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).

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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 at least \$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 HTC and the rehabilitation expenditures may be eligible for the 70 ~~percent%~~ present value HTC.

D. Existing Buildings

Existing ~~Buildings~~buildings must meet the requirements of Section 42(d)(2). In order for an existing building to qualify for the 30-~~percent%~~ acquisition HTC in connection with rehabilitation, the building must meet the ~~10-year~~10-year requirement (10-year rule), in accordance with Section 42(d)(2)(B) and have 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~~The 10-year rule also applies to existing HTC projects applying for a new allocation of acquisition HTCs at the end of the original 15-year compliance period.

E. ~~Exception~~Exceptions 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 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~~with interest ~~on which~~that is exempt from tax under Section 103 of the IRC, and 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.

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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 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. 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 HTCs 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 layering review when HTCs and HUD assistance are combined in a single project. Sponsors of projects that combine HUD assistance and HTCs 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 ~~HTC allocating agency~~Allocating Agency.

Subsidy layering review is required for the following programs, but not limited to:

- ~~1. Metropolitan Housing Opportunity Program (MHOP)~~
- ~~2.1.~~ U.S. Housing and Urban Development (HUD) Risk ~~Share~~Sharing Insurance
- ~~3.2.~~ Section 8 Project-Based Rental Assistance
- ~~4.3.~~ ~~Home~~HOME Investment ~~Partnership~~Partnerships Program (HOME)
- ~~5.4.~~ 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~~The Multifamily Workbook

I. Minimum Set-Aside Election

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

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the following minimum tests no later than the close of the first year of the credit period and for the full term of the LURA:

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~~, limit, 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 of 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~~ limit, adjusted for family size.

4.3. Average Income Test (AIT): To meet the AIT, 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~~ limit, 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 the 20-percent%, 30-percent%, 40-percent%, 50-percent%, 60-percent%, 70-percent% and 80-percent-of% MTSP limits. Only properties that are 100 ~~percent%~~ HTC restricted are eligible to elect the AIT, and the owner must agree and make a proper election per IRS instructions to treat all buildings as one multiple building project. ~~If the AIT is elected, the owner also agrees to maintain the number of 20-percent%, 30-percent%, and 40-percent% units throughout the extended use period that it represented in its application. The required number of units will be set forth on in the LURA and cannot be changed without Minnesota Housing's prior written approval. The units may float throughout the property, but the owner should be aware of potential fair housing concerns if the lower income and rent restrictions are not available in units with larger bedroom sizes.~~

After the initial HTC application has been submitted to Minnesota Housing and the project has been selected, the minimum set-aside cannot be changed without Minnesota Housing's prior written approval. Owners must demonstrate good cause for requesting a change. Once form(s) 8609 are filed with the Internal Revenue Service, the minimum set-aside election 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 at or below 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, the IRS defines each building as a separate project unless the owner elects to treat certain buildings as a multiple-building project on IRS form 8609. See/Refer to the 8609 instructions for making a multiple-building election on form 8609.

The AIT is not an available minimum set-aside election under IRC Section 142 for tax-~~ex~~empt bonds. Owners of properties financed with tax-~~ex~~empt bonds may elect the AIT for the HTC allocation, but

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will have to comply with the 20/50 or 40/60 minimum set-aside for bonds **AND** the AIT minimum set-aside for HTC.

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 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 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 Treasury Regulation 1.42-10 Utility Allowance, as amended, provides guidance relating to ~~Utility Allowances~~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~~Section 8 vouchersHousing Choice 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~~Average of Actual Consumption using methodology described in the ~~building.~~

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~~d.c.~~ AHUD published Multifamily Notice H2015-4A HUD Utility Schedule Model.

~~e.d.~~ An Energy Consumption Model using an energy and water and sewage consumption and analysis model.

The HTC Compliance 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 HTCs 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 AIT 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 AIT are the 20%, 30%, 40%, 50%, 60%, 70%, and 80-percent of% MTSP limits. 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 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.

Households are required to certify student status annually, no later than the anniversary date of the previous certification. ~~See~~Refer to Section 5.11 of the HTC Compliance Guide and Chapter 17 of the

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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 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)~~QCTs, DDAs, or in 9% HTC 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~~this issue. No assurances can be given that additional IRS guidance will not require further adjustments to ~~the~~this 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

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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 shall be excluded from the numerator and denominator for calculating the applicable fraction.

At initial application and at carryover, the **estimated project applicable fraction** will be used. 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 HTCs 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 LURA, which is recorded and remains with the property.

O. Annual HTC Amount

The HTC is available each year for 10 years. The amount of ~~HTC~~HTCs allocated or awarded is based on the ~~Qualified Basis~~qualified basis multiplied by the applicable percentage. However, Section 42(m)(2) requires Minnesota Housing to limit the amount of ~~HTC~~HTCs to the amount necessary to help ensure project feasibility under the rules established by the IRS; therefore, the actual amount of HTCs allocated or awarded could be less than the maximum allowable if the analysis reveals the project would still be feasible with fewer HTCs.

The IRS publishes the applicable percentages on a monthly basis. These figures are used to calculate the maximum allowable annual HTC amount for which the project will be eligible. ~~(Also see~~ (also refer to Chapter 3.B-~~7~~).

P. Declaration of Land Use Restrictive Covenants

As a condition of receiving HTCs, a project will be subject to a Declaration of Land Use Restrictive Covenants (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

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LURA and Section 42 income and ~~rental~~rent restrictions up to 50 years. Owners of properties that receive 4% or 9% HTCs are required by Minnesota Housing to waive the right to request a ~~qualified contract for a minimum of 30 years.~~(See Qualified Contract(refer to Chapter 2.-YX-).).

The LURA terminates upon 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.

Throughout the term of the LURA and for a three-year period after the termination of the 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 IRC with respect to such low-income unit.

The 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 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 HTCs being made to the owner entities. At its sole discretion, Minnesota Housing reserves the right to waive any criteria or requirement not required by law.

Q. Ineligible Properties

Any residential rental unit that is part of a hospital, nursing home, sanitarium, life care facility, trailer park, or intermediate care facility for the mentally and physically handicapped is not for use by the general public and is not eligible for HTCs under ~~section~~Section 42.- Projects with buildings having four or fewer residential units must comply with 42(i)(3)(c).

R. Passive Loss Restrictions

There is a limit on the amount of ~~HTC~~HTCs 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.

S. State Volume Limits

Each state is limited to the amount of HTCs it may allocate annually. An estimate of Minnesota's annual per capita volume limit is published prior to allocation in Round 1.

Projects financed by tax-exempt volume limited bonds ~~which~~that are subject to a separate volume limitation, are not counted against the state HTC volume limit.~~(See (refer to Chapter 7 for further details-)).~~

T. Recapture

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Minnesota Housing reserves the right to recapture HTC from projects that do not provide evidence satisfactory to Minnesota Housing of progress toward completion of the project in accordance with the project schedule, or noncompliance with the terms of the allocation.

Part of the 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.

U. Market Study

IRC Section 42(m)(1)(A)(iii) requires that all HTC projects conduct a comprehensive market study. -The study must examine- the housing needs of low-income individuals in the area to be served by a developer's HTC project and 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).

V. Eventual Tenant Ownership

Minnesota Housing will review projects incorporating eventual tenant ownership (ETO) provisions in accordance with Sec. 42 (h)(6), IRS Revenue Ruling 95-49, and Minnesota Housing's requirements. Projects that include eventual tenant ownership will receive a preference during the selection process when reviewing tie breakers (~~See~~refer to Chapter 5. C-).).

The 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.

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 term of the LURA. (~~Refer~~ refer to the Eventual Tenant Ownership Guide on Minnesota Housing's website).

W. 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 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~~develop 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.

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Goals

Our goal is to make certain that ~~black, indigenous, persons~~Black-, Indigenous-, People of color, Color-, and ~~female-women-owned~~ contractors and subcontractors businesses have equal access to business opportunities on Minnesota Housing financed projects and to encourage the presence of ~~black, indigenous, persons of color~~Black, Indigenous, People of Color, 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 make certain that the workforces on the projects and programs ~~we finance~~that it finances reflect demographically the ~~area~~areas in which ~~they~~the projects are located. These goals apply for the length of the contract or the life of the mortgage. Minnesota Housing, at its sole discretion, may set numerical or percentage goals dependent on the location and size of a given project. 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 extend 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, gender identity, or sexual orientation.

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

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

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in terms, conditions, or privileges of the rental of a dwelling unit or services or facilities;

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- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print, or publish (or cause to make, print, or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Deny access to, or membership or participation in, associations or other services, organizations, or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation;
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit; or
- Refuse to make reasonable accommodations or modifications for persons with disabilities.

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and ~~requires~~require housing providers to make reasonable accommodations and to allow ~~persons~~people with disabilities to make reasonable modifications.

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. Except as determined by Minnesota Housing, 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.

Housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Section 8 Housing Choice Voucher or other form of tenant-based rental assistance.

X. 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 and 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's will be evaluated according to the following standards (small projects, local Community Development Initiative projects, and projects developed in ~~difficult-to-develop areas~~ DDA 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 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. Refer to the Minnesota Housing Multifamily Underwriting Standards for additional as-is appraisal requirements and details.

~~The Agency~~ Minnesota Housing 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 HTC 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 Minnesota Housing Multifamily Underwriting Standards for the purposes of calculating eligible basis to determine the amount of ~~HTC~~ HTCs.

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~~development standards and the ~~Selection Criteria~~selection criteria within this 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'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. **Minnesota Housing will not allow any significant adjustments to these standards without prior approval.**

Additional design requirements will also be imposed if a developer claims and is awarded certain points on the Self-Scoring Worksheet. ~~(See~~ refer to Chapter 6).

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

Minnesota Statute 462A.222 ~~Subd.~~Subdivision 3 (e) requires that all applications statewide applying for a portion of the state's HTC volume cap in Round 1 meet one of the following minimum threshold types. The threshold type that the applicant applies under will become part of the HTC Reservation and Commitment. It will be secured by ~~a restrictive use covenant on the land~~LURA for the term of the compliance period and, as applicable, the extended use period. An Allocating Agency will allocate HTCs only to the following types of projects:

1. In the Metropolitan Area:
 - a. New construction or Substantial Rehabilitation in which, for the term of the extended use period (term of the LURA), at least 75 ~~percent~~% of the total HTC 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.
 - b. 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 LURA), at least 75 ~~percent~~% of the total HTC units contain two or more bedrooms and at least one-third of the 75 ~~percent~~% contain three or more bedrooms.
 - c. Substantial Rehabilitation projects in neighborhoods targeted by the city for revitalization.
2. Outside the Metropolitan Area:
 - a. Projects that meet a locally identified housing need, and ~~that~~which are in short supply in the local housing market, as evidenced by credible data submitted with the application.
3. 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 LURA), a percentage of the units are set aside and rented to persons:
 - a. With a serious and persistent mental illness as defined in Minnesota Statutes § 245.462, Subdivision 20, paragraph (c);
 - b. With a developmental disability as defined in United States Code, title 42, Section 6001, paragraph (~~58~~) of the IRC, as amended through December 31, 1990;
 - c. 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;
 - d. With a brain injury as defined in Minnesota Statutes § 256B.093, Subdivision 4, paragraph (a); or
 - e. 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~~1340.

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4. Projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the use of HTC 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.
5. Projects financed by Rural Development, which meet statewide distribution goals.

B. Strategic Priority

To be eligible for HTCs from the state's volume cap, a developer must demonstrate that the project meets at least one of the HTC statutory strategic priorities or a strategic objective in Minnesota Housing's Strategic Plan. ~~Residential rental housing projects financed with an allocation of tax-exempt bonds under chapter 474A are the highest strategic priority for tax credits in accordance with Minn. Stat. 462A.222, Subd. Subdivision 3(d) and such projects need not meet a separate strategic priority.~~

C. Selection and Preference Criteria

All HTC applications are scored and/or reviewed in accordance with the Selection and Preference Criteria required by Section 42 and Minnesota Housing.

To be eligible for HTCs from the state's volume cap under Minnesota Housing's QAP, a developer must demonstrate that the project is eligible for no less than **80** points in the Self-Scoring Worksheet. ~~This excludes projects funded through the RD/Small Projects set-aside, which must be eligible for no less than 30 points.~~

To be eligible for HTCs in association with tax-exempt volume limited bonds under Minnesota Housing's QAP, a developer must demonstrate that the project is eligible for no less than **40** points in the Self-Scoring Worksheet.

For applicants requesting HTCs from the state's volume cap, Minnesota Housing will first rank proposals. The highest-ranking proposals will then be reviewed in accordance with the following Project Selection requirements described in sections D through J 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 help ensure the project meets the requirements. Lower ranking proposals will only be processed further if HTC volume cap remains available after the higher-ranking proposals are processed. Minnesota Housing may elect, at its sole discretion, not to give partial HTCs to a higher-ranking application but to give the HTCs to the next ranking application that can use the balance of the HTCs (~~See~~refer to Chapter 5.-I.).

Selection Criteria consist of the following:

- a. Large Family Housing
- b. Senior Housing
- c. Permanent Supportive Housing for High Priority Homeless
- d. People with Disabilities

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- e. Need for More Affordable Housing Options
- f. Workforce Housing Communities
- g. Transit and Walkability
- h. Community Development Initiative
- i. Equitable Development
- j. Rural/Tribal
- k. Multifamily Award History
- l. Black, Indigenous and People of Color-owned/Women-owned Business Enterprise (BIPOCBE/WBE)
- m. Preservation
- n. Financial Readiness to Proceed/Leveraged Funds
- o. Other Contributions
- p. Intermediary Costs
- q. Universal Design
- r. Smoke free Buildings
- s. Enhanced Sustainability
- t. Sponsor Characteristics – Non-scoring selection criteria
- u. Public Housing waiting lists – Non-scoring selection criteria

Preference Criteria consist of the following:

- a. Serves Lowest Income Tenants/Rents Reduction
- b. Rental Assistance
- c. Long Term Affordability
- d. QCT/Community Revitalization, Tribal Equivalent Areas, and Opportunity Zones
- e. Eventual Tenant Ownership – Non-scoring selection criteria

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 criteria; if a tie still remains;
2. Second tie breaker: Priority will be given to the project that will have an Eventual Tenant Ownership component; if a tie still remains;
3. Third tie breaker: Priority will be given to a project located in a city, township or ~~Tribal Reservation~~tribal reservation that has not received an allocation of HTC volume cap from Minnesota Housing in the last two years; if a tie still remains;
4. Fourth tie breaker: Priority will be given to the project with the highest percentage of ~~Funds Secured, Awarded or Committed~~funds secured, awarded, or committed, as measured by the Financial Readiness to Proceed/Leveraged Funds selection criterion; if a tie still remains;
5. Fifth 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;

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6. Sixth tie breaker will be by lot.

E. Market Study Review

Minnesota Housing will conduct a market study 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~~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 information prior to Minnesota Housing scoring of selection priority points.

Minnesota Housing may consult with local communities, Public Housing Authorities (PHAs), Housing and Redevelopment Authorities (HRAs), RD_z and HUD to determine the marketability of projects. If, in the opinion of Minnesota Housing, the issuance of the HTC to a project could be detrimental to existing rental property, Minnesota Housing may choose not to issue HTCs to the applicant. 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 (refer~~ (refer to Chapter 4.E.)).

G. Development Team Review

Minnesota Housing will also consider the following factors when evaluating an application for an HTC allocation or award:

1. The ability and capacity of the development team to proceed expeditiously to complete the proposed development and any previously selected projects still in process.
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_z or ability will not receive further consideration in the current funding cycle.

H. Site Review

Minnesota Housing staff may conduct a site inspection for each project passing all ~~the~~ project selection requirements described in sections A through F of this chapter for consistency with the principles of sound, affordable housing developments. Site inspections may be conducted to analyze physical

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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 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 must be located near jobs and in areas of job growth and 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’s from projects that appear unsuitable for the housing proposed.

I. **Multifamily Underwriting Standards**

Proposals must meet all applicable Multifamily Underwriting Standards to receive an allocation or award of HTC’s. The Multifamily Underwriting Standards will be used by ~~the agency~~Minnesota Housing 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

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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 sections A through H and J will be evaluated for financial feasibility as required by IRS Treasury Regulation 1.42-17(a)(3) and Chapter 2.O. 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 help ensure financial feasibility and/or to meet required components of the Multifamily 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~~ (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 HTC allocation or award. 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 HTC 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 Scoring 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 Minnesota Housing's Application Resources and Tax Credits web pages (www.mnhousing.gov).

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

A complete application must be submitted no later than each of the application due dates in order to be considered for selection, within the applicable competition.

Minnesota Housing will base its selection decision upon the application and attachments received on the application due date. Minnesota Housing reserves the right, in its sole discretion, to request additional information or deem an error related to an application to be immaterial.

No project may be divided into two or more projects during a single funding round to receive 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 a contiguous site, to determine if a multiple application exists.

Upon receipt of an application, as required by federal law, Minnesota Housing will notify the Chief Executive Officer (or the equivalent) of the local jurisdiction where the proposed project is planned. This notification will include characteristics of the proposed HTC project and provide an opportunity for the local unit of government to comment on the project.

Information submitted in an application for HTCs is information that is accessible to the public pursuant to Minnesota Statutes, Chapter 13.

MINNESOTA HOUSING – ~~2022-2023~~2024-2025 HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN**Self-Scoring Worksheet**

The Self-Scoring Worksheet and the Scoring Guide provide comprehensive resources for the documentation materials and submittal instructions.

Minimum Threshold Evidence

For Round 1, all ~~9-percent~~% HTC projects are required to provide evidence of meeting one of the threshold types defined in Chapter 5. ~~Copies of the~~the ~~this~~ QAP and ~~a~~ sample letter format ~~are located~~can be found in the Housing Tax Credit Allocation or Housing Tax Credits Reference Materials sections. In meeting the requirements of the minimum 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.

Local HRA/PHA ~~Notice and Agreement Form~~Certification

Section 42 of the IRC requires an ~~allocating agency~~Allocating Agency to give preference to owners that agree to utilize the local HRA or PHA waiting list to identify eligible individuals and households to fill vacant units. ~~Applicants applying for HTCs must sign an agreement~~a certification agreeing to utilize the public housing and Section 8 waiting lists as applicable.

Preservation

Applicants applying for HTCs and claiming points under this section must provide all required supporting documentation, as detailed in the Multifamily Customer Portal and Scoring 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.

Evidence for People with Disabilities

To receive points under People with Disabilities, (PWD), the proposal must meet all of the requirements contained in the Self-Scoring Worksheet.

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 for PWD Units.

If, for a particular unit meeting the criteria and receiving points under the People with Disabilities Selection Criterion (PWD Unit(s)), the necessary rental assistance or operating support (collectively PWD Unit ~~subsidy~~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

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compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected PWD Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the 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, the owner shall no longer be required to treat such PWD Unit(s) as PWD Unit(s) but must convert the rents of those units to the 50-~~percent~~% HTC 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~~ allocation, the above described 50-~~percent~~% HTC 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 compliance and extended use periods.

If, for a particular 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 PWD ~~Units~~Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the 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, the owner shall modify its provision of such tenant support services for the affected PWD Unit(s) in a manner consistent with Minnesota Housing's modified requirements for the provision of tenant services for the 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, ~~determined~~determines that a PWD Unit ~~subsidy~~Subsidy may be available for the remainder of the HTC compliance and extended use periods, that would not adversely affect the full availability of the HTC allocation, and would permit the PWD Unit(s) to again serve ~~People with Disabilities~~PWD households, then at Minnesota Housing's request, the owner shall promptly apply for such PWD Unit ~~subsidy~~Subsidy for the PWD Unit(s), upon terms reasonably acceptable to such owner, and if such PWD Unit ~~subsidy~~Subsidy is obtained, shall again set aside such PWD Unit(s), when and to the extent then available, to people with disabilities needs qualifying individuals.

In addition, if Minnesota Housing ~~shall~~, at any time thereafter, in its sole discretion, determines that PWD Unit tenant support services funding may be available for the remainder of the HTC compliance and extended use periods, that would not adversely affect the full availability of the ~~HTC~~ allocation, and would permit the affected PWD Unit(s) to again provide tenant support services to PWD households ~~targeting People with Disabilities~~, then at Minnesota Housing's request, the owner shall promptly apply for such PWD Unit tenant support services funding for the affected PWD Unit(s), upon terms reasonably acceptable to such owner, and if such PWD Unit tenant support services funding is obtained, shall resume providing 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

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In accordance with Minnesota's Plan to Prevent and End Homelessness, Minnesota Housing is the lead agency for the action plan to increase affordable and supportive housing units to address the housing gap for people at risk of and experiencing homelessness. HTCs represent one of several resources identified 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.

High Priority Homeless Performance Requirement Relief Provisions:

Specific performance requirement relief provisions are available for projects receiving points under the Permanent Supportive Housing for High Priority Homeless (HPH) ~~Selection Criterion~~selection criterion of the Self-Scoring Worksheet for HPH Units.

The following relief provisions may be considered for developments with HPH Units and are subject to Minnesota Housing approval:

- ~~2.1.~~ An owner may request approval in writing from Minnesota Housing to prioritize filling a vacant HPH Unit(s) with the next highest need household in accordance with the Supportive Housing Guide if the HPH Unit(s) is unable to be filled with highest priority household on the permanent supportive housing waitlist in the Coordinated Entry system.
- ~~3.2.~~ If, after a minimum 60-day period, or other time period approved by Minnesota Housing when reasonable options have been exhausted, an HPH Unit(s) is unable to be filled by a household through the Coordinated Entry system or the prioritization process outlined above, temporary relief from the HPH Unit may be requested from Minnesota Housing to permit a non-HPH household to fill the unit. -The next comparable available unit is subject to the HPH Unit requirements when a vacancy occurs.
- ~~5.3.~~ If a particular HPH Unit(s) experiences unexpected loss of rental or operating support, or tenant support services funding (collectively HPH Unit ~~subsidy~~Subsidy), and meets the conditions below, the owner may petition Minnesota Housing to eliminate its requirements for the affected HPH Unit(s):
 - ~~(ii)(i)~~ the~~The~~ HPH Unit ~~subsidy~~Subsidy was withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner;
 - ~~(iii)(ii)~~ such~~Such~~ withdrawal or termination materially adversely impacts the financial feasibility of the project;
 - ~~(iv)(iii)~~ alternative~~Alternative~~ funding or an alternative service provider is unavailable; and
 - ~~(v)(iv)~~ the~~The~~ project is otherwise in full compliance with all the terms of the funding for the project

If any of the conditions of number three above are met, 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 the owner's request including, but not limited to, items

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(i), (ii) and (iii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the 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 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~~-allocation, the above described 50-~~percent%~~ HTC rent limit and the IRC Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the HTC compliance and extended use periods.

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

Serves Lowest Income Tenants/-Rent Reduction Units Performance Requirement Relief

RevisionsProvisions

Specific performance requirement relief provisions are available for projects receiving points under the Serves Lowest Income Tenants/-Rent Reduction selection criterion of the Self-Scoring Worksheet for 30 ~~percent%~~ MTSP Units.

If, for a particular unit meeting the criteria and receiving points under the Serves Lowest Income Tenants/-Rent Reduction selection criterion for further restricting rents to at or below 30-~~percent%~~ MTSP (30-~~percent%~~ Unit(s)), the owner may petition Minnesota Housing to eliminate its requirements for the affected Further Restricted Rental Assisted Units (FRRRA Unit(s)). Such petition shall contain all material facts and supporting documentation substantiating the owner's request. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the owner shall no longer be required to treat such 30-~~percent%~~ Unit(s) as 30-~~percent%~~ Unit(s) but must convert the rents of those units to the 50-~~percent%~~ HTC 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~~-allocation, the above described 50-~~percent%~~ HTC 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 compliance and extended use periods.

If Minnesota Housing ~~shall~~, at any time thereafter, in its sole discretion, determines that a 30-~~percent%~~ Unit may be available for the remainder of the HTC compliance and extended use periods, that would not adversely affect the full availability of the ~~HTC~~-allocation, and would permit the 30-~~percent%~~ Unit(s) to again restrict rents to the 30-~~percent%~~ HTC rent limit-again.

Rental Assistance Performance Requirement Relief Provisions

Specific performance requirement relief provisions are available for projects receiving points under the Rental Assistance selection criterion of the Self-Scoring Worksheet for Rental Assisted Units.

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If, for a particular unit meeting the criteria and receiving points under the Rental Assistance selection criterion for Rental Assisted Units (RA Unit(s)), the necessary rental assistance or operating support (collectively RA Unit ~~subsidy~~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 RA Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the 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, the owner shall no longer be required to treat such RA Unit(s) as RA Unit(s) but must convert the rents of those units to the 50-~~percent~~% HTC 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~~-allocation, the above described 50-~~percent~~% HTC 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 RA Unit ~~subsidy~~Subsidy may be available for the remainder of the 10-~~year~~ period, that would not adversely affect the full availability of the ~~HTC~~-allocation, and would permit the RA Unit(s) to again serve 30 ~~percent~~% income households, then at Minnesota Housing's request, the owner shall promptly apply for such RA Unit ~~subsidy~~Subsidy for the RA Unit(s), upon terms reasonably acceptable to such owner, and if such RA Unit ~~subsidy~~Subsidy is obtained, shall again set aside such RA Unit(s), when and to the extent then available, to income qualifying individuals.

Further Restricted Rental Assisted Units Performance Requirement Relief Revisions

Specific performance requirement relief provisions are available for projects receiving points under the Rental Assistance selection criterion for Further Restricted Rental Assistance of the Self-Scoring Worksheet for ~~further restricted~~Further Restricted Units.

If, for a particular unit meeting, the criteria and receiving points under the Rental Assistance selection criterion for Further Restricted Rental Assisted Units (FRRRA Unit(s), ~~))~~, the necessary rental assistance or operating support (collectively FRRRA Unit ~~subsidy~~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 FRRRA Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the 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, the owner shall no longer be required to treat such FRRRA Unit(s) as FRRRA Unit(s) but must convert the rents of those units to the 50 ~~percent~~% HTC 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~~-allocation, the above described 50-~~percent~~% HTC rent limit and the Section 42 minimum set-aside elected for the

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project by the owner must be maintained for the remainder of the HTC compliance and extended use periods.

If Minnesota Housing ~~shall~~, at any time thereafter, in its sole discretion, determines that an FRRRA Unit ~~subsidy~~Subsidy may be available for the remainder of the HTC compliance and extended use periods, that would not adversely affect the full availability of the ~~HTC~~ allocation, and would permit the FRRRA Unit(s) to again serve 30-~~percent~~% income households, then at Minnesota Housing's request, the owner shall promptly apply for such FRRRA Unit ~~subsidy~~Subsidy for the FRRRA Unit(s), upon terms reasonably acceptable to such owner, and if such FRRRA ~~Units subsidy~~Unit Subsidy is obtained, shall again set aside such FRRRA Unit(s), when and to the extent then available, to income qualifying individuals.

Universal Design

~~Provide HTC 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.~~

B. Carryover Requirements

Several changes to Section 42 of the 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 November 1 (or the next calendar business day if November 1 is not a 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~~refer to Chapter 8). All required carryover application materials are incorporated into the Carryover checklist and must be submitted through the Multifamily Customer Portal.

NOTE: New requests by applicants/developers to Minnesota Housing to apply the 30-~~percent~~% state designated basis boost at the time of carryover application must be formally made in writing. The request 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.

Application forms containing incomplete revisions are not acceptable, and at Minnesota Housing's sole discretion, may be returned to the applicant.

MINNESOTA HOUSING – ~~2022-2023~~2024-2025 HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN**Owner Certification/Application for Carryover Allocation**

Provide a signed and notarized Owner Certification/Application for Carryover Allocation Form.

Building Information

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 letter 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'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.

~~7.6.~~ The buildings identified in the application qualify for an award or allocation of HTC's under Section 42

~~9.7.~~ Any additional information deemed necessary and requested by Minnesota Housing.

Certified Public ~~Accountants~~Accountant Certification

Provide a written Certified Public Accountant's Certification in an approved Minnesota Housing ~~form~~format 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

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Section 42 and by no later than Minnesota Housing’s submission deadline of May 1 of the calendar year after the allocation is made. 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 and also include information explaining why the extension is requested. Minnesota Housing will issue a written response to all extension requests. An extension until October 1 of the calendar year after the allocation is made 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. 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
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.)~~

Gross Rent Floor Election

If choosing to make the election at this time, supply a fully executed Statement of Election of Gross Rent Floor ~~including~~and include each building of the development in which there are HTC 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 HTCs.

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. An Affirmative Fair Housing Marketing Plan (AFHMP) describing the marketing strategies that an owner will use including, but not limited to, special efforts the owner will make to attract ~~persons~~people 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. An Equal Employment Opportunity Policy Statement.

MINNESOTA HOUSING – ~~2022-2023~~2024-2025 HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN**Tenant Selection Plan**

Provide a written tenant selection plan (TSP) describing the tenant selection policy that an owner will use. The ~~tenant selection plan~~TSP must be submitted and reviewed by Minnesota Housing prior to the issuance of ~~the IRS Form~~ 8609. The ~~Plan~~TSP must be developed and implemented in accordance with Minnesota Housing's ~~Tenant Selection Plan Guidelines~~Tenant Selection Plan Guidelines document, which is published on ~~the agency~~Minnesota Housing's website.

Identity of Interest

Provide a written disclosure as to any and all Identity of Interest parties (~~see~~refer to Chapter 2.L. and 2.M.).

Allocation (Carryover) Fee

Submit the ~~nonrefundable Allocation Fee~~allocation (Carryover) fee based on the annual HTC reservation amount (~~see~~refer to Chapter 8). Additional fees for additional HTCs secured at carryover will be collected following the allocation. Complete ~~an Application~~a Fee Remittance Form and ~~attach~~mail it with the payment to ~~the top of application package~~Minnesota Housing's office.

~~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 Minnesota Housing form indicating the unit counts and the related funding sources.~~

C. Placed in Service Requirements/Application for Issuance of IRS Form 8609

Generally, the placed in service date for HTC 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 by the ~~end of the year two years after the allocation year of HTCs~~due date required by Section 42, as may be extended by relief issued by the IRS.

~~An approved Minnesota Housing~~Subsequent to the project being placed in service and prior to Minnesota Housing issuing an IRS Form 8609 for the project, the owner must submit an application for the issuance of IRS Form 8609 to Minnesota Housing. All required application materials are incorporated into the 8609 checklist in the Multifamily Customer Portal. If Minnesota Housing is the Allocating Agency, all required 8609 application materials must be submitted through the Multifamily Customer Portal. The Owner must also submit an IRS Form 8609 fee based upon the requested annual HTC amount (refer to Chapter 8).

A Minnesota Housing approved 8609 form must contain the signature of the authorized Minnesota Housing representative. Minnesota Housing will issue an approved IRS Form 8609 within ~~45~~60 days after all the ~~following~~required 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

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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~~also refer to Chapter 2.J. 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 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~~ application package to Minnesota Housing no later than 30 days following completion of the project and at least 60 days in advance of any required filing deadline.

If a complete 8609 application package is not received within 15 days of the last day of the first year of the HTC period, the application will be considered late and may be subject to a penalty. ~~(See (refer~~ to Chapter 2.J-).).

Transmittal Letter

Provide a transmittal letter indicating the project name, address, and Minnesota Housing assigned HTC number. The letter must request the issuance of IRS Form 8609 and list the ~~following~~ required documents. In the letter, please list ~~the any~~ revised information and explain the basis reason 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-placed~~ in-Service service. Submit a copy of the Certificate of Occupancy or Temporary 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 IRS Treasury Regulation 1.42-10 (i.e., as appropriate, a utility allowance from RD, HUD, a PHA/HRA, a local utility company, an Agency Estimate Minnesota Housing Average of Actual Consumption using the methodology described in the HUD published Multifamily Notice H-2015-4, 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

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include a list of each unit type, total tenant paid utilities, contract rent and gross rent. ~~(See (refer to Chapter 3.J-).)~~

Final Cost Certification

Provide a final cost certification when total development costs are final 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 the owner, as appropriate.

Attorney's Opinion Letter

Provide an attorney's opinion letter in an approved Minnesota Housing form ~~verifying format, which can be found on Minnesota Housing's Tax Credits webpage, verifying:~~

1. The legal description of the project property (to be attached to the opinion letter and labeled as 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) ~~or preliminary determination letter issued by Minnesota Housing and the legal description of the property financed with 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 letter.
3. The name, legal designation, and Tax Identification Number (TIN) of the ownership entity that will receive the HTC's, the legal designation of the party that signed the application, and that the business remains in good standing and is 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.

~~7.6. The~~The A statement indicating that the buildings identified in the application satisfy the requirements for an award or allocation of HTC's under Section 42.

~~9.7.~~Any additional information deemed necessary and requested by Minnesota Housing.

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

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partner or any ownership interest, Minnesota Housing will consider them deferred developer fees, and for purposes of HTC allocation, restrict the developer fees as specified in the Underwriting Standards.

Minnesota Housing Declaration of Land Use Restrictive Covenants

Provide a copy of the completed but unrecorded Minnesota Housing LURA for review well in advance of its required filing deadline. The LURA must be completed and recorded before the end of the first HTC period to preserve the HTCs allocated to the project. Check with your tax advisor as to timing of filing and claiming of HTCs. HUD may require that certain riders be attached to your HTC 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 HTC Proceeds or Receipts

~~Documentation~~Provide documentation of the final amount of HTC 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~~Minnesota Overlay ~~and to the~~ Enterprise Green Communities. Criteria.

IRS Form 8609 Certification by Owner/Application Form

Provide a 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. Month The month and year must correspond with the occupancy certificate-(s). 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.
- ~~2.~~3. Compliance with all applicable design requirements.
- ~~3.~~4. Compliance with all requirements of this QAP, selection, and additional or special conditions of reservation, commitment, or carryover- or the preliminary determination letter issued by Minnesota Housing on the project..
5. Final Executed Loan or Grant Documents.
6. Provide copies of the 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 help ensure the amount of HTCs allocated to a project ~~do~~does not exceed the amount necessary for financial feasibility. Therefore, Minnesota Housing will not issue an

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IRS ~~Form~~form 8609 prior to the execution of the final permanent loan documents, or its equivalent, for all funding sources.

Governmental Assistance and/or Rental Assistance

If not previously provided as part of a carryover or preliminary determination 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 the owner and the local housing authority, PHA or other similar entity if rental assistance points were awarded to the development (~~Refer~~refer to the Rental Assistance section of the Self-Scoring Worksheet).

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) (~~seerefer to~~ Chapter 2.I. and 2.J.) and the Transfer of Ownership Fee (~~seerefer to~~ Chapter 8).

Partnership Agreement

Provide a copy of the executed final Partnership Agreement.

~~Photographs~~

~~Provide clear photographs of completed building(s).~~

Building Map Form

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 LURA.

Identity of Interest

~~A~~Provide a written disclosure as to any and all Identity of Interest parties (~~seerefer to~~ Chapter 2.L. and 2.M.).

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~~An AFHMP describing the marketing strategies that an owner will use including, but not limited to, special efforts the owner will make to attract ~~persons~~people 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. An Equal Employment Opportunity Policy Statement.

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Tenant Selection Plan

Provide a written tenant selection plan (TSP) describing the tenant selection policy that an owner will use. The ~~tenant selection plan~~TSP must be submitted and reviewed by Minnesota Housing prior to the issuance of ~~the~~IRS Form 8609. -The ~~Plan~~TSP must be developed and implemented in accordance with Minnesota Housing's ~~Tenant Selection Plan Guidelines~~Tenant Selection Plan Guidelines document, which is published on ~~the agency~~Minnesota Housing's website.

Allocation (IRS Form 8609) Fee

Submit the allocation (IRS Form 8609) fee based on the annual HTC allocation amount (if not already paid at carryover). ~~(See)~~ (refer to Chapter 8)). Complete a Fee Remittance Form and mail it with the payment to Minnesota Housing.

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Chapter 7 – Projects Financed by Tax-Exempt Volume Limited Bonds Seeking HTC

A. General

Section 42 of the IRC establishes a separate set of procedures to obtain 4~~percent~~% HTCs through the issuance of tax-exempt volume limited bonds.⁴

Section 42 (m)(1)(D) provides that in order for a project to receive an award of HTCs through the issuance of tax~~-~~exempt volume limited bonds, the project must satisfy the requirements for allocation contained in 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.

If a development was selected or selected for further processing for tax-exempt bonds with a 4~~percent~~% financial structure through a previous ~~consolidated~~Minnesota Housing Consolidated RFP, and satisfied pointing and related requirements applicable to that ~~consolidated~~Consolidated RFP, the development may be deemed to meet the scoring and related requirements of the QAP in effect during the year in which the tax-exempt volume limited boards are issued sufficient to finance at least 50~~percent~~% of the aggregate basis of the building and the land that it is located on.

Developers must also be aware of the requirements of Minn. Stat. § 474A.047, including ~~subdivision~~Subdivision 1, which ~~requires~~require the extension of existing ~~U.S. Department of Housing and Urban Development (HUD)~~ Housing Assistance Payment (HAP) contracts to the full extent available.

For projects to which the Minnesota Housing QAP applies, Minnesota Housing must make a determination that all requirements are satisfied. After this determination, Minnesota Housing will issue a preliminary determination letter. Except as determined by Minnesota Housing, **applications for this determination must be submitted to Minnesota Housing at least 60 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.**

The threshold requirements in Chapter 5 do not apply to projects not receiving HTCs counted in the HTC volume cap for the state.

⁴ 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 IRC. ~~Residential rental bonds are exempt facility bonds issued pursuant to Section 142(d) of the IRC to finance a qualified residential rental project.~~

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In order to receive the preliminary determination described above, the applicant must submit to Minnesota Housing all documents required for an application for HTCs as established by the Minnesota Housing QAP and any additional information requested. These documents are those required for an application for HTCs under Chapter 6.A. incorporated into the Application Checklist in the Multifamily Customer Portal and any additional information required by Minnesota Housing. The developer must also submit to Minnesota Housing the required application fees identified.

B. Pre-Application for Projects Seeking an Allocation of Tax-Exempt Volume Limited Bonds from Minnesota Management and Budget (MMB)

Applicants may receive a predictive cost 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 Cost Model Determination: A predictive cost model analysis can be pursued earlier than the submission of the ~~42M~~42(m) application. Applicants must submit the predictive cost model determination document and will receive a determination letter upon review. The letter will consist of ~~the agency's~~Minnesota Housing's determination, the expiration date of the determination, the project's current percentage of the predictive cost model, and the project cap for per unit costs in excess of an allowable threshold of which board action may be required. Developments with costs above the predictive cost model will be notified and, if requested by the developer, will follow ~~the agency's~~Minnesota Housing's process to determine if approval 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 may result in rejection of the pre-application.

Pre-application Documents:

- Multifamily Workbook
- Self-Scoring Worksheet – Corresponding with the year in which bond issuance is anticipated
- Scoring Documentation

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~~Minnesota Housing 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.~~

C. Application for Issuance of Preliminary Determination Letter

For projects in which Minnesota Housing is the ~~allocating agency~~Allocating Agency, the developer must submit an application fee (review fee) ~~-(See) (refer to Chapter 8)-~~. In addition, if the issuer of the bonds

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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 dollar amount and project costs pursuant to Section 42(m)(2)(D) of the IRC.

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 award of HTCs 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) and the ~~allocating agency~~Allocating Agency must make a determination that the 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 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. Evaluation of the issuer and ~~allocating agency~~Allocating Agency must consider in accordance with Section 42:

- ~~2.1.~~1. The sources and uses of funds and the total financing planned for the project
- ~~3.2.~~2. Any proceeds or receipts expected to be generated by reason of tax benefits
- ~~4.3.~~3. The percentage of the HTC dollar amount used for project costs other than the cost of intermediaries
- ~~5.4.~~4. The reasonableness of the developmental and operational costs of the project, ~~and~~

Section 42(h)(6)(C)(ii) provides that the 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.

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 and any additional conditions identified for an award of HTCs under the QAP. A ~~Preliminary Determination~~preliminary determination fee must be submitted to Minnesota Housing prior to release of the letter (~~See~~refer to Chapter 8). **This process may take eight weeks or more from the time the full application package is submitted. All applicants should develop their timelines and schedules accordingly.**

D. Election of Applicable Percentage

Section 42 of the 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-exempt volume limited bonds are issued, the percentage will be fixed for the month in which the building is placed in service. Once made, the election is irrevocable.

MINNESOTA HOUSING – ~~2022-2023~~2024-2025 HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN**E. 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.

F. Election of Gross Rent Floor

The owner/taxpayer of a qualified HTC 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~~placed in ~~Service~~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 does not receive forms 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.

G. Placed in Service/Application for Issuance of IRS 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 H 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 amount. (See Chapter 8)~~

~~H.~~ Placed in Service

Placed in service dates for HTC purposes must be established for all buildings using HTCs, including acquisition HTCs, which are treated as a separate building for HTC 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 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 Subsequent to the project being placed in service and prior to Minnesota Housing issuing an IRS Form 8609 for the project, the owner must submit an application for the issuance of IRS Form 8609 to Minnesota Housing.

The application must contain all documents identified in this Section and under Chapter 6.C., in addition to any other submissions deemed necessary and requested by Minnesota Housing . All required application materials are incorporated into the 8609 checklist in the Multifamily Customer

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Portal. The Owner must also submit an IRS Form 8609 fee based upon the requested annual HTC amount (refer to Chapter 8).

A Minnesota Housing approved Form 8609 must contain the signature of the authorized Minnesota Housing ~~Finance Agency~~ representative. Minnesota Housing will issue an approved IRS Form 8609 within ~~3060~~ 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.~~preliminary determination. (Also refer to Chapter 2.J. Unacceptable Practices)..)

~~If Minnesota Housing is the HTC allocating agency, all required 8609 application materials 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 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.~~

MINNESOTA HOUSING – ~~2022-2023~~2024-2025 HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN**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 IRS Treasury Regulation 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.I.)~~

Final Cost Certification

~~Provide a Final Cost Certification when total development costs are final 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.~~

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 HTC's 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 HTC's awarded to the building did not exceed the maximum ~~HTC~~HTC's 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.

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.~~
- ~~1. 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.~~
- ~~1. The name, legal designation and Tax Identification Number (TIN) of the ownership entity that will receive the HTC's, the legal designation of the party that signed the application and that the business is in good standing and duly authorized in Minnesota.~~

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- ~~1. 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.~~
- ~~1. Identification and copies of any waivers required by Section 42 obtained from the IRS.~~
- ~~1. The buildings identified in the application qualify for an award of HTC's under Section 42(h)(4).~~
- ~~1. Any additional information deemed necessary by Minnesota Housing.~~

~~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 award, restrict the developer fees as specified in the Underwriting Standards.~~

~~Minnesota Housing Declaration of Land Use Restrictive Covenants~~

~~Provide a copy of the completed but unrecorded Minnesota Housing LURA for review well in advance of its required filing deadline. The LURA must be completed and recorded before the end of the first HTC period to preserve the HTC's allocated to the project. Check with your tax advisor as to timing of filing and claiming of HTC's. HUD may require that certain riders be attached to your HTC 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 HTC Proceeds or Receipts~~

~~Documentation of the final amount of HTC 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:~~

- ~~0. The placed in service date as defined in IRS Notice 88-116 for each building and/or type of HTC. Month and year should correspond with occupancy certificate. If the month and year do not correspond, submit a written statement indicating the reason.~~
- ~~0. 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.~~
- ~~0. Compliance with all applicable design requirements.~~
- ~~0. Compliance with all requirements of the Preliminary Determination letter issued by Minnesota Housing on the project and the requirements of the QAP.~~

~~Final Executed 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 conditions stated on the Multifamily Workbook. Minnesota Housing must evaluate all final sources of funds to ensure the amount of HTC'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.~~

MINNESOTA HOUSING – ~~2022-2023~~2024-2025 HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN**Multifamily Intended Methods Worksheet**

Provide the Minnesota Housing Multifamily Intended Methods Worksheet for compliance with the MN Overlay and Enterprise Green Communities.

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.I. and 2.J.), 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

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 LURA.

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:

- 0. —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.
- 0. —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. The Plan must be developed and implemented in accordance with Minnesota Housing's Tenant Selection Plan Guidelines which is published on the agency website.

8609 Fee

Submit an 8609 fee based upon the annual HTC amount (see Chapter 8).

Chapter 8 – Fees

For estimates of HTC ~~Allocation~~allocation fees ~~please~~, reference the Fee Schedule and Remittance Form. All fees are non-refundable and will not be adjusted if the final HTC amount is reduced, recaptured, or the HTCs are returned or unused.

A. Application Fee

An application fee must be submitted with all applications. 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

A fee for projects requesting supplemental HTCs. This fee 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.P.
2. A selected project (must have been selected in the same year) requesting additional HTCs will be required to submit a new application package as described in Chapter 2.O.

C. Reservation Fee

After the project has been selected to receive HTCs from the state's HTC volume cap, a reservation fee must be paid to Minnesota Housing. ~~The developer will have approximately 30 days in which to pay the reservation fee and maintain their HTC selection/reservation.~~ An additional reservation fee must also be paid for any additional HTCs allocated through carryover and must be paid following issuance of the Carryover Agreement.

D. Allocation Fee – Carryover ~~or~~, 8609, Reallocation

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. ~~See section~~Refer to Section C. (immediately above) for fee information relating to additional HTCs allocated at carryover.

A reallocation fee must be submitted to Minnesota Housing for projects requesting a return and reallocation of HTCs.

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~~who:

1. Do not submit a carryover/8609 application by the established due date and time; or

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2. Submit a substantially incomplete carryover/8609 application by the established due date and time; or
3. Do not submit the carryover CPA final certification by the established due date ~~and time~~

Must pay a late fee plus an additional penalty fee for each business day from the original due date and time 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~~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~~Allocating Agency.

G. Monitoring Fee

Minnesota Housing will charge a per unit monitoring fee beginning with the first credit year. - The fee will be due annually throughout the compliance period and extended use period. ~~See~~Refer to Sections 4.02 and 9.05 of the ~~Housing Tax Credit Compliance Guide~~Housing Tax Credit Compliance Guide for details on the fee amount. - Minnesota Housing reserves the right to adjust the fee depending upon the requirements of the U.S. Treasury, IRS, or Minnesota Housing's increased cost to monitor. -The fee will be due in a manner and time as prescribed by Minnesota Housing.

H. 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 transfer of ownership fee 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 an RFA non-refundable processing fee. -Refer to the Servicing page on Minnesota Housing's website. ~~(See (also refer to~~ Chapter 2.J. Unacceptable Practices] for further details on Transfer of Ownership~~).~~

I. 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. 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 HTC Program.

K. Appraisal Fee

If the as-is appraisal is ordered by Minnesota Housing, all costs will be the responsibility of the applicant. 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.

Chapter 9 – Tentative Allocation Schedule of Critical Dates

A. Allocation Dates

A list of important allocation dates is identified in the Multifamily Application Instructions: Consolidated RFP and HTC Round 1 and 2.

B. Previous Year's Allocation of HTCs

Placed in Service Allocation: To optimize timely processing of requests for issuance of IRS 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 HTC period. Section 42 states the owner must elect the first year of the HTC period in the year the project is placed in service or the year following.

C. Compliance Dates

~~Owners~~Owner Certifications, compliance ~~report~~reporting, and monitoring fees are due February ~~15~~th15 (or the next business day if February 15 is not a business day) of each year.

When filed with IRS: Completed first year 8609 with Part II completed.

Chapter 10 –Index of HTC Forms

A. Application Materials

All HTC Application Forms are available on Minnesota Housing’s Multifamily website and in the Multifamily Customer Portal.

B. ~~Post-Application-Selection~~ Materials

All Post-~~Application-Selection~~ materials are available on Minnesota Housing’s Multifamily website and in the Multifamily Customer Portal.

2024-2025 Housing Tax Credit (HTC) Qualified Allocation Plan (QAP)



2024-2025 Housing Tax Credit Qualified Allocation Plan

Revised: 11/2022

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

An equal opportunity employer.

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

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Chapter 1 – Introduction and Preparation of the Qualified Allocation Plan

The Federal Tax Reform Act of 1986 created the Low-Income Housing Tax Credit (Housing Tax Credit) Program (refer to Section 42 of the Internal Revenue Code) for qualified residential rental properties. The Housing Tax Credit (HTC) offers a reduction in federal income 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) was designated by the Minnesota Legislature as the primary HTC Allocating Agency for the State of Minnesota, with certain other cities and counties also designated as suballocators of HTCs¹.

Section 42 of the Internal Revenue Code (IRC) requires that HTC allocating agencies develop and adopt a Qualified Allocation Plan (QAP) for the distribution of HTCs within the jurisdiction of the Allocating Agency (Internal Revenue Service [IRS] Treasury Regulation 1.42-17 Qualified Allocation Plan).

Minnesota Housing's QAP is developed in accordance with federal law, and all applicable federal requirements are hereby incorporated by reference². The QAP sets forth selection criteria that are appropriate to local conditions and priorities for allocating HTCs 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:

1. Projects serving the lowest income tenants;
2. Projects obligated to serve qualified tenants for the longest periods;
3. Projects in Qualified Census Tracts (QCTs) that are part of a concerted community revitalization plan.

This document, and all forms and attachments, along with the Self-Scoring Worksheet, are a part of Minnesota Housing's QAP. The QAP is subject to modification or amendment to help ensure the provisions conform to the requirements of Section 42 and applicable state statutes.

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

Minnesota Housing is also required to monitor HTC projects during the compliance period as well as notify the IRS of any noncompliance with the requirements of Section 42 of which it becomes aware.

¹ Minn. Stat §§ 462A.221 to 462A.225

² Section 42(m) of the Internal Revenue Code

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All applicants should review IRS Treasury Regulation 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 (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 QAP is provided solely for use in applying for HTC's from Minnesota Housing and may not be relied upon in structuring or investing in specific transactions, compliance with the IRC, IRS Treasury Regulations, or any other laws or regulations governing HTC's. Interested parties should consult with a knowledgeable tax professional prior to entering into any commitment concerning the use and claim of HTC's.

Minnesota Housing maintains the right not to award or allocate HTC's for any project if it determines, in its sole discretion, that an award or allocation for such project does not further the purpose and goals as set forth in this QAP.

Chapter 2 – Policies and Procedures

A. Definitions

Metropolitan Area: As set out in Minn. Stat. 473.121, Subdivision 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 Falls), Hennepin (excluding the cities of Hanover and Rockford), Ramsey, Scott (excluding the city of New Prague) and Washington.

Greater Minnesota: Greater Minnesota means any area which is not under the Metropolitan Area as defined above.

Substantial Rehabilitation: Rehabilitation of at least \$5,000 per unit, as defined in Minn. Stat. § 462A.221, Subdivision 5 that also meets the qualifying rehabilitation requirements as defined in Section 42(e).

Federally Assisted Building: The term “Federally Assisted Building” as defined by Section 42 of the Internal Revenue Code (Section 42) 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 United States Department of Housing and Urban Development (HUD) or by the Rural Housing Service of the United States Department of Agriculture Rural Development (RD).

Internal Revenue Code (IRC): Title 26 of the United States Code.

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

Housing Tax Credit Agency (Allocating Agency): Any entity authorized by the state of Minnesota and Section 42 to allocate HTC's in Minnesota.

Qualified Allocation Plan (QAP): As defined in Section 42 (m)(1)(B) and including the Self-Scoring Worksheet and this document.

B. Geographic Distribution

The state of Minnesota is divided into two general geographic pools: (1) the Metropolitan Pool, as defined in Chapter 2.A.; and (2) the Greater Minnesota Pool, which consists of the balance of the state. Distribution of HTC's 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, Subdivision 1a.

Under Minnesota Statutes § 462A.222, certain cities and counties have been designated as suballocators to allocate and monitor HTC's 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 HTC allocation and compliance monitoring. These suballocators

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currently are the cities of Duluth, St. Cloud, and Rochester. Minnesota Housing will post on Minnesota Housing's website (www.mnhousing.gov) any update in suballocator information in early 2023 and 2024.

The HTC distribution plans for Greater Minnesota and the Metropolitan Area will be formulated in accordance with Minn. Stat. § 462A.222, Subdivision 4. The Greater Minnesota distribution will be as follows: (1) Rural Development (RD)/Small Project set-aside (refer to Chapter 2.D.); (2) the three suballocators eligible to administer HTCs within their respective city limits: Duluth, Rochester, and St. Cloud; and (3) the balance of Greater Minnesota and the nonprofit set-aside (refer to Chapter 2.C.), which is administered by Minnesota Housing.

The Metropolitan Area distribution will be as follows: (1) The four suballocators eligible to administer HTCs within their respective city/county limits: Minneapolis, Saint Paul, Dakota County, and Washington County; and (2) the balance of the Metropolitan Area and the nonprofit set-aside (refer to Chapter 2.C.), which is administered by Minnesota Housing.

As of January 2022, the distribution between the two pools is 39% in the Greater Minnesota Pool and 61% in the Metropolitan Pool. Minnesota Housing will update the distribution for the 2024-2025 QAP based upon updated demographic data in early 2023 and 2024, and the applicable distribution will be posted on Minnesota Housing's website.

C. Nonprofit Set-Aside

Federal law requires that 10% of the total annual HTCs allocated from the states' HTC volume cap be reserved each year exclusively for projects involving ownership by qualified nonprofit organizations that 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% for a total annual nonprofit set-aside of 15%. Applicants to the nonprofit set-aside can also compete in Round 2 if there are nonprofit set-aside funds still available. If the nonprofit set-aside is not exhausted in Round 1, the nonprofit set-aside will be available in Round 2. If a project is necessary to meet the federal requirement in Round 2, at Minnesota Housing's sole discretion, the project will have priority over other applicants in Round 2.

The nonprofit must be organized and incorporated in the state of Minnesota and have 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 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 secure 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.

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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 HTC 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 LURA
5. The relationship of the principals involved in the formation of the nonprofit organization with for-profit individuals concerning the HTC application. A nonprofit cannot be affiliated with or controlled by a for-profit entity by:
 - a. Having more than a 25% share of common board members; or
 - b. Having more than 25% 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 IRC in the development and operation of the project throughout the term of the 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 HTCs from the general pool and selected based upon its point ranking. However, any proposal that receives HTCs from the nonprofit set-aside must comply with the nonprofit requirements of IRC Section 42(h)(5)(C) and (D), including material participation for the term of the LURA. This requirement will be recorded as a covenant on the land that will apply to all subsequent owners.

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D. Rural Development/Small Project Set-Aside

Minnesota Housing designates a portion of the state's HTC volume cap to Rural Development (RD) financed or small projects. The amount of HTCs reserved to the RD/Small Project set-aside for 2024 and 2025 is \$425,000. Eligible projects must either:

1. Have an RD financing commitment, or
2. A small project located in a Rural/Tribal Designated Area as defined in the Rural/Tribal Methodology in the Methodology Guide and consisting of 24 or fewer units.

First priority will go to projects with applications for financing or a commitment from RD. Applicants to the set-aside first compete in the general pool, and if not competitive, then move to the RD/Small Project set-aside for consideration. Applicants to the set-aside can also compete in Round 2 if there are RD set-aside funds still available. IRS Form 8609 may not be issued to a new RD project until after financing commitment has been executed.

E. Application Rounds

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

Round 1

Round 1 uses a forward selection process, with selections generally taking place in the year proceeding the allocation year of the HTCs. Projects that have previously received a partial allocation of HTCs from Minnesota Housing may have priority over other applicants in Round 1.

During Round 1, for-profit applicants must apply directly to the suballocator for an HTC allocation if the project falls within a suballocator's jurisdiction. 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 their HTCs to Minnesota Housing. Minnesota Housing will administer the HTCs for all areas outside the jurisdiction of suballocators. Nonprofit applicants may apply to the Minnesota Housing nonprofit set-aside or the suballocator individually or concurrently. Any unused HTCs are returned to Minnesota Housing prior to Round 2.

In Round 1, the nonprofit set-aside is divided proportionally between the two geographic pools, the Metropolitan Area pool and the Greater Minnesota pool. Nonprofit developers with projects located within the jurisdiction of a suballocator may apply for HTCs from Minnesota Housing, but only in the nonprofit set-aside. Nonprofit developers with projects 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 HTCs in the respective general geographic pool once the nonprofit set-aside has been exhausted.

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In Round 1, Minnesota Housing will establish a preservation allocation ceiling of 2/3 for each geographic pool, Metropolitan and Greater Minnesota, but not including the RD/Small Project set-aside or 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.

Round 2

Round 2 makes available for allocation any HTC's remaining or returned since Round 1. All remaining or returned HTC's, excluding a return of HTC's for projects requesting a reallocation, 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-asides³. Additionally, Round 2 establishes a waiting list for HTC's that may be returned. In Round 2, all projects located in suballocator jurisdictions may apply directly to Minnesota Housing. Projects that have previously received HTC's from Minnesota Housing or a suballocator and have an annual HTC shortfall of at least 5%, but not more than 33.33% of the total qualified annual HTC amount, subject to Minnesota Housing approval, will have priority over other applicants in Round 2 and under the waiting list. If more than one project qualifies under the supplemental priority, Minnesota Housing will evaluate and rank eligible requests according to points awarded.

Minnesota Housing may, at its sole discretion, establish a waiting list following Round 2 if sufficient HTC's are not available. Refer to Chapter 2.T. for additional details.

F. Suballocator Procedures

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 HTC's 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 HTC's on behalf of each city. Minnesota Housing will administer the HTC's for areas outside the jurisdiction of the suballocators.

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's prior to the application closing date for Round 1.

Before the application deadline for Round 2, the suballocators must return all uncommitted and unallocated HTC's to Minnesota Housing, along with copies of the HTC application and commitment agreements for all selected projects.

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's committed or allocated to the project, the HTC's must be transferred to Minnesota

³ 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 nonprofit set-aside will also be carried forward until the end of Round 2.

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Housing to be reallocated. If the HTC'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 HTC's until no later than the date of application for the Round 2. At that time, any uncommitted HTC's must be transferred to Minnesota Housing.

So that all a project's HTC's are allocated by a single Allocating Agency, Minnesota Housing may apportion additional HTC's to a suballocator for a project that has already received a commitment or allocation of HTC's from the suballocating agency, if all the suballocator's HTC's have been committed or allocated. These supplemental HTC'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 December 31 of the year in which the selection was made. If at any time after the apportionment of the HTC's a suballocator determines the project cannot use or is no longer eligible for all or a portion of the HTC's apportioned to the project, the HTC's must be returned to Minnesota Housing within 10 business days for reallocation.

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

As the primary and lead HTC agency for the state of Minnesota, Minnesota Housing is responsible for collecting and filing the required form with the IRS each year. 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 shall submit the following information to Minnesota Housing no later than January 31 for all HTC activity that has occurred in the preceding year:

1. 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
2. A completed HTC application form (Multifamily Workbook) for each development receiving an allocation or award through a reservation, carryover, or issuance of 8609 for HTC's issued from volume cap and in connection with tax-exempt volume limited bonds
3. A completed IRS Form 8610 Schedule A for each development receiving a carryover allocation
4. 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
5. Any other information requested by Minnesota Housing necessary to meet federal and state reporting purposes

Suballocators are responsible for monitoring HTC projects for the term of the LURA, including requirements imposed if Minnesota Housing apportions additional HTC's to a suballocator, in accordance with 42(m)(1)(B)(iii) (refer to Chapter 2.W.) to help 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's from Minnesota Housing that are apportioned to a suballocating agency must incorporate Minnesota

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Housing restrictions that are a condition of the HTC award (e.g., nonprofit set-aside, homeless households).

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

1. Project name
2. Address
3. Building identification numbers (BIN)
4. Ownership entity and tax identification number (TIN)
5. Total number of residential units
6. Number of HTC units
7. Year of allocation or award
8. Amount of HTCs allocated or awarded
9. 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 all IRS Form 8823s 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.

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 HTC allocation or award and compliance monitoring. As a condition of the Joint Powers Agreement, the participating suballocator will transfer its entire annual HTC distribution to Minnesota Housing.

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

G. 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 the other requirements described above and all units in the project are low-income units. The Scoring Guide provides additional information on how thresholds and selection criteria will apply to scattered site projects.

H. Developer and Development Limits

For applicants statewide applying for a portion of the state's HTC volume cap, the per-developer or general partner HTC limit is the greater of the amount representing 10% of the state's per capita volume limit in 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

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are subject to a development limit of no more than \$1,700,000 in 2024 and 2025 in cumulative HTC's 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 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 may provide a waiver to the developer or development limit. The applicant must provide to Minnesota Housing justification for exceeding the applicable limit.

1. Developer Limit

- a. Developer/Sponsor capacity – The ability and capacity of the development team to proceed expeditiously to complete multiple developments, including other projects selected by Minnesota Housing for funding that have not yet been completed
- b. Financial Feasibility – The applicant must demonstrate that the HTC's are necessary for the financial feasibility of the proposed project 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 HTC's at year-end.

2. Development Limit

- a. Financial Feasibility – The applicant must demonstrate that the HTC's 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 HTC's 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.

I. Transfer of Ownership

Any transfer of title of a selected project or transfer of more than a 50% 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 prior to the transfer of ownership.

Owners wishing to change or transfer ownership must submit a completed Request for Action Form (RFA), Transfer Agreement, a transfer of ownership fee (refer to Chapter 8) and/or an RFA processing fee (refer to Servicing Fee on Minnesota Housing's website), and any other documentation that Minnesota Housing deems necessary.

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J. 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 LURA will have an effect on all individuals/entities with an ownership interest on each side of the transfer that submit applications in future HTC rounds.
2. Failure to notify – Existing HTC projects that did not have a transfer approval requirement are required to notify Minnesota Housing of a transfer of ownership throughout the term of the LURA. Failure to notify Minnesota Housing will have an effect on all individuals/entities with an ownership interest on each side of the transfer that submit applications in future HTC rounds.

These entities may be penalized for an Unapproved Transfer or Failure to Notify 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 20 points on each application submittal)
- b. Two or more transfers (negative 35 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 up to 10 years.

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 may:
 - a. Reduce or rescind the reservation/allocation or award of the HTCs to the project prior to issuance of 8609

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- b. Assess a negative25 point penalty to all parties involved in the ownership and/or management of the project for four funding rounds following notification of the assessment of the negative points by Minnesota Housing. This also applies to HTC projects financed by tax-exempt volume limited bonds, owners, and managers.

Changes to Project

The allocation of 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 HTCs up to the full amount of the allocation as well as the assessment of penalty points to the owner/developer of up to negative35 points.

Late 8609 Application Submissions Resulting in the Loss of HTC 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 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 a period of up to 10 years. This applies to HTCs issued by Minnesota Housing, suballocators, and in conjunction with tax-exempt volume limited bonds.

Non-Compliance with Minnesota Housing's Fair Housing Policies or Tenant Selection Plan Guidelines, Procedures, and/or Requirements

At the sole discretion of Minnesota Housing, any failure to comply with Minnesota Housing's Fair Housing policies or Tenant Selection Plan Guidelines, procedures, or requirements may be penalized according to Minnesota Housing's Fair Housing policy, up to and including disqualification of the application. In addition, under the HTC program, Minnesota Housing may impose up to a negative35 point penalty on future HTC developments to all parties involved in ownership and/or management on the development(s) that are found in non-compliance. The penalty points will be in effect for four funding rounds (generally two calendar years) following notification of the assessment of the negative points by Minnesota Housing. This also applies to HTC projects financed by tax-exempt volume limited bonds, owners, and managers.

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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 may be considered an unacceptable practice and result in negative points or ineligibility to receive an award or allocation of HTC.

1. On the date of submission of an application for an award or allocation of 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, Minnesota Housing may impose a penalty up to negative 35 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 or has violated Minnesota Housing’s policy limiting rent increases to once annually (as stated in Section 5.01 of the Housing Tax Credit Compliance Guide).
 - d. HTC unit rented to an ineligible household (e.g., household not properly certified, over income at initial occupancy, or ineligible full-time student)
 - e. Project not available to the general public
 - f. Owner failed to respond to Minnesota Housing request for inspection
 - g. Other compliance violations as determined by Minnesota Housing
2. On the date of submission of an application for an award or allocation of 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 as indicated 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 may receive a penalty up to negative 35 points or be deemed ineligible to receive an award or allocation of HTCs.

K. Minimum Underwriting Standards

A development selected for a reservation or preliminary determination of 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 (refer to Chapter 5 and the Minnesota Housing Multifamily Underwriting Standards). These factors will be monitored throughout the HTC process until Minnesota Housing’s issuance of the approved IRS Form 8609. **Minnesota Housing will not allow any significant adjustments to these standards without prior approval.** Not complying with these standards could lead to the revocation of the HTC allocation.

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L. 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 sole 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 and/or familial relationship between the entities, including parent and subsidiary entities.

M. 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 (the “significant parties”). These significant parties include, but are not limited to, general partners, accountants, architects, engineers, financial consultants, any other consultants, processing agents, management agents, and the general contractor. **NOTE:** Each team member may be required to 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, 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

N. Determination of HTC Amount

Federal law mandates that, although a proposed project may be eligible for up to 70% or up to 30% present value HTC amount, Minnesota Housing may not allocate more 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 in accordance with Section 42:

1. Development costs, including acquisition costs, developer fees, and builder profits, contractor overhead and general conditions
2. All sources and uses of funds

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3. Projected income and expenses
4. Proceeds expected to be generated from the sale of HTC'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's needed by the project to fund the gap over a 10-year period, based on the estimated market value of the HTC's.

Based on this evaluation, Minnesota Housing will estimate the amount of HTC's 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 HTC's. The amount of the HTC's can change during the process due to variations in cost, mortgage amount, HTC percentage, syndication proceeds, etc. Minnesota Housing reserves the right not to allocate any HTC's.

This analysis to determine the maximum amount of HTC's must be performed by both Minnesota Housing and the owner/developer at the time of application, at the time of allocation, and at the time the project is placed in service, provided all project costs are finalized and certified. For each analysis, the applicant must submit the most recent financial information on the project. Misrepresentations of information will result in failure to award IRS Form 8609, debarment from participation in the HTC Program, and possible criminal penalties.

If there are changes in resources and/or uses of funds or other material changes, Minnesota Housing will adjust the HTC amount to reflect the changes, and the HTC amount may be reduced. HTC amounts will not automatically be increased above the initial reservation request or allocation amount. Requests for additional HTC's for the project must follow the procedures in Chapter 2.O. and will depend upon the availability of HTC's.

O. Requests for Additional 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 amounts. Under extenuating circumstances, such as significant changes in the market, Minnesota Housing may allow additional requests. The determination and approval are at the sole discretion of Minnesota Housing.

For 9% HTC projects to receive a supplemental HTC 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 HTC's requested, an updated and revised Self-Scoring Worksheet, 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's for developments initially awarded HTC's from a suballocator or that have an HTC allocation from a prior year. Minnesota Housing permits only one supplemental or additional HTC allocation for each

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development. Allocations of additional HTC requested as part of a carryover application are not counted against this limit.

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

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

P. Round 2 Resubmission Process for Non-Select Projects

In a current allocation year, if a project fails to receive 9% HTCs in Round 1, it may be considered for a reservation of HTCs in Round 2 by following the guidelines listed below. 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, including all documentation that clearly supports the points claimed
5. Any requested documentation Minnesota Housing deems necessary
6. The Supplemental Application Fee

Minnesota Housing reserves the right to require a full, new application for any project.

Q. Qualified Census Tracts, Difficult Development Areas and State Designated Basis Boosts

Projects that meet the following criteria may be eligible for a greater amount of HTCs than the legislated maximum HTC percentage.

1. **Qualified Census Tracts (QCTs)** designated by HUD in which 50% of the population has an income of less than 60% of the area median or has a poverty rate of at least 25%; where such areas do not comprise more than 20% 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](#)). Effective dates can be based upon year of application or allocation. Refer to the HUD Designation Notice found on HUD's website for additional details.
2. **Difficult Development Areas (DDAs)** designated by HUD as having high construction, land, and utility costs relative to area median income. For DDA information, reference the same website

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as QCTs above. Effective dates can be based upon year of application or allocation. Refer to the HUD Designation Notice found on HUD’s website for additional details.

3. **State Designated Basis Boost.** For projects requesting HTC from the state’s HTC volume cap. Buildings Designated by State Housing Credit Agency [pursuant to 42(d)(5)(B)(v)] (*refer to the end of this section for reference).

It is the goal of Minnesota Housing to optimize the use of all available sources of funding for multifamily developments 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 priorities. Consistent with this goal, the following criteria will be used to determine if, when, and in what HTC amount, Minnesota Housing will provide a basis boost for HTC developments on a building by building basis to obtain financial feasibility.

- a. The development must meet at least one of the following selection criteria requirements:
 - i. Permanent Supportive Housing: Projects that will serve People with Disabilities or High Priority Homeless Households under the Permanent Supportive Housing for High Priority Homeless selection criterion or the People with Disabilities selection criterion.
 - ii. Preservation: Projects that serve existing federally assisted housing or other critical affordable housing projects must be eligible under the Preservation selection criterion.
 - iii. Tribal: Projects that are sponsored by, or have received, a significant financial contribution (as determined by Minnesota Housing) from a tribal government, tribally designated housing entities, or tribal corporate entities.
- b. The application must demonstrate that without the basis boost, a significant funding gap will remain for the proposed development and HTCs 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% state designated basis boost must be formally made in writing. The request 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.

R. Reservations

Once Minnesota Housing has ranked applications and determined allowable HTC amounts for each application, staff will make recommendations to Minnesota Housing’s board for final approval of the reservation of 9% HTCs.

Reservations are site specific. Changing a development’s site could lead to the revocation of the HTC reservation/allocation.

Minnesota Housing’s HTC program permits its owners to elect the applicable percentage either at the time of reservation or when placed in service. If the election is not made at the time the reservation

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letter is issued, the percentage will be fixed for the month in which the building is placed in service or as otherwise established by Section 42. 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 including each building of the development in which there are HTC 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 HTCs.

Selected applicants that will not place a project in service in the allocation year for which the reservation was issued may request a carryover allocation by submitting the required carryover application submissions.

S. Administrative Errors/Appeals Process

Applicants requesting HTCs from the state's HTC 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 HTC amount at the time of application/reservation, the applicant must submit in writing evidence supporting their position by the appeal due date and time determined by Minnesota Housing, which is generally five business days after notification of application status. The applicant's appeal must be written in letter form containing a signature and stating that the communication is an appeal under Chapter 2.S. of this QAP. The appeal letter may be submitted via email to mhfa.htc.appeals@state.mn.us or mailed to:

Minnesota Housing
HTC 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.

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T. Waiting List

In Round 2, eligible applications that were not-selected or that were selected to receive a partial allocation 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, or unused and/or any returned HTC. This excludes a return of credit for projects requesting a reallocation. A project on the waiting list that is selected for its HTC request through the subsequent Round 1 will no longer be eligible to receive HTCs through the waiting list and will be removed from the list. Projects determined to meet the supplemental priority in accordance with this QAP will receive priority over other applicants. The waiting list will follow Minnesota Housing's 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 and market and financial viability prior to receiving consideration for an HTC 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 HTCs 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 year, to receive consideration for an HTC allocation.

U. Carryover Allocations

Federal law (IRS Treasury Regulation 1.42-6 Carryover Allocation) provides that Minnesota Housing may give a carryover allocation to certain qualified building(s), which are to be placed in service prior to the deadline established by Section 42, as may be extended by relief issued by the IRS. 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 HTCs due to an IRS formula adjustment, National Pool, or unused and/or returned HTCs, Minnesota Housing may allocate HTCs for any additional HTC requests based upon the score of the project's allocation request. This excludes a return of HTCs for projects requesting a reallocation. 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% 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 (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 this QAP. However, the carryover allocation agreement must be executed prior to December 31 of the allocation year for which the reservation was issued.

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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 must be expended or incurred by the date, which is one year from the date of the allocation

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% 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, as may be extended by relief issued by the IRS and by no later than Minnesota Housing's submission deadlines identified in Chapter 6.B. 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.

V. Reallocation

Notwithstanding any other provisions of this QAP, when a project that has received a carryover allocation of 9% HTC from Minnesota Housing, has determined that it will be unable to place in service by the date required pursuant to Section 42, an owner may request (i) that they be able to return the original allocation of HTC and (ii) that Minnesota Housing reallocate the same amount of HTC in a future credit year.

Minnesota Housing reserves the right, at its sole discretion, to provide a new allocation of 9% HTCs to a project that received a carryover allocation in a prior calendar year. An owner that requests a return and reallocation will not be required to submit a new application or be scored again under the QAP applicable to the future credit year. To be eligible for this return and reallocation of HTC, at a minimum, the following conditions must be met to Minnesota Housing's satisfaction:

1. The owner must provide written notice to Minnesota Housing in a timely fashion, describing the circumstances surrounding the request, all remedial measures attempted by the developer to mitigate the delay, and any other pertinent information related to the inability to meet the required placed in service deadline, as part of their request to return their allocation.
2. The reason for the request must be extenuating circumstances beyond the reasonable control of the owner. These circumstances may include but are not limited to delays such as fire, natural disaster, pandemic, or other large scale issues with a significant impact to the housing industry.

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3. The project is economically viable without additional HTC's or other deferred funding from Minnesota Housing.
4. Minnesota Housing must find that the project in all respects, except time to place in service, still meets the selection criteria and conditions upon which the HTC were originally allocated and the minimum requirement so the QAP applicable to the future credit year, and that the project continues to meet affordable housing needs in the community for which it is planned.

An owner may only return and receive a reallocation once per project. A developer may only return and received a reallocation once per year.

The owner shall submit the required fee listed in Chapter 8 with the written request. The fee is non-refundable regardless of outcome. The request is subject to Minnesota Housing board approval. Applicants should not assume that this reallocation will be automatically provided or rely on this statement when determining the timeline of the proposed project.

Minnesota Housing, in its sole discretion, may assess negative ranking points on subsequent applications from the applicant (or related entity).

A project located in a HUD-designated Difficult to Develop Area or Qualified Census Tract at the time of original allocation may retain its designation if consistent with Section 42. Effective dates can be based upon year of application or allocation. Refer to the HUD Designation Notice found on HUD's website for additional details.

W. Final Allocations

Except for carryover allocations, no allocation of HTC'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 HTC's 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 development does not intend to obtain a carryover allocation, but instead intends to take a project from 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 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 HTC's.

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The HTC 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 QAP. 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 LURA.

Non-compliance with the terms of a preliminary determination of HTCs or a carryover allocation will result in a loss of HTCs.

X. Monitoring for Compliance

Federal law requires that Minnesota Housing provide a procedure to monitor for compliance with Section 42 and to notify the IRS of noncompliance. Minnesota Housing is required to apply the monitoring procedure to all HTC projects developed within Minnesota Housing's jurisdiction, including HTCs 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](#). HTC projects must comply with the Housing Tax Credit Compliance Guide as it may be amended. In general:

1. All HTC recipients must submit an annual certification to Minnesota Housing in a manner, form, and time established by Minnesota Housing. Owners are required to certify whether or not the property is in compliance with Section 42 regulations and whether or not the property complies with the restrictions and/or set-asides under which the HTCs were allocated. The certification will include, but is not limited to, certification statements required under IRS Treasury Regulation 1.42-5, the submission of completed IRS forms, and occupancy data including demographic data, income, student status, and rent. Annual monitoring fees will be due when the owner certification is due.
2. Minnesota Housing will conduct periodic inspections, including reviewing tenant files (including tenant applications, verification of income and income from assets, the tenant income certification, and documentation of eligible student status, etc.), a physical inspection using HUD's Uniform Physical Conditions Standards, and reviewing administrative records (including utility allowance and source documentation, tenant selection plans, marketing, Affirmative Fair Housing Marketing Plan, etc.) in accordance with the HTC Compliance Guide. If a property received its HTC allocation based on serving specific targeted population(s), administrative records and/or tenant files must demonstrate that the property and/or unit is serving such population(s).

Minnesota Housing will conduct its first monitoring inspection no later than the end of the second year of the compliance period.

3. A similar monitoring inspection will be conducted 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. Minnesota Housing, at its sole discretion, reserves the right to conduct more frequent inspections.

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4. 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.
5. To accomplish its compliance monitoring responsibilities, Minnesota Housing will charge a per unit monitoring fee beginning with the first credit year. The fee will be due annually throughout the compliance period and extended use period. Refer to Sections 4.02 and 9.05 of the [Housing Tax Credit Compliance Guide](#) for details on the fee amount. Minnesota Housing reserves the right to adjust the fee depending upon the requirements of the U.S. Treasury, IRS, or Minnesota Housing's increased cost to monitor. The fee will be due in a manner and time as prescribed by Minnesota Housing. Minnesota Housing will provide prompt written notice to the owner of a low-income housing project if Minnesota Housing does not receive the annual certification and supporting documentation described above or discovers in an audit, inspection, or review, or in some other manner, that the project is not in compliance (or Minnesota Housing cannot determine the project is in compliance because the owner will not cooperate with or respond to monitoring requests) with the provisions of Section 42. The owner will be given a period of time to make corrections and supply evidence to Minnesota Housing that corrections have been made. 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 regardless of whether the noncompliance has been corrected.
6. Properties that received an HTC allocation in 1990 and later are subject to a minimum 15-year extended use period, which begins after the close of the 15-year compliance period. Compliance requirements and monitoring procedures for properties in the extended use period are contained in Chapter 9 of the HTC Compliance Guide.
7. All project owners must maintain records in accordance with IRS Treasury Regulation 1.42-5. Refer to Chapter 3 of the HTC Compliance Guide for details.

Y. Qualified Contract

All properties will be subject to a LURA with a term of 30 years or longer. Section 42(h)(6)(E)(i)(II) of the IRC created a provision that housing credit agencies respond to the request for presentation of a Qualified Contract for HTC 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 rent limits.

Owners of properties that receive 4% or 9% HTCs are required by Minnesota Housing to waive the right to request a Qualified Contract.

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Z. Tenant Selection Plan

Minnesota Housing requires that a Tenant Selection Plan (TSP) be readily available to anyone interested in such TSP for review and/or retention. Minnesota Housing will not develop or provide such a TSP to owners or management companies. The TSP must be developed and implemented in accordance with Minnesota Housing's [Tenant Selection Plan Guidelines](#) document, which is published on Minnesota Housing's website.

AA. 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's.

AB. Amendments and Revisions to the Qualified Allocation Plan

This QAP has been prepared to comply with Section 42 and applicable state and federal requirements.

The QAP is subject to modification or amendment at any time to help ensure that the provisions conform to the requirements of the IRC and other federal and state requirements, to make population and date changes as needed, to facilitate the award of HTC's that would not otherwise be awarded, and to address unforeseen circumstances. Minnesota Housing may make non-substantive administrative modifications to provisions of the QAP not mandated by Section 42 to the extent deemed necessary to facilitate the administration of the HTC program.

A substantive amendment to this QAP will occur only after public notice and public hearing. Any substantive amendments will require approval of the Minnesota Housing board and the governor or appropriate approval entity. Non-substantive amendments may be made by the Minnesota Housing board. The Minnesota Housing board is authorized to waive any conditions of this QAP that are not mandated by Section 42 on a case-by-case basis for good cause shown. Written explanation will be made available to the general public for any allocation of HTC's that is not made in accordance with Minnesota Housing's established priorities and selection criteria.

To the extent that anything contained in 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 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 that are not subsidized, the applicable percentage is an amount resulting in aggregate HTCs having a present value of 70% of qualified basis. Traditionally, this has resulted in an HTC percentage of approximately 9%.
2. **New Buildings and Qualifying Rehabilitation Expenditures that are Federally Subsidized and Existing Buildings:** With respect to new buildings and qualifying rehabilitation expenditures that are federally subsidized and the acquisition of existing buildings that are rehabilitated, the applicable percentage is an amount that results in aggregate HTCs having a present value of 30% of qualified basis. Traditionally, this has resulted in an HTC percentage of approximately 4%.

The 9% and 4% HTC percentages represent the maximum potential rate.

Applicants are strongly advised to consult closely with their HTC professionals (legal and tax) for guidance with respect to structuring a project to use either the 9% or the 4% HTC.

C. Qualifying Rehabilitation

Rehabilitation expenditure requirements are established both by state and federal law.

Under Section 42(e), rehabilitation expenses qualify for HTCs if the expenditures for each building:

1. Are able to be 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 that 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% 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 at least \$5,000 per unit.

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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% present value HTC and the rehabilitation expenditures may be eligible for the 70% present value HTC.

D. Existing Buildings

Existing buildings must meet the requirements of Section 42(d)(2). In order for an existing building to qualify for the 30% acquisition HTC in connection with rehabilitation, the building must meet the 10-year requirement (10-year rule), in accordance with Section 42(d)(2)(B) and have a period of at least 10 years between the date the building was acquired and the date it was last placed in service.

The 10-year rule also applies to existing HTC projects applying for a new allocation of acquisition HTCs at the end of the original 15-year compliance period.

E. Exceptions 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 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 with interest that is exempt from tax under Section 103 of the IRC, and 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 HTC is calculated.

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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. 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'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 layering review when HTC's and HUD assistance are combined in a single project. Sponsors of projects that combine HUD assistance and HTC'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 Allocating Agency.

Subsidy layering review is required for the following programs, but not limited to:

1. U.S. Housing and Urban Development (HUD) Risk Sharing Insurance
2. Section 8 Project-Based Rental Assistance
3. HOME Investment Partnerships Program (HOME)
4. 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. The Multifamily Workbook

I. Minimum Set-Aside Election

Applicants must set aside a minimum number of units that meet both rent and income restrictions to qualify for HTC's for each year of the HTC period. A project must meet one of the following minimum tests no later than the close of the first year of the credit period and for the full term of the LURA:

1. **20/50 Test (20% at 50% MTSP):** To meet the 20/50 test, a minimum of 20% of the residential units must be both rent restricted and occupied by individuals whose income is at or below the 50% Multifamily Tax Subsidy Project (MTSP) income limit, as established for different geographical areas and published by the U.S. Department of Housing and Urban Development (HUD), adjusted for family size.

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2. **40/60 Test (40% at 60% MTSP):** To meet the 40/60 test, a minimum of 40% of the residential units must be both rent restricted and occupied by individuals whose income is at or below the 60% MTSP income limit, adjusted for family size.
3. **Average Income Test (AIT):** To meet the AIT, a minimum of 40% 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% MTSP income limit, 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 the 20%, 30%, 40%, 50%, 60%, 70% and 80% MTSP limits. Only properties that are 100% HTC restricted are eligible to elect the AIT, and the owner must agree and make a proper election per IRS instructions to treat all buildings as one multiple building project. If the AIT is elected, the owner also agrees to maintain the number of 20%, 30%, and 40% units throughout the extended use period that it represented in its application. The required number of units will be set forth in the LURA and cannot be changed without Minnesota Housing's prior written approval. The units may float throughout the property, but the owner should be aware of potential fair housing concerns if the lower income and rent restrictions are not available in units with larger bedroom sizes.

After the initial HTC application has been submitted to Minnesota Housing and the project has been selected, the minimum set-aside cannot be changed without Minnesota Housing's prior written approval. Owners must demonstrate good cause for requesting a change. Once form(s) 8609 are filed with the Internal Revenue Service, the minimum set-aside election 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%, all units must have an income and rent restriction at or below 50% MTSP.

The actual number of restricted units within the project must be consistent with the initial applicable fraction selected at the time of application. Also, the IRS defines each building as a separate project unless the owner elects to treat certain buildings as a multiple-building project on IRS form 8609. Refer to the 8609 instructions for making a multiple-building election on form 8609.

The AIT is not an available minimum set-aside election under IRC Section 142 for tax-exempt bonds. Owners of properties financed with tax-exempt bonds may elect the AIT for the HTC allocation, but will have to comply with the 20/50 or 40/60 minimum set-aside for bonds **AND** the AIT minimum set-aside for HTCs.

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 HTC amount.

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For a unit to count as a low-income unit, the gross rent may not exceed 30% 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 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 Treasury Regulation 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 Housing Choice Vouchers for the area in which the property is located
 - b. A utility company estimate
 - c. An Average of Actual Consumption using methodology described in the HUD published Multifamily Notice H2015-4A HUD Utility Schedule Model
 - d. An Energy Consumption Model using an energy and water and sewage consumption and analysis model

The HTC Compliance 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.

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Additional rent restrictions may apply if the allocation or award of HTC 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% of the applicable MTSP income limits if the 20/50 test is elected or 60% of MTSP income limits if the 40/60 test is elected. If the AIT 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 AIT are the 20%, 30%, 40%, 50%, 60%, 70%, and 80% MTSP limits. 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 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.

Households are required to certify student status annually, no later than the anniversary date of the previous certification. Refer to Section 5.11 of the HTC Compliance Guide and 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 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:

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1. The eligible basis may be increased for new buildings and rehabilitation to existing buildings that are located in designated QCTs, DDAs, or in 9% HTC 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%, 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%, 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% of the first \$15 million of eligible basis plus 10% 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% or less of area median income. Only limited guidance has been issued by the IRS regarding this issue. No assurances can be given that additional IRS guidance will not require further adjustments to this 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.

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A full-time resident manager's unit is not considered a residential unit and shall be excluded from the numerator and denominator for calculating the applicable fraction.

At initial application and at carryover, the **estimated project applicable fraction** will be used. 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 HTCs 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% applicable fraction. The targeted applicable fraction is also listed as part of the extended use criteria in the LURA, which is recorded and remains with the property.

O. Annual HTC Amount

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

The IRS publishes the applicable percentages on a monthly basis. These figures are used to calculate the maximum allowable annual HTC amount for which the project will be eligible (also refer to Chapter 3.B.).

P. Declaration of Land Use Restrictive Covenants

As a condition of receiving HTCs, a project will be subject to a Declaration of Land Use Restrictive Covenants (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 LURA and Section 42 income and rent restrictions up to 50 years. Owners of properties that receive 4% or 9% HTCs are required by Minnesota Housing to waive the right to request a Qualified Contract (refer to Chapter 2.Y.).

The LURA terminates upon 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.

Throughout the term of the LURA and for a three-year period after the termination of the LURA, the owner must not evict or terminate the tenancy of an existing tenant of any low-income unit other than

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for good cause and must not increase the gross rent above the maximum allowed under the IRC with respect to such low-income unit.

The 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 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 being made to the owner entities. At its sole discretion, Minnesota Housing reserves the right to waive any criteria or requirement not required by law.

Q. Ineligible Properties

Any residential rental unit that is part of a hospital, nursing home, sanitarium, life care facility, trailer park, or intermediate care facility for the mentally and physically handicapped is not for use by the general public and is not eligible for HTCs under Section 42. Projects with buildings having four or fewer residential units must comply with 42(i)(3)(c).

R. Passive Loss Restrictions

There is a limit on the amount of HTCs 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.

S. State Volume Limits

Each state is limited to the amount of HTCs it may allocate annually. An estimate of Minnesota's annual per capita volume limit is published prior to allocation in Round 1.

Projects financed by tax-exempt volume limited bonds that are subject to a separate volume limitation are not counted against the state HTC volume limit (refer to Chapter 7 for further details).

T. Recapture

Minnesota Housing reserves the right to recapture HTCs from projects that do not provide evidence satisfactory to Minnesota Housing of progress toward completion of the project in accordance with the project schedule, or noncompliance with the terms of the allocation.

Part of the 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.

U. Market Study

IRC Section 42(m)(1)(A)(iii) requires that all HTC projects conduct a comprehensive market study. The study must examine the housing needs of low-income individuals in the area to be served by a

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developer's HTC project and 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).

V. Eventual Tenant Ownership

Minnesota Housing will review projects incorporating eventual tenant ownership (ETO) provisions in accordance with Sec. 42 (h)(6), IRS Revenue Ruling 95-49, and Minnesota Housing's requirements. Projects that include eventual tenant ownership will receive a preference during the selection process when reviewing tie breakers (refer to Chapter 5. C.).

The 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.

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 term of the LURA (refer to the Eventual Tenant Ownership Guide on Minnesota Housing's website).

W. 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 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 develop 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 make certain that Black-, Indigenous-, People of Color-, and women-owned businesses have equal access to business opportunities on Minnesota Housing financed projects and to encourage the presence of Black, Indigenous, People of Color, 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 make certain that the workforces on the projects and programs that it finances reflect demographically the areas in which the projects are located. These goals apply for the length of the contract or the life of the mortgage. Minnesota Housing, at its sole discretion, may set numerical or percentage goals dependent on the location and size of a given project. Goals will be determined by staff based on the location of the project.

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Requirements

Minnesota Housing is required to comply with all applicable local, state, and federal laws. These requirements extend 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, gender identity, or sexual orientation.

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

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

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in terms, conditions, or privileges of the rental of a dwelling unit or services or facilities;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print, or publish (or cause to make, print, or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Deny access to, or membership or participation in, associations or other services, organizations, or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation;
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit; or
- Refuse to make reasonable accommodations or modifications for persons with disabilities.

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Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and require housing providers to make reasonable accommodations and to allow people with disabilities to make reasonable modifications.

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. Except as determined by Minnesota Housing, 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.

Housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Section 8 Housing Choice Voucher or other form of tenant-based rental assistance.

X. 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 and 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's will be evaluated according to the following standards (small projects, local Community Development Initiative projects, and projects developed in a DDA 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 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. Refer to the Minnesota Housing Multifamily Underwriting Standards for additional as-is appraisal requirements and details.

Minnesota Housing 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 HTC 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 Minnesota Housing Multifamily Underwriting Standards for the purposes of calculating eligible basis to determine the amount of HTC's.

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.

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D. Comparative Analysis

Notwithstanding these development standards and the selection criteria within this QAP, each and every proposed project is analyzed on a comparative basis in a variety of categories to ensure the highest value for the HTCs 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.

Minnesota Housing will not allow any significant adjustments to these standards without prior approval.

Additional design requirements will also be imposed if a developer claims and is awarded certain points on the Self-Scoring Worksheet (refer to Chapter 6).

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 applicable standards and development features have been incorporated into the final working plans.

Chapter 5 – Project Selection

A. First Round – Application Requirements

Minnesota Statute 462A.222 Subdivision 3 (e) requires that all applications statewide applying for a portion of the state's HTC volume cap in Round 1 meet one of the following minimum threshold types. The threshold type that the applicant applies under will become part of the HTC Reservation and Commitment. It will be secured by the LURA for the term of the compliance period and, as applicable, the extended use period. An Allocating Agency will allocate HTCs only to the following types of projects:

1. In the Metropolitan Area:
 - a. New construction or Substantial Rehabilitation in which, for the term of the extended use period (term of the LURA), at least 75% of the total 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.
 - b. 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 LURA), at least 75% of the total HTC units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms.
 - c. Substantial Rehabilitation projects in neighborhoods targeted by the city for revitalization.
2. Outside the Metropolitan Area:
 - a. Projects that 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.
3. 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 LURA), a percentage of the units are set aside and rented to persons:
 - a. With a serious and persistent mental illness as defined in Minnesota Statutes § 245.462, Subdivision 20, paragraph (c);
 - b. With a developmental disability as defined in United States Code, title 42, Section 6001, paragraph (8) of the IRC, as amended through December 31, 1990;
 - c. 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;
 - d. With a brain injury as defined in Minnesota Statutes § 256B.093, Subdivision 4, paragraph (a); or
 - e. 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 1340.

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4. Projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the use of HTC 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.
5. Projects financed by Rural Development, which meet statewide distribution goals.

B. Strategic Priority

To be eligible for HTCs from the state's volume cap, a developer must demonstrate that the project meets at least one of the HTC statutory strategic priorities or a strategic objective in Minnesota Housing's Strategic Plan. Residential rental housing projects financed with an allocation of tax-exempt bonds under chapter 474A are the highest strategic priority for tax credits in accordance with Minn. Stat. 462A.222, Subdivision 3(d) and such projects need not meet a separate strategic priority.

C. Selection and Preference Criteria

All HTC applications are scored and/or reviewed in accordance with the Selection and Preference Criteria required by Section 42 and Minnesota Housing.

To be eligible for HTCs from the state's volume cap under Minnesota Housing's QAP, a developer must demonstrate that the project is eligible for no less than **80** points in the Self-Scoring Worksheet. This excludes projects funded through the RD/Small Projects set-aside, which must be eligible for no less than 30 points.

To be eligible for HTCs in association with tax-exempt volume limited bonds under Minnesota Housing's QAP, a developer must demonstrate that the project is eligible for no less than **40** points in the Self-Scoring Worksheet.

For applicants requesting HTCs from the state's volume cap, Minnesota Housing will first rank proposals. The highest-ranking proposals will then be reviewed in accordance with the following Project Selection requirements described in sections D through J 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 help ensure the project meets the requirements. Lower ranking proposals will only be processed further if HTC volume cap remains available after the higher-ranking proposals are processed. Minnesota Housing may elect, at its sole discretion, not to give partial HTCs to a higher-ranking application but to give the HTCs to the next ranking application that can use the balance of the HTCs (refer to Chapter 5.I.).

Selection Criteria consist of the following:

- a. Large Family Housing
- b. Senior Housing
- c. Permanent Supportive Housing for High Priority Homeless
- d. People with Disabilities

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- e. Need for More Affordable Housing Options
- f. Workforce Housing Communities
- g. Transit and Walkability
- h. Community Development Initiative
- i. Equitable Development
- j. Rural/Tribal
- k. Multifamily Award History
- l. Black, Indigenous and People of Color-owned/Women-owned Business Enterprise (BIPOCBE/WBE)
- m. Preservation
- n. Financial Readiness to Proceed/Leveraged Funds
- o. Other Contributions
- p. Intermediary Costs
- q. Universal Design
- r. Smoke free Buildings
- s. Enhanced Sustainability
- t. Sponsor Characteristics – Non-scoring selection criteria
- u. Public Housing waiting lists – Non-scoring selection criteria

Preference Criteria consist of the following:

- a. Serves Lowest Income Tenants/Rents Reduction
- b. Rental Assistance
- c. Long Term Affordability
- d. QCT/Community Revitalization, Tribal Equivalent Areas, and Opportunity Zones
- e. Eventual Tenant Ownership – Non-scoring selection criteria

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 criteria; if a tie still remains;
2. Second tie breaker: Priority will be given to the project that will have an Eventual Tenant Ownership component; if a tie still remains;
3. Third 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 in the last two years; if a tie still remains;
4. Fourth 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;
5. Fifth 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;

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6. Sixth tie breaker will be by lot.

E. Market Study Review

Minnesota Housing will conduct a market study 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 information prior to Minnesota Housing scoring of selection priority points.

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 to a project could be detrimental to existing rental property, Minnesota Housing may choose not to issue HTCs to the applicant. 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 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.).

G. Development Team Review

Minnesota Housing will also consider the following factors when evaluating an application for an HTC allocation or award:

1. The ability and capacity of the development team to proceed expeditiously to complete the proposed development and any previously selected projects still in process.
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 may conduct a site inspection for each project passing all project selection requirements described in sections A through F of this chapter for consistency with the principles of sound, affordable housing developments. Site inspections may be conducted to analyze physical

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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 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 must be located near jobs and in areas of job growth and 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 from projects that appear unsuitable for the housing proposed.

I. Multifamily Underwriting Standards

Proposals must meet all applicable Multifamily Underwriting Standards to receive an allocation or award of HTCs. The Multifamily Underwriting Standards will be used by Minnesota Housing 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

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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 sections A through H and J will be evaluated for financial feasibility as required by IRS Treasury Regulation 1.42-17(a)(3) and Chapter 2.O. 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 help ensure financial feasibility and/or to meet required components of the Multifamily 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 HTC allocation or award. 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 HTC 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 Scoring 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 Minnesota Housing's Application Resources and Tax Credits webpages (www.mnhousing.gov).

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

A complete application must be submitted no later than each of the application due dates in order to be considered for selection, within the applicable competition.

Minnesota Housing will base its selection decision upon the application and attachments received on the application due date. Minnesota Housing reserves the right, in its sole discretion, to request additional information or deem an error related to an application to be immaterial.

No project may be divided into two or more projects during a single funding round to receive 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 a contiguous site, to determine if a multiple application exists.

Upon receipt of an application, as required by federal law, Minnesota Housing will notify the Chief Executive Officer (or the equivalent) of the local jurisdiction where the proposed project is planned. This notification will include characteristics of the proposed HTC project and provide an opportunity for the local unit of government to comment on the project.

Information submitted in an application for HTCs is information that is accessible to the public pursuant to Minnesota Statutes, Chapter 13.

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Self-Scoring Worksheet

The Self-Scoring Worksheet and the Scoring Guide provide comprehensive resources for the documentation materials and submittal instructions.

Minimum Threshold Evidence

For Round 1, all 9% HTC projects are required to provide evidence of meeting one of the threshold types defined in Chapter 5. Copies of this QAP and a sample letter format can be found in the Housing Tax Credit Allocation or Housing Tax Credits Reference Materials sections. In meeting the requirements of the minimum 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.

Local HRA/PHA Certification

Section 42 of the IRC requires an Allocating Agency to give preference to owners that agree to utilize the local HRA or PHA waiting list to identify eligible individuals and households to fill vacant units. Applicants applying for HTCs must sign a certification agreeing to utilize the public housing and Section 8 waiting lists as applicable.

Preservation

Applicants applying for HTCs and claiming points under this section must provide all required supporting documentation, as detailed in the Multifamily Customer Portal and Scoring 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.

Evidence for People with Disabilities

To receive points under People with Disabilities (PWD), the proposal must meet all of the requirements contained in the Self-Scoring Worksheet.

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 for PWD Units.

If, for a particular unit meeting the criteria and receiving points under the People with Disabilities Selection Criterion (PWD Unit(s)), the necessary rental assistance or operating support (collectively 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

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Housing to eliminate its requirements for the affected PWD Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the 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, the owner shall no longer be required to treat such PWD Unit(s) as PWD Unit(s) but must convert the rents of those units to the 50% HTC 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 allocation, the above described 50% HTC 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 compliance and extended use periods.

If, for a particular 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 PWD Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the 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, the owner shall modify its provision of such tenant support services for the affected PWD Unit(s) in a manner consistent with Minnesota Housing's modified requirements for the provision of tenant services for the PWD Unit(s), **provided that more restrictive threshold, selection priority, or funding requirements, if any, do not apply.**

If Minnesota Housing, at any time thereafter, in its sole discretion, determines that a PWD Unit Subsidy may be available for the remainder of the HTC compliance and extended use periods, that would not adversely affect the full availability of the HTC allocation, and would permit the PWD Unit(s) to again serve PWD households, then at Minnesota Housing's request, the owner shall promptly apply for such PWD Unit Subsidy for the PWD Unit(s), upon terms reasonably acceptable to such owner, and if such PWD Unit Subsidy is obtained, shall again set aside such PWD Unit(s), when and to the extent then available, to people with disabilities needs qualifying individuals.

In addition, if Minnesota Housing, at any time thereafter, in its sole discretion, determines that PWD Unit tenant support services funding may be available for the remainder of the HTC compliance and extended use periods, that would not adversely affect the full availability of the allocation, and would permit the affected PWD Unit(s) to again provide tenant support services to PWD households, then at Minnesota Housing's request, the owner shall promptly apply for such PWD Unit tenant support services funding for the affected PWD Unit(s), upon terms reasonably acceptable to such owner, and if such PWD Unit tenant support services funding is obtained, shall resume providing 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 is the lead agency for the action plan to increase affordable and supportive housing units to address the housing

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gap for people at risk of and experiencing homelessness. HTCs represent one of several resources identified 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.

High Priority Homeless Performance Requirement Relief Provisions

Specific performance requirement relief provisions are available for projects receiving points under the Permanent Supportive Housing for High Priority Homeless (HPH) selection criterion of the Self-Scoring Worksheet for HPH Units.

The following relief provisions may be considered for developments with HPH Units and are subject to Minnesota Housing approval:

1. An owner may request approval in writing from Minnesota Housing to prioritize filling a vacant HPH Unit(s) with the next highest need household in accordance with the Supportive Housing Guide if the HPH Unit(s) is unable to be filled with highest priority household on the permanent supportive housing waitlist in the Coordinated Entry system.
2. If, after a minimum 60-day period, or other time period approved by Minnesota Housing when reasonable options have been exhausted, an HPH Unit(s) is unable to be filled by a household through the Coordinated Entry system or the prioritization process outlined above, temporary relief from the HPH Unit may be requested from Minnesota Housing to permit a non-HPH household to fill the unit. The next comparable available unit is subject to the HPH Unit requirements when a vacancy occurs.
3. If a particular HPH Unit(s) experiences unexpected loss of rental or operating support, or tenant support services funding (collectively HPH Unit Subsidy), and meets the conditions below, the owner may petition Minnesota Housing to eliminate its requirements for the affected HPH Unit(s):
 - (i) The HPH Unit Subsidy was 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 or an alternative service provider is unavailable; and
 - (iv) The project is otherwise in full compliance with all the terms of the funding for the project

If any of the conditions of number three above are met, 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 the 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, the 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% HTC 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 allocation, the above described 50% HTC rent limit and the IRC

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Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the HTC compliance and extended use periods.

If Minnesota Housing, at any time thereafter, in its sole discretion, determines that an HPH Unit Subsidy may be available for the remainder of the HTC compliance and extended use periods, that would not adversely affect the full availability of the HTC 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.

Serves Lowest Income Tenants/Rent Reduction Units Performance Requirement Relief Provisions

Specific performance requirement relief provisions are available for projects receiving points under the Serves Lowest Income Tenants/Rent Reduction selection criterion of the Self-Scoring Worksheet for 30% MTSP Units.

If, for a particular unit meeting the criteria and receiving points under the Serves Lowest Income Tenants/Rent Reduction selection criterion for further restricting rents to at or below 30% MTSP (30% Unit(s)), the owner may petition Minnesota Housing to eliminate its requirements for the affected Further Restricted Rental Assisted Units (FRRRA Unit(s)). Such petition shall contain all material facts and supporting documentation substantiating the owner's request. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the owner shall no longer be required to treat such 30% Unit(s) as 30% Unit(s) but must convert the rents of those units to the 50% HTC 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 allocation, the above described 50% HTC 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 compliance and extended use periods.

If Minnesota Housing, at any time thereafter, in its sole discretion, determines that a 30% Unit may be available for the remainder of the HTC compliance and extended use periods, that would not adversely affect the full availability of the allocation, and would permit the 30% Unit(s) to again restrict rents to the 30% HTC rent limit.

Rental Assistance Performance Requirement Relief Provisions

Specific performance requirement relief provisions are available for projects receiving points under the Rental Assistance selection criterion of the Self-Scoring Worksheet for Rental Assisted Units.

If, for a particular unit meeting the criteria and receiving points under the Rental Assistance selection criterion for Rental Assisted Units (RA Unit(s)), the necessary rental assistance or operating support (collectively 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 RA Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the owner's request

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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, the owner shall no longer be required to treat such RA Unit(s) as RA Unit(s) but must convert the rents of those units to the 50% HTC 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 allocation, the above described 50% HTC 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, at any time thereafter, in its sole discretion, determines that an RA Unit Subsidy may be available for the remainder of the 10-year period, that would not adversely affect the full availability of the allocation, and would permit the RA Unit(s) to again serve 30% income households, then at Minnesota Housing's request, the owner shall promptly apply for such RA Unit Subsidy for the RA Unit(s), upon terms reasonably acceptable to such owner, and if such RA Unit Subsidy is obtained, shall again set aside such RA Unit(s), when and to the extent then available, to income qualifying individuals.

Further Restricted Rental Assisted Units Performance Requirement Relief Revisions

Specific performance requirement relief provisions are available for projects receiving points under the Rental Assistance selection criterion for Further Restricted Rental Assistance of the Self-Scoring Worksheet for Further Restricted Units.

If, for a particular unit meeting, the criteria and receiving points under the Rental Assistance selection criterion for Further Restricted Rental Assisted Units (FRRRA Unit(s)), the necessary rental assistance or operating support (collectively FRRRA 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 FRRRA Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the 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, the owner shall no longer be required to treat such FRRRA Unit(s) as FRRRA Unit(s) but must convert the rents of those units to the 50% HTC 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 allocation, the above described 50% HTC 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 compliance and extended use periods.

If Minnesota Housing, at any time thereafter, in its sole discretion, determines that an FRRRA Unit Subsidy may be available for the remainder of the HTC compliance and extended use periods, that would not adversely affect the full availability of the allocation, and would permit the FRRRA Unit(s) to again serve 30% income households, then at Minnesota Housing's request, the owner shall promptly apply for such FRRRA Unit Subsidy for the FRRRA Unit(s), upon terms reasonably acceptable to such owner, and if such FRRRA Unit Subsidy is obtained, shall again set aside such FRRRA Unit(s), when and to the extent then available, to income qualifying individuals.

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B. Carryover Requirements

Several changes to Section 42 of the 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 November 1 (or the next calendar business day if November 1 is not a business day) of the year in which the reservation was issued, a complete carryover package in final form containing all required documents in a form satisfactory to Minnesota Housing. Late fees will be enforced (refer to Chapter 8). All required carryover application materials are incorporated into the Carryover checklist and must be submitted through the Multifamily Customer Portal.

New requests by applicants/developers to Minnesota Housing to apply the 30% state designated basis boost at the time of carryover application must be formally made in writing. The request 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.

Application forms containing incomplete revisions are not acceptable, and at Minnesota Housing's sole discretion, may be returned to the applicant.

Owner Certification/Application for Carryover Allocation

Provide a signed and notarized Owner Certification/Application for Carryover Allocation Form.

Building Information

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 letter 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'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.

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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 award or allocation of HTC's under Section 42
7. Any additional information deemed necessary and requested by Minnesota Housing.

Certified Public Accountant Certification

Provide a written Certified Public Accountant's Certification in an approved Minnesota Housing format verifying:

1. The amount of the reasonably expected basis, the carryover basis, and the percent of the expenses incurred.
2. More than 10% 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 of the calendar year after the allocation is made. 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 and also include information explaining why the extension is requested. Minnesota Housing will issue a written response to all extension requests. An extension until October 1 of the calendar year after the allocation is made 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. 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
4. Be current and state both the effective and expiration dates

Gross Rent Floor Election

If choosing to make the election at this time, supply a fully executed Statement of Election of Gross Rent Floor and include each building of the development in which there are HTC 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

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to have been elected as the gross rent effective on the allocation date (the earlier of carryover or 8609) of the HTCs.

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. An Affirmative Fair Housing Marketing Plan (AFHMP) describing the marketing strategies that an owner will use including, but not limited to, special efforts the owner will make to attract people 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. An Equal Employment Opportunity Policy Statement.

Tenant Selection Plan

Provide a written tenant selection plan (TSP) describing the tenant selection policy that an owner will use. The TSP must be submitted and reviewed by Minnesota Housing prior to the issuance of IRS Form 8609. The TSP must be developed and implemented in accordance with Minnesota Housing's [Tenant Selection Plan Guidelines](#) document, which is published on Minnesota Housing's website.

Identity of Interest

Provide a written disclosure as to any and all Identity of Interest parties (refer to Chapter 2.L. and 2.M.).

Allocation (Carryover) Fee

Submit the allocation (Carryover) fee based on the annual HTC reservation amount (refer to Chapter 8). Additional fees for additional HTCs secured at carryover will be collected following the allocation. Complete a Fee Remittance Form and mail it with the payment to Minnesota Housing's office.

C. Placed in Service /Application for Issuance of IRS Form 8609

Generally, the placed in service date for HTC 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 by the due date required by Section 42, as may be extended by relief issued by the IRS. .

Subsequent to the project being placed in service and prior to Minnesota Housing issuing an IRS Form 8609 for the project, the owner must submit an application for the issuance of IRS Form 8609 to Minnesota Housing. All required application materials are incorporated into the 8609 checklist in the Multifamily Customer Portal. If Minnesota Housing is the Allocating Agency, all required 8609 application materials must be submitted through the Multifamily Customer Portal. The Owner must also submit an IRS Form 8609 fee based upon the requested annual HTC amount (refer to Chapter 8).

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A Minnesota Housing approved 8609 form must contain the signature of the authorized Minnesota Housing representative. Minnesota Housing will issue an approved IRS Form 8609 within 60 days after all the required 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.J. Unacceptable Practices). A condition to this effect will be added to the Carryover Agreement.

To optimize timely processing of requests for issuance of Form 8609, it is recommended the owner make every effort to submit the complete 8609 application package to Minnesota Housing no later than 30 days following completion of the project and at least 60 days in advance of any required filing deadline.

If a complete 8609 application package is not received within 15 days of the last day of the first year of the HTC period, the application will be considered late and may be subject to a penalty (refer to Chapter 2.J.).

Transmittal Letter

Provide a transmittal letter indicating the project name, address, and Minnesota Housing assigned HTC number. The letter must request the issuance of IRS Form 8609 and list the required documents. In the letter, please list any revised information and explain the basis reason 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 or Temporary 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 IRS Treasury Regulation 1.42-10 (i.e., as appropriate, a utility allowance from RD, HUD, a PHA/HRA, a local utility company, an Agency Estimate Minnesota Housing Average of Actual Consumption using the methodology described in the HUD published Multifamily Notice H-2015-4, 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 (refer to Chapter 3.J.).

MINNESOTA HOUSING – 2024-2025 HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN

Final Cost Certification

Provide a final cost certification when total development costs are final 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 the owner, as appropriate.

Attorney's Opinion Letter

Provide an attorney's opinion letter in an approved Minnesota Housing form format, which can be found on Minnesota Housing's Tax Credits webpage, verifying:

1. The legal description of the project property (to be attached to the opinion letter and labeled as 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) or preliminary determination letter issued by Minnesota Housing and the legal description of the property financed with 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 letter.
3. The name, legal designation, and Tax Identification Number (TIN) of the ownership entity that will receive the HTC's, the legal designation of the party that signed the application, and that the business remains in good standing and is 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 A statement indicating that the buildings identified in the application satisfy the requirements for an award or allocation of HTC's under Section 42
7. Any additional information deemed necessary and requested by Minnesota Housing.

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 allocation, restrict the developer fees as specified in the Underwriting Standards.

MINNESOTA HOUSING – 2024-2025 HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN**Minnesota Housing Declaration of Land Use Restrictive Covenants**

Provide a copy of the completed but unrecorded Minnesota Housing LURA for review well in advance of its required filing deadline. The LURA must be completed and recorded before the end of the first HTC period to preserve the HTCs allocated to the project. Check with your tax advisor as to timing of filing and claiming of HTCs. HUD may require that certain riders be attached to your HTC 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 HTC Proceeds or Receipts

Provide documentation of the final amount of HTC 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 Minnesota Overlay to the Enterprise Green Communities Criteria.

IRS Form 8609 Certification by Owner/Application Form

Provide a 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. Month The month and year must correspond with the occupancy certificate(s). 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 this QAP, selection, and additional or special conditions of reservation, commitment, or carryover or the preliminary determination letter issued by Minnesota Housing on the project.
5. Final Executed Loan or Grant Documents.
6. Provide copies of the 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 help ensure the amount of HTCs allocated to a project does not exceed the amount necessary for financial feasibility. Therefore, Minnesota Housing will not issue an IRS form 8609 prior to the execution of the final permanent loan documents, or its equivalent, for all funding sources.

MINNESOTA HOUSING – 2024-2025 HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN

Governmental Assistance and/or Rental Assistance

If not previously provided as part of a carryover or preliminary determination 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 the owner and the local housing authority, PHA or other similar entity if rental assistance points were awarded to the development (refer to the Rental Assistance section of the Self-Scoring Worksheet).

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) (refer to Chapter 2.I. and 2.J.) and the Transfer of Ownership Fee (refer to Chapter 8).

Partnership Agreement

Provide a copy of the executed final Partnership Agreement.

Building Map Form

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 LURA.

Identity of Interest

Provide a written disclosure as to any and all Identity of Interest parties (refer to Chapter 2.L. and 2.M.).

Affirmative Action and Equal 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. An AFHMP describing the marketing strategies that an owner will use including, but not limited to, special efforts the owner will make to attract people 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. An Equal Employment Opportunity Policy Statement.

Tenant Selection Plan

Provide a written tenant selection plan (TSP) describing the tenant selection policy that an owner will use. The TSP must be submitted and reviewed by Minnesota Housing prior to the issuance of IRS Form 8609. The TSP must be developed and implemented in accordance with Minnesota Housing's [Tenant Selection Plan Guidelines](#) document, which is published on Minnesota Housing's website.

MINNESOTA HOUSING – 2024-2025 HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN

Allocation (IRS Form 8609) Fee

Submit the allocation (IRS Form 8609) fee based on the annual HTC allocation amount (if not already paid at carryover) (refer to Chapter 8). Complete a Fee Remittance Form and mail it with the payment to Minnesota Housing.

Chapter 7 – Projects Financed by Tax-Exempt Volume Limited Bonds Seeking HTC

A. General

Section 42 of the IRC establishes a separate set of procedures to obtain 4% HTCs through the issuance of tax-exempt volume limited bonds.⁴

Section 42 (m)(1)(D) provides that in order for a project to receive an award of HTCs through the issuance of tax-exempt volume limited bonds, the project must satisfy the requirements for allocation contained in 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% of the aggregate basis of the building and the land it is located on.

If a development was selected or selected for further processing for tax-exempt bonds with a 4% financial structure through a previous Minnesota Housing Consolidated RFP, and satisfied pointing and related requirements applicable to that Consolidated RFP, the development may be deemed to meet the scoring and related requirements of the QAP in effect during the year in which the tax-exempt volume limited boards are issued sufficient to finance at least 50% of the aggregate basis of the building and the land that it is located on.

Developers must also be aware of the requirements of Minn. Stat. § 474A.047, including Subdivision 1, which require the extension of existing HUD Housing Assistance Payment (HAP) contracts to the full extent available.

For projects to which the Minnesota Housing QAP applies, Minnesota Housing must make a determination that all requirements are satisfied. After this determination, Minnesota Housing will issue a preliminary determination letter. Except as determined by Minnesota Housing, **applications for this determination must be submitted to Minnesota Housing at least 60 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% of the aggregate basis of the building(s) and land it is located on.**

The threshold requirements in Chapter 5 do not apply to projects not receiving HTCs counted in the HTC volume cap for the state.

⁴ 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 IRC. Residential rental bonds are exempt facility bonds issued pursuant to Section 142(d) of the IRC to finance a qualified residential rental project.

MINNESOTA HOUSING – 2024-2025 HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN

In order to receive the preliminary determination described above, the applicant must submit to Minnesota Housing all documents required for an application for HTCs as established by the Minnesota Housing QAP and any additional information requested. These documents are those required for an application for HTCs under Chapter 6.A. incorporated into the Application Checklist in the Multifamily Customer Portal and any additional information required by Minnesota Housing. The developer must also submit to Minnesota Housing the required application fees identified.

B. Pre-Application for Projects Seeking an Allocation of Tax-Exempt Volume Limited Bonds from Minnesota Management and Budget (MMB)

Applicants may receive a predictive cost 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 Cost Model Determination: A predictive cost model analysis can be pursued earlier than the submission of the 42(m) application. Applicants must submit the predictive cost model determination document and will receive a determination letter upon review. The letter will consist of Minnesota Housing's determination, the expiration date of the determination, the project's current percentage of the predictive cost model, and the project cap for per unit costs in excess of an allowable threshold of which board action may be required. Developments with costs above the predictive cost model will be notified and, if requested by the developer, will follow Minnesota Housing's process to determine if approval 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 may result in rejection of the pre-application.

Pre-application Documents:

- Multifamily Workbook
- Self-Scoring Worksheet – Corresponding with the year in which bond issuance is anticipated
- Scoring Documentation

If the project is determined to be eligible for the required minimum points, the applicant will receive a Preliminary Scoring Determination letter from Minnesota Housing 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.

C. Application for Issuance of Preliminary Determination Letter

For projects in which Minnesota Housing is the Allocating Agency, the developer must submit an application fee (review fee) (refer to Chapter 8). In addition, if the issuer of the bonds is not Minnesota

MINNESOTA HOUSING – 2024-2025 HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN

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 dollar amount and project costs pursuant to Section 42(m)(2)(D) of the IRC.

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 award of HTCs 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) and the Allocating Agency must make a determination that the 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 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. Evaluation of the issuer and Allocating Agency must consider in accordance with Section 42:

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 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

Section 42(h)(6)(C)(ii) provides that the 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.

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 and any additional conditions identified for an award of HTCs under the QAP. A preliminary determination fee must be submitted to Minnesota Housing prior to release of the letter (refer to Chapter 8). **This process may take eight weeks or more from the time the full application package is submitted. All applicants should develop their timelines and schedules accordingly.**

D. Election of Applicable Percentage

Section 42 of the 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-exempt volume limited bonds are issued, the percentage will be fixed for the month in which the building is placed in service. Once made, the election is irrevocable.

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E. 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.

F. Election of Gross Rent Floor

The owner/taxpayer of a qualified HTC 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 Minnesota Housing does not receive forms 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.

G. Placed in Service/Application for Issuance of IRS Form 8609

Placed in service dates for HTC purposes must be established for all buildings using HTCs, including acquisition HTCs, which are treated as a separate building for HTC 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 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.

Subsequent to the project being placed in service and prior to Minnesota Housing issuing an IRS Form 8609 for the project, the owner must submit an application for the issuance of IRS Form 8609 to Minnesota Housing.

The application must contain all documents identified in this Section and under Chapter 6.C., in addition to any other submissions deemed necessary and requested by Minnesota Housing . All required application materials are incorporated into the 8609 checklist in the Multifamily Customer Portal. The Owner must also submit an IRS Form 8609 fee based upon the requested annual HTC amount (refer to Chapter 8).

A Minnesota Housing approved Form 8609 must contain the signature of the authorized Minnesota Housing representative. Minnesota Housing will issue an approved IRS Form 8609 within 60 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

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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 preliminary determination. (Also refer to Chapter 2.J. Unacceptable Practices.)

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.

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 HTC's 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 HTC's awarded to the building did not exceed the maximum HTC's 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.

Chapter 8 – Fees

For estimates of HTC allocation fees, reference the Fee Schedule and Remittance Form. All fees are non-refundable and will not be adjusted if the final HTC amount is reduced, recaptured, or the HTCs are returned or unused.

A. Application Fee

An application fee must be submitted with all applications. 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

A fee for projects requesting supplemental HTCs. This fee 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.P.
2. A selected project (must have been selected in the same year) requesting additional HTCs will be required to submit a new application package as described in Chapter 2.O.

C. Reservation Fee

After the project has been selected to receive HTCs from the state's HTC volume cap, a reservation fee must be paid to Minnesota Housing. An additional reservation fee must also be paid for any additional HTCs allocated through carryover and must be paid following issuance of the Carryover Agreement.

D. Allocation Fee – Carryover, 8609, Reallocation

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. Refer to Section C. (immediately above) for fee information relating to additional HTCs allocated at carryover.

A reallocation fee must be submitted to Minnesota Housing for projects requesting a return and reallocation of HTCs.

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 who:

1. Do not submit a carryover/8609 application by the established due date and time; or
2. Submit a substantially incomplete carryover/8609 application by the established due date and time; or
3. Do not submit the carryover CPA final certification by the established due date and time

MINNESOTA HOUSING – 2024-2025 HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN

Must pay a late fee plus an additional penalty fee for each business day from the original due date and time 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.

G. Monitoring Fee

Minnesota Housing will charge a per unit monitoring fee beginning with the first credit year. The fee will be due annually throughout the compliance period and extended use period. Refer to Sections 4.02 and 9.05 of the [Housing Tax Credit Compliance Guide](#) for details on the fee amount. Minnesota Housing reserves the right to adjust the fee depending upon the requirements of the U.S. Treasury, IRS, or Minnesota Housing's increased cost to monitor. The fee will be due in a manner and time as prescribed by Minnesota Housing.

H. 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 transfer of ownership fee must be submitted to Minnesota Housing, along with updated materials of the new owner/management team for each project in which 50% or more of the ownership entity is new since reservation or carryover allocation. After the five-year period, owners must submit an RFA non-refundable processing fee. Refer to the Servicing page on Minnesota Housing's website (also refer to Chapter 2.J. – Unacceptable Practices) for further details on Transfer of Ownership.

I. 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. 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 HTC Program.

K. Appraisal Fee

If the as-is appraisal is ordered by Minnesota Housing, all costs will be the responsibility of the applicant. 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.

Chapter 9 – Tentative Allocation Schedule of Critical Dates

A. Allocation Dates

A list of important allocation dates is identified in the Multifamily Application Instructions: Consolidated RFP and HTC Round 1 and 2.

B. Previous Year's Allocation of HTCs

Placed in Service Allocation: To optimize timely processing of requests for issuance of IRS 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 HTC period. Section 42 states the owner must elect the first year of the HTC period in the year the project is placed in service or the year following.

C. Compliance Dates

Owner Certifications, compliance reporting, and monitoring fees are due February 15 (or the next business day if February 15 is not a business day) of each year.

When filed with IRS: Completed first year 8609 with Part II completed.

Chapter 10 –Index of HTC Forms

A. Application Materials

All HTC Application Forms are available on Minnesota Housing’s Multifamily website and in the Multifamily Customer Portal.

B. Post-Selection Materials

All Post-Selection materials are available on Minnesota Housing’s Multifamily website and in the Multifamily Customer Portal.

Self-Scoring Worksheet (SSW)

Redline



~~2022-2023~~ 2024-2025 Self-Scoring Worksheet

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Housing Tax Credit and Deferred ~~projects~~Projects¹

Updated ~~December 2020~~ November 2022

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1. ~~Includes all 4% and 9% HTC projects and deferred funds awarded through the Consolidated Request for Proposal (Proposals (Consolidated RFP))~~
as well as available financing throughout the year.

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Need for More Affordable Housing Options
Workforce Housing Communities
Transit and Walkability
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Instructions and Requirements

The Self-Scoring Worksheet sets the selection criteria and funding priorities that Minnesota Housing will use to prioritize applications requesting 4% Housing Tax Credits (HTCs), 9% HTCs, and/or deferred funds that are selected through the Multifamily Consolidated Request for Proposals (Consolidated RFP) or on a pipeline basis for available financing that may be available throughout the year.

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Applicants must meet the requirements outlined in the Self-Scoring Worksheet and QAP to be eligible for points. To submit the Self-Scoring Worksheet for an application, all applicants must use the Scoring Wizard in the Multifamily Customer Portal website. All documents referenced in this Self-Scoring Worksheet can be found on Minnesota Housing's website or in the Multifamily Customer Portal.

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When selecting projects for funding in the Consolidated RFP, Minnesota Housing considers the total amount of points achieved in conjunction with such factors as feasibility, amount of total funding requested, available resources, and ability to complete the development in a timely manner.

A. Strategic Priority

1. All projects must meet at least one of the HTC statutory strategic priorities or a strategic objective contained in Minnesota Housing's current Strategic Plan as published on the Minnesota Housing website. Applicants must demonstrate how the project meets the Strategic Plan in the Multifamily Rental Housing Narrative.
- A.2. Residential rental housing projects financed with an allocation of tax-exempt bonds under chapter 474A are the highest strategic priority for tax credits in accordance with Minn. Stat. 462A.222, subd. 3(d), and such projects are not required to meet a separate strategic priority.

B. Pre-Application

A Pre-Application may be required for specific selection preferences or selection criteria. The applicant must provide the required Pre-Application prior to the application deadline according to the due date established by Minnesota Housing and published on Minnesota Housing's website. Failure to submit required pre-application materials may result in rejection of the Pre-Application.

C. Preference for Eventual Tenant Ownership

HTC projects are eligible for homeowner conversion. These projects will receive a preference during the selection process when reviewing tie breakers. The project owner should submit a preliminary transition plan with their application that is consistent with the requirements of the Eventual Tenant Ownership (ETO) Guide. The Declaration of Land Use Restrictive Covenants (LURA) may 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.

- ☐ The project will have an Eventual Tenant Ownership component.
- ☐ The project will have an Eventual Tenant Ownership component.

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D. Preference for Innovative Construction Techniques

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A **Pre-Application** is required for this selection preference. Using this selection preference, Minnesota Housing intends to select at least one **project** that will use innovative construction techniques that:

☐ **Reduce** total construction costs by at least 10%

AND/OR

AND/OR

☐ **Reduce** the time a project is under construction by at least 20%

• ☐ **Reduces** ☐ **Reduce** the time a project is under construction by at least 20%

Minnesota Housing will make a reasonable effort to select a minimum of one project that meets this preference criterion, based on competitive ranking applications and available funding, and reserves the right to select a lower-scoring proposal if deferred funding is applied for and the project meets this preference criterion.² The preference does not obligate Minnesota Housing to select a project that uses an innovative construction technique.

The Innovative Construction Technique preference is available in the ~~2021~~2023 Consolidated RFP/~~2022~~2024 HTC Round 1 and in the ~~2022~~2024 Consolidated RFP/~~2023~~2025 HTC Round 1³.

Application Guidance for Innovative Construction Techniques will be posted on Minnesota Housing's website.

E. Minimum Point Requirements

A.1. Request for Minnesota Housing administered HTCs from the state's HTC volume cap must demonstrate the project is eligible for no fewer than 80 points, excluding projects funded through the Rural Development/Small Projects set-aside.

B.2. Request for HTCs in association with tax-exempt volume limited bonds must demonstrate the project is eligible for no fewer than 40 points.

D.3. Minnesota Housing reserves the right to reject applications not meeting its **project selection** requirements as contained in the Qualified Allocation Plan (QAP), to revise proposal features and associated scoring, and to **help** ensure the project meets the requirements.

D.3. Minnesota Housing reserves the right to reject applications not meeting its **Project Selection** **project selection** requirements as contained in the Qualified Allocation Plan (QAP), to revise proposal features, and associated scoring, and to **help** ensure the project meets the requirements.

F. Claiming of Points

² 9% HTC applications will continue to be ranked and reviewed for selection based on competitive score and requirements as outlined in Chapter 5, Project Selection, of the ~~Qualified Allocation Plan (QAP)~~. Deferred only proposals or deferred with 4% HTC projects that meet this preference criterion will be reviewed and may be selected with a lower score than other deferred only or deferred with a 4% HTC projects in accordance with the Consolidated RFP Application Instructions.

³ Minnesota Housing will review and score all proposals submitted to the Consolidated RFP according to ~~2022-2023~~the 2024-2025 HTC and Deferred **Funding** Selection Criteria. As outlined in the Consolidated RFP Application Instructions and the QAP, Minnesota Housing takes specified criteria into consideration when reviewing and selecting applications through the Consolidated RFP, in addition to project score (i.e., ~~7~~ **B**... project feasibility, organization capacity, financial capacity).

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An award and /or allocation is based upon the information provided in the application. The project is required to comply with all selection criteria that are claimed and awarded. This includes any due diligence/reporting requirements after selection and term of the declaration. Failure to comply could result in the loss of the award and/or allocation as well as the assessment of penalty points.

G. Documentation of Points

In the Scoring Wizard, mark the selection criteria expected for your project. Where indicated in the Minnesota Housing Self-Scoring Worksheet, the applicant must also submit documentation that clearly supports the points claimed. Refer to the Scoring Guide and Multifamily Customer Portal for additional details. Minnesota Housing will determine the eligible points; points may not be awarded unless the required documentation is provided along with the application to justify the points claimed.

During the competitive 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.

H. Documentation of Units

~~A. Applicants must meet the requirements outlined in the Minnesota Housing Self Scoring Worksheet and the Scoring Guide to be eligible for points.~~

H. Documentation of Units:

In the Scoring Wizard, mark the number of units for each selection criteria expected for your project. Minnesota Housing will not award points if the necessary number of units is not included in the Self-Scoring Worksheet. The number of units will also be validated in the Multifamily Workbook and may result in a loss of points if the documentation is not consistent. When calculating a percentage for the criterion, all units must be rounded up to the next full unit.

I. Extended Duration

Request for Minnesota Housing administered HTC's from the state's HTC volume cap and 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) do not apply to the project, and the owner also agrees the Section 42 income, rental, and occupancy restrictions must apply for the term of the LURA.

J. Design Standards

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The project must meet the requirements in the Minnesota Housing Rental Housing Design/Constructions Standards. Additional design requirements will be imposed if points are claimed/awarded that require specific design elements (e.g., Universal Design, Enhanced Sustainability).

K. Declarations

- A.1. A Declaration of Land Use Restrictive Covenants (LURA) covering the income and rent restrictions and occupancy requirements presented at selection may be recorded against the property.
- B.2. A deferred loan Declaration covering the income and rent restrictions and occupancy requirements presented at selection may be recorded against the property.

L. Deeper Rent Targeting

~~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 BIPOC 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.~~

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Tenant Selection Plan:

~~C. Minnesota Housing requires that a Tenant Selection Plan (TSP) be developed and implemented in accordance with Minnesota Housing's Tenant Selection Plan Guidelines which is published on the agency's website. The TSP must be readily available to anyone interested in review and/or retention.~~

L. Deeper Rent Targeting:

All applicants must meet the minimum deeper rent targeting unit requirements outlined below.

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1. Request for Minnesota Housing deferred financing or Minnesota Housing administered HTC's from the state's total volume cap or in association with tax-exempt volume limited bonds must include at least 2% of the total units, with a minimum number of one unit, with rents restricted at or below the county 30% Multifamily Tax Subsidy Project (MTSP) rent limit. Units with project-based rental assistance count toward this requirement. Projects where 100% of the units include project-based rental assistance are excluded.

Number of Units: _____

- A.2. Request for Minnesota Housing deferred financing or Minnesota Housing administered HTC's from the state's total volume cap or in association with tax-exempt volume limited bonds must include at least 3% of the total units, with a minimum number of one unit, with rents restricted at or below the Housing Assistance Payment (HAP) payment standard as determined by the responsible entity in the jurisdiction. The units must generally be evenly distributed by bedroom type. Projects that are 100% project-based rental assistance or are located on tribal reservations are excluded.

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0 Bedroom Units:_____

1 Bedroom Units:_____

2 Bedroom Units:_____

3 Bedroom Units:_____

4 Bedroom Units:_____

5 Bedroom Units:_____

6 Bedroom Units:_____

Total Number of Units:_____

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Round 1 – Minimum Threshold Requirements

In accordance with Minnesota Statutes § 462A.222 [Subdivision](#) 3 (e), all 9% HTC applications submitted statewide in HTC Round 1 must meet one of the following threshold types. Please indicate the threshold item [your project meets:](#)

In the Metropolitan Area

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[2022–2023](#) Self-Scoring Worksheet

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A. ☐ In the Metropolitan Area⁵

1. ☐ New construction or Substantial Rehabilitation in which, for the term of the extended use period (term of the LURA), at least 75% of the total 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 LURA), at least 75% of the total HTC units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms. **OR**
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 LURA), at least 75% of the total 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.
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Outside the Metropolitan Area

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.

People with Disabilities

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 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 the United States Code, Title 42, Section 6001, paragraph (8), as amended;
2. With a developmental disability as defined in the United States Code, Title 42, Section 6001, paragraph (58), as amended;

⁵ 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 Falls), Hennepin (excluding the cities of Hanover and Rockford), Ramsey, Scott (excluding the city of New Prague), and Washington.

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**

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

5. With permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules Chapter 1340.

5. 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 1340.

NOTE: Minnesota Housing considers accessible units to be Type A and/or Type B units as identified in the referenced Chapter 1340, also known as the Minnesota Accessibility Code.

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

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

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Preserve Existing Subsidized Housing

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 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**

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Rural Development

E. Rural Development

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

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2022-2023 HTC AND DEFERRED SELECTION CRITERIA

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2024-2025 Housing Tax Credit and Deferred Funding Selection Criteria

GREATEST NEED TENANT TARGETING

1. Greatest Need Tenant Targeting

Large Family Housing

A. Large Family Housing (12 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:

1. ~~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:

b.a. ☐ At least 75% of the total assisted⁶ units contain two or more bedrooms and at least ~~one~~ one-third of the 75% contain three or more bedrooms. (12 points)
one-third of the 75% contain three or more bedrooms. (12 points)

Number of units with:

2 Bedrooms: _____

_____ 2 Bedrooms: _____

3 Bedrooms: _____

4 Bedrooms: _____

5 Bedrooms: _____

6 Bedrooms: _____

☐ 6 Bedrooms: _____

c.b. ☐ If eligible under 1.a. above, at least one-third of three or more bedrooms required above must contain four or more bedrooms. (3 points)

Number of units with:

_____ Number of units with: _____

4 Bedrooms: _____

_____ 4 Bedrooms: _____

⁶ Assisted is defined as HTC units for HTC applications and affordable units for deferred funding.

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5 Bedrooms: _____

6 Bedrooms: _____

Senior Housing**B. Senior Housing (3 to 7 points)**

1. **Senior Housing:** The proposal is for a project that provides housing that is restricted to persons 55 years of age or older. Select all that apply:

1. ~~1.~~ **Senior Housing:** The proposal is for a project that provides housing that is restricted to persons 55 years of age or older. Select all that apply:

b.a. ☐ 100% of the total assisted units will be restricted and marketed to seniors 55 years of age or older. (3 points)

~~b.a.~~ ☐ 100% of the total assisted units will be restricted and marketed to seniors 55 years of age or older. (3 points)

Number of Units: _____

d.b. Projects eligible under 1.a. above that agree to further restrict the units' incomes to the county 30% MTSP income limit.

~~d.b.~~ Projects eligible under 1.a. above that agree to further restrict the units' incomes to the county 30% MTSP income limit.

ii.i. ☐ 30% to 100% of the total units (4 points)

~~ii.i.~~ ☐ 30% to 100% of the restricted total units (4 points)

Number of Units: _____

iv.ii. ☐ 20% to 29.99% of the total units (3 points)

~~iv.ii.~~ ☐ 20% to 29.99% of the restricted total units (3 points)

Number of Units: _____

vi.iii. ☐ 10% to 19.99% of the total units (2 points)

~~vi.iii.~~ ☐ 10% to 19.99% of the restricted total units (2 points)

Number of Units: _____

viii.iv. ☐ 5% to 9.99% of the total units (1 point)

~~viii.iv.~~ ☐ 5% to 9.99% of the restricted total units (1 point)

Number of Units: _____

NOTE: The Senior Housing selection criterion 1.b. cannot be claimed for units that are claimed under the Rental Assistance selection criterion 2.B.2.

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Senior Housing selection criterion 1.b. cannot be claimed for units that are claimed under the Rental Assistance selection criterion 2.B.2.

Permanent Supportive Housing for High Priority Homeless

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C. ~~1.~~ Permanent Supportive Housing for High Priority Homeless (HPH)⁸ (7 to 32 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 System⁹ (HPH Units) and targeted to the populations indicated below. ~~Select one and complete the unit count below:~~

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Minnesota Housing, at its sole discretion, in consultation with the owner of a selected project and the local community, will consider alternative referral and prioritization processes for populations that have a demonstrated need for supportive housing but are not included in the Coordinated Entry System.

- ☐ 50% to 100% of the total units, but no fewer than 20 units **(30 points)**

Number of units: _____

- a. ☐ 10% to 49.99% of the total units, but no fewer than 7 units **(10 points)**

Number of units: _____

- a. ☐ 5% to 9.99% of the total units, but no fewer than 4 units **(7 points)**

Number of units: _____

Number of units representing:

Youth with Children: _____

Youth Singles: _____

Youth Total: _____

Single Adults: _____

Families with Children: _____

Total High Priority Homeless: _____

1. Continuum of Care

Proposals that are eligible for C.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)

⁸ Specific performance requirement relief provisions are available for projects eligible for the Permanent Supportive Housing for High Priority Homeless selection criterion for "HPH Units". Reference Chapter 6.A. of the QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property. Alternative referral and prioritization options are available with approval from Minnesota Housing when there is not an eligible household on the Coordinated Entry waiting list. Reference the relief provisions in Chapter 6.A. of the QAP for additional details.

⁹ 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. ~~Alternative referral and prioritization options for special populations or supportive housing models are available with approval from Minnesota Housing. Reference the relief provisions in Chapter 6. A. of the HTC QAP for additional details.~~

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Minnesota Housing, at its sole discretion, in consultation with the owner of a selected project and the local community, will consider alternative referral and prioritization processes for populations that have a demonstrated need for supportive housing but are not included in the Coordinated Entry System.

☐ 5% of the total 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)

NOTE: Permanent Supportive Housing for High Priority Homeless (B.) and Minnesota Housing, at its sole discretion, in consultation with the owner of a selected project and the local community, will consider alternative referral and prioritization processes for populations that have a demonstrated need for supportive housing but are not included in the Coordinated Entry System.

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.

To be eligible for Permanent Supportive Housing for High Priority Homeless (HPH), submit documentation that meets all of the following conditions:

4. 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.

5. 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

6. 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.

Select one and complete the unit count below:

a. ☐ 50% to 100% of the total units, but no fewer than 20 units (30 points)

Number of Units: _____

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- b. ☐ 10% to 49.99% of the total units, but no fewer than 7 units **(10 points)**

Number of Units: _____

- c. ☐ 5% to 9.99% of the total units, but no fewer than 4 units **(7 points)**

Number of Units: _____

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NOTE: The Permanent Supportive Housing for High Priority Homeless (C.) and People with Disabilities (D.) selection criteria cannot be claimed for the same units.

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The documentation requirements to be eligible for Permanent Supportive Housing for HPH points is based upon the percentage of total units that are HPH, PWD, and other homeless households in the project. Projects are classified as either:

- Supportive Services: On-site service coordination and tenant engagement must be made available to supportive housing residents. The level and type of services offered must be appropriate for the needs of the target population, with a minimum of tenant service coordination and staffing level as defined in the supportive housing narrative.
- Experienced service provider, or partnering with an experienced service provider, with demonstrated outcomes:
 - 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.
- 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.
 - Developments with 5% to 9.99% HPH Units must have secured at least 75% of service funding
 - Developments with 10% to 49.99% HPH Units must have secured at least 20% of service funding
 - Developments with 50% to 100% HPH Units must have secured at least 5% of service funding
- 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.

The documentation requirements to be eligible for Permanent Supportive Housing for HPH points is based upon the percentage of total units that are HPH, PWD, and other homeless households in the project. Projects are classified as either:

- Primarily Supportive Housing: 50% or more of the total units will serve HPH, PWD, or other homeless households.
- Partially Supportive Housing: Less than 50% of the total units will serve HPH, PWD, or other homeless households.

The classification determines the Supportive Housing application materials that must be submitted, including the narratives, forms, certifications, and submittals identified in the Application Checklist in the Multifamily Customer Portal.

Please also note the following requirements depending on the project classification:

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Primarily Supportive Housing

1. The market need for the proposed HPH units must be verified and documented on the Continuum of Care (CoC) Confirmation form. Minnesota Housing, at its sole discretion, will determine if there is market need for HPH units based upon a number of factors including location, household type, Coordinated Entry waiting list, pending projects, resources etc.
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.

Partially Supportive Housing

1. Minnesota Housing, at its sole discretion, will determine if there is a market need for HPH units based upon a number of factors including location, household type, Coordinated Entry waiting list, pending projects, etc. This will be verified with the local Continuum of Care during the application review process. If Minnesota Housing determines that there is not a need for additional HPH units within the local market, the applicant agrees that Minnesota Housing may remove the proposed HPH units from the project and convert the proposed units to units with rent restricted to 30% MTSP and maintain a priority to serve homeless households.
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.

A proposal that claims this criterion and is selected will be required to comply with any due diligence/reporting requirements after selection and term of the declaration. Failure to comply could result in the loss of the award and/or allocation as well as the assessment of penalty points. The LURA and Minnesota Housing loan documents may contain performance requirements related to these permanent supportive housing units for High Priority Homeless and may be recorded with the property.

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People with Disabilities

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D. People with Disabilities (PWD) (7 to 13 points)

Select one:

- 2.1. **Tier 1:** Permanent supportive housing proposals that **are not restricted to persons of a particular age group** and in which a minimum of 5% of the total units, but no fewer than four units, are set aside and rented to persons with a disability as defined below.
The applicant agrees that the units are restricted to households with incomes at or below the county 30% MTSP income limit.
- 2.1. **Tier 1:** Permanent supportive housing proposals that **are not restricted to persons of a particular age group** and in which a minimum of 5% of the total units, but no fewer than four units, are set aside and rented to persons with a disability as defined below. Select the number of units set aside for

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~~people with disabilities~~ The applicant agrees that the units are restricted to households with incomes at or below the county 30% MTSP income limit.

The applicant agrees that if units set aside for People with Disabilities 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.

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Select the number of units set aside for People with Disabilities:

- a. ☐ 15% to 25% of the total units, but no fewer than six units (10 points)

Number of Units: _____

- c.b. ☐ 10% to 14.99% of the total units, but no fewer than five units (9 points)

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- e.b. ☐ 10% to 14.99% of the total units, but no fewer than five units (9 points)

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Number of Units: _____

- e.c. ☐ 5% to 9.99% of the total units, but no fewer than four units (7 points)

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- e.c. ☐ 5% to 9.99% of the total units, but no fewer than four units (7 points)

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Number of Units: _____

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OR

2. **Tier 2:** People with Disabilities (PWD) units that will use Section 811 Project-based Rental Assistance (811 PRA): Permanent housing proposals that are not restricted to people of a particular age group and in which a minimum of 5% of the total units, but no fewer than five units, are set aside and rented to people with a disability as defined below. The applicant agrees that the units are restricted to households with incomes at or below the county 30% MTSP income limit.

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The applicant must provide the required 811 PRA Pre-Application prior to the application deadline. The due date will be established prior to the application deadline.

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Failure to submit all required pre-application materials may result in rejection of the Pre-Application. Minnesota Housing will further evaluate the feasibility of the 811 PRA units during the formal application review process and reserves the right not to award the PWD points for 811 PRA units.

Select the number of units set aside for ~~people~~ People with ~~disabilities~~ Disabilities that will use 811 PRA. The total number of 811 PRA units cannot exceed 11 units. Section 811 program requirements limit the

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percentage of supportive housing units.- The total number of supportive housing units (HPH, homeless, PWD) in the project **cannot** exceed 25% of the total units.

b.a. ☐ 15% to 25% of the total units, but no fewer than ten units **(13 points)**

~~b.a.~~ ☐ 15% to 25% of the total units, but no fewer than ten units **(13 points)**

Number of Units:

d.b. ☐ 10% to 14.99% of the total units, but no fewer than seven units **(11 points)**

~~d.b.~~ ☐ 10% to 14.99% of the total units, but no fewer than seven units **(11 points)**

Number of Units:

f.c. ☐ 5% to 9.99% of the total units, but no fewer than five units **(9 points)**

~~f.c.~~ ☐ 5% to 9.99% of the total units, but no fewer than five units **(9 points)**

Number of Units:

A percentage of the units are set aside and rented to persons with any of the following disabilities¹⁰:

2.1. A serious and persistent mental illness as defined in Minn. Stat. § 245.462, subdivision 20, paragraph (c);

~~2.1.~~ A serious and persistent mental illness as defined in Minn. Stat. § 245.462, subdivision 20, paragraph (c);

3.2. A developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended;

4.3. 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;

5.4. A brain injury as defined in Minn. Stat. § 256B.093, Subdivision 4, paragraph (a); **OR**

6.5. 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 1340.

NOTE:

- Projects that meet Round 1 Minimum Threshold C.5. (persons with physical disabilities), as well as any other Round 1 Minimum Threshold Requirement serving People with Disabilities, may count any units rented to persons with a physical disability in their total units, even if the statutory 50% requirement of Threshold C.5. is not met.

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¹⁰ Specific performance requirement relief provisions are available for projects that meet the People with Disabilities **Selection Criteria** selection criterion for "PWD Units." Reference Section 6.A. of the ~~HTC~~ QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property.

- Projects that meet the Round 1 Minimum Threshold only with Threshold C.5. must meet the statutory requirement that 50% of units be accessible. Minnesota Housing considers accessible units to be Type A and B units as identified in the referenced Minnesota Rules Chapter 1340, also known as the Minnesota Accessibility Code.
- If the minimum threshold is not required, then the statutory requirement pertaining to accessible units is not applicable.
- The definition of permanent physical disability is not limited to people with mobility impairment.

NOTE: The Permanent Supportive Housing for High Priority Homeless (C.) and People with Disabilities (D.) selection criteria may not be claimed for the same units. These units cannot be layered; they must be separate and distinct.

NOTE: The Permanent Supportive Housing for High Priority Homeless (C.) and People with Disabilities (D.) selection criteria may not be claimed for the same units. These units cannot be layered; they must be separate and distinct.

NOTE: Projects with unit(s) that are age restricted cannot claim the People with Disabilities selection criterion (D.).

The project must submit documentation that meets all of the following conditions:

- 2.1. The applicant must submit the forms and submittals identified in the Application Checklist in the Multifamily Customer Portal.
- 2.1. The applicant must submit the People with Disabilities narratives and any other forms and submittals identified in the Application Checklist in the Multifamily Customer Portal.
- 3.2. The population, market need, and resource plan for the PWD units will be determined after selection in consultation with the county or tribal human services. If homeless eligibility is required the market need must be verified and documented on the CoC Confirmation form. Minnesota Housing, at its sole discretion, will determine if there is market need.
- 4.3. 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.

A proposal that claims this criterion and is selected will be required to comply with the Supportive Housing standards, any due diligence/reporting requirements after selection, and terms of the declaration.

- Target population: The target population(s) of people with disabilities must be clearly defined in the narrative (e.g., mental illness, developmental disability, physical disability).
- Units are restricted to households with incomes at or below 30% MTSP income limits.
- c. The applicant agrees that if units set aside for People with Disabilities 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

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~~Supportive Housing standards, any due diligence/reporting requirements after selection, and terms of the declaration.~~

~~Housing standards, any due diligence/reporting requirements after selection, and terms of the declaration.~~

~~g.—Service Agreement: The property owner must have an agreement with the county or tribal human services office specifying:~~

~~—How outreach will be provided to the target population~~

~~i.—How eligible applicants will be referred to the property management agent~~

~~i.—How services will be provided to tenants~~

~~i.—How the service entity will communicate and coordinate with property management~~

~~g.—Units for individuals with disabilities must be provided in an integrated setting.~~

~~2.—A proposal that claims this criterion and is selected will be required to comply with the Supportive Housing standards, any due diligence/reporting requirements after selection, and terms of the declaration.~~

SERVES LOWEST INCOME FOR LONG DURATIONS

2. Serves Lowest Income for Long Durations

Projects with existing rental assistance that has been in place for 15 years or more can only take points under Preservation (A.). Projects with new rental assistance that has been in place for less than 15 years can only take points under Rental Assistance (B.). The Serves Lowest Income selection criterion (C.) can only be claimed for units that do not have rental assistance. The definitions explained below determine which criteria the project qualifies for, and the project is only eligible for points in that criteria.

Preservation

A. Preservation (15 to 40 points)

Thresholds:

Applicants seeking Preservation must read the descriptions and then select one of the following three Thresholds:

2.1. ☐ Risk of Loss Due to Market Conversion

~~2.1.~~ ☐ Risk of Loss Due to Market Conversion

b.a. Expiration of contract/use-restrictions

~~b.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

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- ii. Existing HTC projects eligible to exercise their option to file for a Qualified Contract, and have not previously exercised their option; **AND**

c.b. Risk of market conversion evidenced by a low physical vacancy rate (4% or lower) for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing's sole discretion); **AND**

c. Risk of market conversion evidenced by one or more of the following:

ii.i. For properties with Section 8 contracts, a Rent Comparability Study acceptable to Minnesota Housing staff and reviewers that was completed within a year of the application date that shows current rents are below comparable market rents; **OR**

ii.i. For properties with Section 8 contracts, a Rent Comparability Study acceptable to Minnesota Housing staff and reviewers which that was completed within a year of the application date that shows current rents are below comparable market rents; **OR**

iii.ii. 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 a comparable location(s), amenities, and condition to convert to market rate; **AND**

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

c.a. Critical physical needs identified by third party assessment to support the following conclusions:

~~b. Fifteen (15) or more years have passed since the award of the Existing Federal Assistance and the 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 HTC placed in service date for projects claiming Critical Affordable Units; AND~~

e.a. Critical physical needs identified by third party assessment to support the following conclusions:

ii.i. Identified scope of critical physical needs exceeds the available reserves by at least \$5,000 per unit, as evidenced by the Year Critical Needs Model submitted with the application.

ii.i. 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 submitted with the application.

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NOTE: Minnesota Housing may conduct an inspection of the project and must agree with applicant scope of work, severity levels, and cost estimates.

3. ☐ Risk of Loss Due to Ownership Capacity/Program Commitment

c.a. One of the following four conditions exist:

b. Fifteen (15) or more years have passed since the award of the Existing Federal Assistance and the 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 HTC placed in service date for projects claiming Critical Affordable Units; AND

e.a. One of the following four conditions exist:

i. Existing conditions created by the current owner such as bankruptcy, insolvency, default, foreclosure action, unpaid taxes and assessment, ongoing lack of compliance with lenders or terms of the Existing Federal Assistance, or self-determination by a nonprofit 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 has been submitted to Minnesota Housing;

OR

iii. The property has been or will be acquired from an unrelated party within three years of the application date as a result of a Preservation Affordable Rental Investment Fund (PARIF) Right of First Refusal being exercised;

OR

iv. The acquisition of a property with U.S. Department of Agriculture (USDA) Rural Development (RD) rental assistance has occurred or will occur when the current or previous owner intends or intended to allow the existing USDA RD mortgage to mature and has turned down offers from USDA RD to re-amortize 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.

Criteria:

2.1. Tier1 - Existing Federal Assistance – projects with existing project based rental assistance (15 to 40 points)

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2.1. Tier1 - Existing Federal Assistance – projects with existing project based rental assistance (15 to 40 points)

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), Native American Housing Assistance and Self Determination Act (NAHASDA) Properties that have converted their type of federal rental assistance through the Rental Assistance Demonstration Program (RAD), Component 2 (RAD 2), and RAD for Project Rental Assistance Contracts (PRAC) are eligible. Such assistance must have been committed to the property at least 15 years prior to the year of application.

For eligible projects, fifteen (15) or more years must have passed since the award of the federal project based rental assistance.

The owner will continue renewals of the existing project-based rental assistance 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 a Section 8bb transfer) must count the total number of assisted units below. Such units are not eligible to be counted under Rental Assistance.

a. Existing Federally Assisted Units:

ii.i. ☐ 100% of the total units are federally assisted (40 points)

iii.i. ☐ 100% of the total units are federally assisted (40 points)

Number of Units: _____

iv.ii. ☐ 75.01% to 99.99% of the total units are federally assisted (32 points)

iv.ii. ☐ 75.01% to 99.99% of the total units are federally assisted (32 points)

Number of Units: _____

vi.iii. ☐ 50.01% to 75% of the total units are federally assisted (25 points)

vi.iii. ☐ 50.01% to 75% of the total units are federally assisted (25 points)

Number of Units: _____

viii.iv. ☐ 25.01% to 50% of the total units are federally assisted (20 points)

viii.iv. ☐ 25.01% to 50% of the total units are federally assisted (20 points)

Number of Units: _____

x.v. ☐ Fewer than 25% of the total units are federally assisted (15 points)

x.v. ☐ Less Fewer than 25% of the total units are federally assisted (15 points)

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Number of Units: _____

NOTE: The Rental Assistance selection criterion cannot be claimed if the project is of a type covered under Preservation – Tier 1, Existing Federal Assistance, even if the project is not claiming preservation points because it does not meet a Risk of Loss. Rental assistance under the Rental Assistance Demonstration Program (components I or II) or the Public Housing Program are also not eligible.

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2. Existing Federal Assistance—Tier 2 (15 points)

- ☐ 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. Federal assistance includes existing public housing units, including converting through Rental Assistance Demonstration Program, Component 1 (RAD 1), HTC units, Rural Development funded units without rental assistance and Existing Federal Assistance not described in paragraph B. above (e.g., 202, 236). Applicants who claim points under this category agree to restrict at least 50% of the units to rents and incomes at or below 50% MTSP.

OR

2. Critical Affordable Units at Risk of Loss (15 points)

- ☐ 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. Applicants who claim points under this category agree to restrict at least 50% of the units to rents and incomes at or below 50% MTSP.

Any public housing repositioning that results in project-based vouchers or project-based rental assistance is also not eligible.

NOTE: The Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) cannot be claimed for units that have new or existing rental assistance. This would include People with Disabilities – Tier 2 –811 PRA (1.D.2.), Preservation – Tier 1 and Tier 2 (2. A.1. and 2.A. 2), and Rental Assistance (2.B.).

NOTE: Serves Lowest Income selection criterion (2.C.) cannot be claimed for units that qualify for units that have new or existing rental assistance. This would include People with Disabilities – Tier 2- Section –811 PBRA (2PRA (1.D.2.), Preservation – Tier 1–Existing Federal and Tier 2 (2. A.1. and 2.A. 2), and Rental Assistance (2.B.).

OR

2. Tier 2 - Other Existing Federal Assistance and Critical Affordable Units – Tier 2 (15 points)

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Rental housing with existing federal, state, local or intermediary funding with a current recorded deed restriction that limits rents for at least 50% of the total units to at or below the county 50% MTSP limit (or utilizes another rent limitation whose current maximum is at or below the 50% MTSP limit) without long-term project based rental assistance. This may include units funded with Low-Income Housing Tax Credits, RAD Component 1, existing public housing units, RD units without Rental Assistance, other existing federal assistance not described above, or a loan funded by federal, state, local or intermediary sources. Applicants who claim these points must agree to continue limit the rents to at or below 50% MTSP for the term of the deferred declaration or the LURA.

For eligible projects, fifteen (15) or more years have passed since the award of the existing federal assistance or the most recent HTC placed in service date or since the closing of the loan that created rent restrictions.

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NOTE: The Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) cannot be claimed for units that have new or existing rental assistance. This would include People with Disabilities – Tier 2 –811 PRA (1.D.2.), Preservation – Tier 1 and Tier 2 (2. A.1, and 2.A. 2), and Rental Assistance (2.B.).

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NOTE: Preservation – Tier 2 (2.A.2) and the Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) may not be claimed for the same units. These units cannot be layered; they must be separate and distinct.

Rental Assistance

B. Rental Assistance (6 to 26 points)

2.1. Priority is given to an owner who submits with the application a **project-specific, fully executed binding commitment** (i.e., binding Resolution/binding Letter of Approval from the governing body) for project-based rental assistance, which is effectively project-based by written contract or for project-based vouchers (PBVs) awarded in accordance with 24 CFR Ch. IX, Section 983.51. 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.

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2.1. Priority is given to an owner who submits with the application a **project-specific, fully executed binding commitment** (i.e., binding Resolution/binding Letter of Approval from the governing body) for project-based rental assistance, which is effectively project-based by written contract or for project-based vouchers (PBVs) awarded in accordance with 24 CFR Ch. IX, Section 983.51. 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.

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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 Support¹¹ 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. Refer to the 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.

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For development projects 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. In addition, by selecting an option, the development project agrees to continue renewals of the existing project-based housing subsidy payment rental assistance contract(s) for a minimum 10 of 15 years from the later of the last placed in service date for any building in the property or loan closing. Applicant The applicant agrees that rents will remain affordable at the county 50% MTSP income limits limit for a 10 15-year period if the rental assistance is not available for the full period¹².

- a. ☐ 100% of the total units will have project-based rental assistance **(19 points)**

Number of Units:

- c.b. ☐ 51.1% to 99.9% of the total units **(16 points)**

- e.b. ☐ Between 51.1% to 99.9% of the total units **(16 points)**

Number of Units:

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¹¹ Formerly known as Group Residential Housing.

¹² Specific performance requirement relief provisions are available for projects claiming the Rental Assistance Selection-Criteria selection criterion for "RA Units." Reference Chapter 6.A. of the HTC-QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property.

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e.c. ☐ 20.1% to 51% of the total units **(13 points)**

e.c. ☐ 20.1% to 51% of the total units **(13 points)**

Number of Units:

g.d. ☐ 10.1% to 20% of the total units, but no fewer than four units **(10 points)**

g.d. ☐ 10.1% to 20% of the total units, with a minimum of but no fewer than four units **(10 points)**

Number of Units:

i.e. ☐ 5% to 10% of the total units, but no fewer than four units **(7 points)**

i.e. ☐ 5% to 10% of the total units, with a minimum of but no fewer than four units **(7 points)**

Number of Units:

k.f. ☐ Fewer than 5% of the total units, but no fewer than four units **(6 points)**

k.f. ☐ Less ☐ Fewer than 5% of the total units, a minimum of but no fewer than four units **(6 points)**

Number of Units:

Further Restricting Rental Assistance

2. Further Restricting Rental Assistance

Projects that are eligible under 2.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 the county 30% ~~of~~ MTSP income limit for a 10–year period¹³.

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)**

b. ☐ 50.1% to 75% % of the total units **(6 points)**

Number of Units:

d.c. ☐ 25.1% to 50% of the total units **(5 points)**

d.c. ☐ 25.1% to 50% of the total units **(5 points)**

¹³ Specific performance requirement relief provisions are available for projects claiming the Rental Assistance Selection Criterion selection criterion for Further Restricted Rental Assisted Units ("FRRA Units"). Reference Chapter 6.A. of the QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property.

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Number of Units:

f.d. ☐ 15.1% to 25% of the total units (4 points)

f.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)

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

Number of Units:

NOTE: The Rental Assistance selection criterion cannot be claimed if the project is of a type covered under Preservation - Tier 1 criterion Existing Federal Assistance (2.A.1), even if the project is not claiming preservation points because it does not meet a Risk of Loss. Rental assistance under the Rental Assistance Demonstration Program (Components I or II) or the Public Housing Program are also not eligible. Any public housing repositioning that results in project-based vouchers or project-based rental assistance is also not eligible.

NOTE: The Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) cannot be claimed for units that qualify as units that have new or existing rental assistance. This would include People with Disabilities - Tier 2 - 811 PRA (1.D.2.), Preservation - Tier 1 - Existing Federal Assistance (2.A.1.), and Rental Assistance (2.B.).

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 HTC.

Rent for assisted units must be at or below Fair Market Rents (or the 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.

Serves Lowest Income Tenants/Rent Reduction

B.C. Serves Lowest Income Tenants/Rent Reduction (8 to 20 points)

1. The project agrees to restrict the rents for a percentage of the units in the project. Eligible units cannot have project-based rental assistance and the rents must be based on the gross rent level, including utilities. Rents must be affordable to households whose incomes do not exceed the county 30 % MTSP or 50% MTSP income limit as published by HUD. MTSP rent limits are available on Minnesota Housing's website.

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The applicant agrees to maintain the deeper rent structuring for which selection points are requested for the term of the LURA or deferred declaration.

This selection will restrict rents only (tenant incomes will not be restricted to the county 50% MTSP income limit by claiming this selection criterion).

- a. ☐ 100% of the total units will restrict rents at or below the county 50% MTSP rent limit (13 points)

Number of Units:

- ☐ At least 50% of the total units will restrict rents at or below the county 50% MTSP rent
☐ At least 50% of the restricted unit total units will restrict rents affordable to households with incomes

- b. ☐ at or below the county 50% HUD-MTSP income-rent limit (8 points)

Number of Units:

- b. ☐ Projects that are eligible for 1.a. or 1.b. above and agree to further restrict units to the county 30% MTSP rent limit:

- b. ☐ Projects that are eligible for 1.a. or 1.b. above and agree to further restrict units c. to the county 30% MTSP rent limit:

- ii.i. ☐ 30% to 40% of the total units (7 points)

- ii.i. ☐ 30% to 40% of the restricted total units (7 points)

Number of Units:

- iv.ii. ☐ 20% to 29.99% of the total units (6 points)

- iv.ii. ☐ 20% to 29.99% of the restricted total units (6 points)

Number of Units:

- vi.iii. ☐ 10% to 19.99% of the total units (5 points)

- vi.iii. ☐ 10% to 19.99% of the restricted total units (5 points)

Number of Units:

- viii.iv. ☐ 5% to 9.99% of the total units (4 points)

- viii.iv. ☐ 5% to 9.99% of the restricted total units (4 points)

Number of Units:

NOTE: The Serves Lowest Income Tenants/Rent Reduction (2.C.) selection criterion cannot be claimed for units that qualify for units that have new or existing project-based rental assistance. This would include People with Disabilities – Tier 2 – 811 PRA (1.D.2.), Preservation – Tier 1 – Existing Federal Assistance (2.A.1.), and Rental Assistance (2.B.).

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Tenants/Rent Reduction (2.C.) selection criterion cannot be claimed for units that qualify for units that have new or existing project-based rental assistance. This would include People with Disabilities – Tier 2 – 811 PRA (1.D.2.), Preservation – Tier 1 – Existing Federal Assistance (2.A.1.), and Rental Assistance (2.B.).

NOTE: Serves Lowest Income **Tenants/Rent Reduction (2.C.)** selection criterion cannot be claimed for units that qualify for units that have new or existing project-based rental assistance. This would include People with Disabilities – Tier 2 – Section 811 PRA (1.D.2.), Preservation – Tier 1 – Existing Federal Assistance (2.A.1.), and Rental Assistance (2.B.).

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)]. **Final determination is 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).

Long-Term Affordability **Long-Term Affordability**

C.D. Long-Term Affordability (8 to 9 points)

For an HTC project, the owner agrees to extend the long-term affordability of the project by agreeing to extend the term of the LURA beyond 30 years by choosing an option below. The owner also agrees that the Qualified Contract provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a **Qualified Contract** for the acquisition of the project) do not apply to the project for the term of the LURA.

For a deferred loan project, the owner agrees to extend the term of the **Declaration** beyond 30 years.

Select one:

- a. ☐ The HTC project will extend the term of the LURA and waive the right to a **Qualified Contract** for a minimum of 50 years and/or the deferred loan project
- a. ☐ The HTC project will extend the term of the LURA and waive the right to a **Qualified Contract** for a minimum of 50 years and/or the deferred loan project will extend the term of the deferred loan **declaration** to 50 years. **(9 points)**
- b. ☐ The HTC project will extend the term of the LURA and waive the right to a **Qualified Contract** for a minimum of 40 years and/or the deferred loan project
- b. ☐ The HTC project will extend the term of the LURA and waive the right to a **Qualified Contract** for a minimum of 40 years and/or the deferred loan project will extend the term of the deferred loan **declaration** to 40 years. **(8 points)**

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INCREASING GEOGRAPHIC CHOICE

3. Increasing Geographic Choice

Need for More Affordable Housing Options

A. Need for More Affordable Housing Options (8 to 10 points)

2.1. Projects located in communities with a need for more affordable housing options because either there is a low share of affordable rental housing compared to all housing options in a community or a large share of renters are cost burdened by their rent. Select one:

2.1. Projects located in communities with a need for more affordable housing options because either there is a low share of affordable rental housing compared to all housing options in a community or a large share of renters are cost burdened by their rent. Select one:

☐ Tier 1 Tracts or Cities, and Tribal Reservations: Those in the 80th percentile or higher in the

a. ☐ Tier 1 Tracts or Cities, and Tribal Reservations: Those in the 80th percentile or higher in the

a. highest share of cost burdened renters or in the lowest share of affordable rental housing relative to the community type. Tribal Reservations and communities reservations are also considered Tier 1 for having a need for more affordable housing options. (10 points)

☐ Tier 2 Tracts or Cities: Those in the 50th to 79th percentile in the highest share of cost burdened renters or in the lowest share of affordable housing relative to the community type (8 points)

b. ☐ Tier 2 Tracts or Cities: Those in the 50th to 79th percentile in the highest share of cost burdened renters or in the lowest share of affordable housing relative to the community type (8 points)

Workforce Housing Communities

B. Workforce Housing Communities (3 to 6 points)

2.1. 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 in the Methodology Guide). Select one:

2.1. 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 in the Methodology Guide). Select one:

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- a. ☐ The proposed housing is in a Top Job Center or Net Five Year Job Growth Community (6 points)
- 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)
- b. ☐ The proposed housing is in an Individual Employer Growth community 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)
- d.c. ☐ The proposed housing is in a Long Commute Community (3 points)
- d.c. ☐ The proposed housing is in a Long Commute Community (3 points)

In the Metropolitan Area, project locations must be within five miles of a workforce housing city or township. In Greater Minnesota, project locations must be within ten miles of a workforce housing city or township.

Transit and Walkability

C. Transit and Walkability (1 to 9 points)

Metropolitan Area

1. For projects in the **Metropolitan Area**, indicate if the project is located in a community for transportation and access to transit.
- a. Access to Transit: To claim access to transit in the Metropolitan Area, a project must be (Select one):
- i. ☐ Located within one-half mile of a planned or existing Light Rail Transit (LRT), Bus Rapid Transit (BRT), commuter rail station, or a Metro Transit Hi-Frequency Network
- i. ☐ Located within one-half mile of a planned or existing Light Rail Transit (LRT), Bus Rapid Transit (BRT), or a Metro Transit Hi-Frequency Network
- ↳ transit stop. Planned stations include those eligible for Livable Communities Demonstration Account (LCDA) Transit Oriented Development (TOD) Grants (<https://metro council.org/Communities/Services/Livable-Communities->

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[Grants/LCA/2020-LCA-TOD-application-guide.aspx](#)), but not including ~~Express-Bus stations~~ eligible for ~~Metropolitan Council Livable Communities Demonstration Account (LCDA) Transit Oriented Development (TOD) Grants or Metro Transit's Hi-Frequency Network~~ (7 points)

- iii. ☐ Located within one-quarter mile of a high service public transportation fixed route stop defined as those with service from 6 a.m. to 7 p.m. and has a frequency of approximately every half hour during that time or located within one-half mile of an express bus route stop or located within one-half mile of a park and ride lot (4 points)

- iii. ☐ Located within one-quarter mile of a high service public transportation fixed route stop defined as those with service from 6 a.m. to 7 p.m. and has a frequency of approximately every half hour during that time or located within one-half mile of an express bus route stop or located within one-half mile of a park and ride lot (4 points)

- iii. ☐ Served by demand response/dial-a-ride with prior day notice. This excludes Metro

- iii. ☐ Served by demand response/dial-a-ride with prior day notice. This excludes Metro
Transit's Transit Link Service. Transit service must be available daily, Monday through Friday, for a minimum of 8 hours per day (2 points)

- c.b. Walkability: To claim walkability in Minneapolis and Saint Paul, a project must be (Select one):

- e.b. Walkability: To claim walkability in Minneapolis and Saint Paul, a project must be (Select one):

- i. ☐ Located in an area with a Walk Score of 80 or more according to www.walkscore.com (2 points)

- i. ☐ Located in an area with a Walk Score of 80 or more according to www.walkscore.com

- i. (2 points)

- ii. ☐ Located in an area with a Walk Score between 60 and 79 according to www.walkscore.com (1 point)

- ii. ☐ Located in an area with a Walk Score between 60 and 79 according to www.walkscore.com (1 point)

- e.c. Walkability: To claim walkability in suburban communities, a project must be (Select one):

- e.c. Walkability: To claim walkability in suburban communities, a project must be (Select one):

- i. ☐ Located in an area with a Walk Score of 60 or more according to

- i. ☐ Located in an area with a Walk Score of 60 or more according to www.walkscore.com

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(2 points)

- i. ☐ Located in an area with a Walk Score between 50 and 59 according to www.walkscore.com (1 point)
- ii. ☐ Located in an area with a Walk Score between 50 and 59 according to www.walkscore.com (1 point)

If applicants would like to request revisions of a location's Walk Score, they should email Walk Score directly with details of the request to: mhfa-request@walkscore.com. Walk Score staff will review the request and make any necessary adjustments to scoring with 45 business days. If an address cannot be found in the Walk Score tool, use the closest intersection within one-quarter mile of the proposed location.

Greater Minnesota Urbanized Area

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) (Greater Minnesota Transit Investment Plan: <http://minnesotago.org/index.php?cID=435>) 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.

b.a. Urbanized Areas (population greater than 50,000):

- ii.i. Access to Transit: To claim access to transit, a project in a Greater Minnesota urbanized area must be (Select one: refer to the Transit and Walkability section to determine points):
- ii.ii. Access to Transit: To claim access to transit, a project in a Greater Minnesota urbanized area must be (Select one: see refer to the Transit and Walkability section to determine points):
- 2.1. ☐ Located within one-quarter mile of a planned or existing public transportation fixed route stop. For a planned transit stop to be eligible, 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 daily, Monday through Friday, and provide service every 60 minutes for a minimum of 10 hours per day. (7 points)
- 2.1. ☐ Located within one-quarter mile of a planned or existing public transportation fixed route stop. For a planned transit stop to be eligible, 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 daily, Monday through Friday, and provide service every 60 minutes for a minimum of 10 hours per day. (7 points)

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3. ☐ Located between one-quarter mile and one-half mile of a planned or existing
3. ☐ Located between one-quarter mile and one-half mile of a planned or existing
2. ☐ public transportation fixed route stop. For a planned transit stop to be eligible, 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 daily, Monday through Friday, and provide service every 60 minutes for a minimum of 10 hours per day.
- OR
- OR
- Located less than one-half mile of an express bus route stop or park and ride lot (4 points).
- Located less than one-half mile of an express bus route stop or park and ride lot (4 points)
- iii. ii. Walkability: To claim walkability, a project in a Greater Minnesota urbanized area must be (Select one):
- iii. ii. Walkability: To claim walkability, a project in a Greater Minnesota urbanized area must be (Select one):
- 2.1. ☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com (2 points)
- 2.1. ☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com (2 points)
- 4.2. ☐ Located in an area with a Walk Score between 50 and 69 according to www.walkscore.com (1 point)
- 4.2. ☐ Located in an area with a Walk Score between 50 and 69 according to www.walkscore.com (1 point)

Greater Minnesota Rural and Small Urban Areas

c.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 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

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usually involves curb-to-curb or door-to-door service with trips scheduled in advance (also known as “Dial-A-Ride”).

- i. Access to Transit: To claim access to transit, a project in a Greater Minnesota rural and small urban area must be (Select one):

1. ☐ Within one-half mile of a designated transit stop OR served by demand response/dial-a-ride OR within one-half mile of a commuter rail station, and is available daily, Monday through Friday, providing same day service. Commuter rail stations include the Elk River and Big Lake Stations serviced by Metro Transit’s Northstar Commuter Rail. **(7 points)**

1. ☐ Within one-half mile of a designated transit stop OR served by demand response/dial-a-ride OR within one-half mile of a commuter rail station, and is available daily, Monday through Friday, providing same day service. Commuter rail stations include the Elk River and Big Lake Stations serviced by Metro Transit’s Northstar Commuter Rail. **(7 points)**

2. ☐ Served by demand response/dial-a-ride with prior day or greater notice needed and is available daily, Monday through Friday. **(4 points)**

2. ☐ Served by demand response/dial-a-ride with prior day or greater notice needed and is available daily, Monday through Friday. **(4 points)**

- iii.ii. Walkability: To claim walkability, a project in a Greater Minnesota rural and small urban area must be (Select one):

- iii.ii. Walkability: To claim walkability, a project in a Greater Minnesota rural and small urban area must be (Select one):

2.1. ☐ Located in an area with a Walk Score of 50 or more according to www.walkscore.com **(2 points)**

2.1. ☐ Located in an area with a Walk Score of 50 or more according to www.walkscore.com **(2 points)**

4.2. ☐ Located in an area with a Walk Score between 30 and 49 according to www.walkscore.com **(1 point)**

4.2. ☐ Located in an area with a Walk Score between 30 and 49 according to www.walkscore.com **(1 point)**

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SUPPORTING COMMUNITY AND ECONOMIC DEVELOPMENT

4. Supporting Community and Economic Development

Community Development Initiative

A. Community Development Initiative (3 points)

1. ☐ The project contributes to the 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:

b.a. Targeted Geographic Area and Map

b.a. Targeted Geographic Area and Map

c.b. Current implementation plan with goals or outcomes specific to the need identified by the initiative

d.c. Affordable housing as a key strategy of the initiative

e.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 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.

REQUIRED	REQUIRED DOCUMENTATION	DESCRIPTION OF REQUIREMENT
a. Targeted Geographic Area and Map	Yes, 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	A Targeted Geographic Area and map of the area. The Targeted Geographic Area boundaries must be larger than the proposed rental project site, yet

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REQUIRED	REQUIRED DOCUMENTATION	DESCRIPTION OF REQUIREMENT	REQUIRED DOCUMENTATION
		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.	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
b. 2. Current implementation plan with goals or outcomes specific to the need identified by the initiative	Yes	Include milestones or steps of the plan that have been: 1. Completed 1. Underway 1. Planned	Include milestones or steps of the plan that have been: 1. Completed 2. Underway 3. Planned Yes
c. 3. Affordable housing as a key strategy	Yes	Affordable housing is identified as a key strategy of the initiative.	Affordable housing is identified as a key strategy of the initiative. Yes
d. 4. Stakeholder list and role	Yes	Provide a list of local stakeholders involved and a description of their role in the active implementation of the initiative.	Provide a list of local stakeholders involved and a description of their role in the active implementation of the initiative. Yes
ADDITIONAL REQUIREMENTS FOR PROJECTS IN A QCT			
a. 1. Public or Private Investment (non-housing)	Required if the project is in a QCT	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	Demonstrated strategy for obtaining commitments of public or private investment (or both) in non-housing infrastructure, amenities, or services that could include, but are not limited to: • Commercial/retail development • Economic development • Education-related initiative/development • Environmental clean-up • Public works/infrastructure

REQUIRED	REQUIRED DOCUMENTATION	DESCRIPTION OF REQUIREMENT
	<ul style="list-style-type: none"> Parks, green space and recreation Transit-oriented development or transit initiatives 	<ul style="list-style-type: none"> Parks, green space, and recreation Transit-oriented development or transit initiatives Required if the project is in a QCT

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B. Equitable Development

B. Equitable Development (3 Points)

1.

To receive equitable development Equitable Development points, there must be evidence that a Qualified Stakeholder Group, representing the project attempts to address the needs of a Community(ies) Most Impacted (CMI) by housing disparities and that a Qualified Stakeholder Group, with meaningful participation from that community, has a significant role in the project proposal as defined below. Occupancy restrictions or services provided as a result of the project selection criteria are excluded. The proposal must demonstrate that the

Applicants must complete the Equitable Development Narrative and submit documentation demonstrating how the initiative meets the requirements outlined below into the Multifamily Customer Portal. A full copy of all referenced data, reports and information must be uploaded into the Multifamily Customer Portal. Links to other websites will not be accepted in lieu of uploading the supporting documentation.

A Qualified Stakeholder Group informed the project and that the project addresses a housing disparity experienced by one or more of the Community(ies) Most Impacted represented by the:

- Is not required to be a registered nonprofit organization and could consist of a group of community members, advocates, people with lived experiences, etc. The group must demonstrate meaningful and inclusive representation and participation of a CMI.
- Must be an independent body separate and apart from the proposed project owner, sponsor, developer, development team, service provider and management agent of record for the project. The developer may initiate or convene a Qualified Stakeholder Group, but the participants and opinions of the group must be independent of the development team organizations.
- Must include at least three participants who belong to the CMI the project is proposing to serve.
- Examples of a Qualified Stakeholder Group: A local nonprofit organization that serves the needs of indigenous individuals and families

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- A neighborhood organization concerned about healthcare access and inequities
- A parent group formed to influence a youth-centered development
- A group of individuals with lived experience of homelessness informing the service model of a supportive housing development

To be eligible for Equitable Development, submit documentation into the Multifamily Customer Portal that meets all of the following threshold criteria:

1. Threshold Criteria:

1. Threshold Criteria:

a. Housing Disparity Addressed by the project.

a. Significant involvement of a Qualified Stakeholder Group: A Qualified Stakeholder Group must have meaningful representation of one or more Community(ies) Most Impacted (CMI) as documented in the narrative.

a. Identify the Housing Disparity Addressed by the project.

- i. Identify which CMI(s) is/are this project proposal focused on serving. If the project is focused on serving multiple populations, select the CMI(s) participating in the Qualified Stakeholder Group that has a significant role in the proposal.

1. a. Lowest Income (e.g., <= 30% of MTSP)
2. b. People of Color
3. c. Indigenous People
4. d. LGBTQ+ People
5. e. People Experiencing Homelessness
6. f. People with Disabilities
7. g. Immigrants
8. h. Large Families
9. i. Seniors
10. j. Families with Children

b. Meaningful participation of Communities Most Impacted: A Qualified Stakeholder Group must have meaningful participation of the CMI that is the focus of the project proposal as documented in the narrative.

ii. i. Describe the Qualified Stakeholder Group's mission, and purpose in elevating the voices of the identified CMI.

iii. ii. Identify and describe what leadership and/or advisory roles people belonging to the identified CMI have in the Qualified Stakeholder Group, including one or more of the following:

1. a. A paid leadership position; list position (if applicable)

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- 2.b. A member of the board (if applicable)
- 3.c. A paid staff position (if applicable)
- 4.d. A member role, such as serving on an advisory committee
- 5.e. Other meaningful role, such as a volunteer (describe)

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- iv.iii. Provide a list of the Qualified Stakeholder Group's previous activities related to the identified CMI and community development. If there have been no previous activities, describe who formed the Qualified Stakeholder Group and why

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c. Meaningful Engagement with the identified CMI through the Qualified Stakeholder Group: The development team must evidence that the Qualified Stakeholder Group and specifically the CMI participants have been meaningfully engaged in the project concept by conducting, at minimum, two meetings with the group prior to submission of the current application. Documentation must be provided to evidence engagement and may include meeting minutes, notes, survey results, etc.

b. Housing Disparity Addressed by Development: Provide data demonstrating the housing disparity experienced by the CMI(s) represented in the Qualified Stakeholder Group and identify how this project will address that disparity. If more than one CMI is identified, provide disparity data for at least one of them. The data should apply to people living in Minnesota and be from a reputable source, which would include among others: the U.S. Census Bureau's American Community Survey, federal, state or local governments, the Wilder Foundation's Community Compass, etc. The data can also come from a published research or evaluation report, with a hyperlink to the report in the narrative.

c. Meaningful Engagement with the identified CMI through the Qualified Stakeholder Group: The development team must evidence that the Qualified Stakeholder Group and specifically the CMI participants have been meaningfully engaged in the project concept by conducting, at minimum, two meetings with the group prior to submission of the current application. Documentation must be provided to evidence engagement and may include meeting minutes, notes, survey results, etc.

NOTE: Any in-process engagement with the Qualified Stakeholder Group must include a detailed timeline for work done to-date, next steps, and future completion.

d. Significant involvement of the Qualified Stakeholder Group: The developer partnered with the Qualified Stakeholder Group and the identified CMI to develop the project proposal. Identify and submit a narrative explaining how the Qualified Stakeholder Group was involved in the development, the specific input they provided, and how the project addresses or responds to that input. These must be in addition to any mandatory minimum requirements of the QAP, and in addition to the minimum requirements for which points are claimed in other selection criteria, such as Serves Lowest Income Tenants and/or Large Families. Applicants may select more than one of the following:

ii.i. Design

ii.i. Design

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iii. Services

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iv. Community Benefits: An agreement between the developer and local community to provide a benefit as identified by Community(ies) Most Impacted in the local community. (Examples include projects that support paying a competitive wage such as using union workers, employing individuals from the neighborhood, or signing onto a Worker-Driven Social Responsibility compliance and monitoring system, community services, training, shared green space, etc.)

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v. Other (describe in the narrative)

e. Provide a signed letter from the Qualified Stakeholder Group. The letter must be signed by group participants who are willing to sign the document.

e. Provide a signed letter from the Qualified Stakeholder Group that addresses. The letter must be signed by group participants who are willing to sign the document.

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The letter must address each of the following questions:

iii. How has the developer engaged with the Qualified Stakeholder Group and the identified Communities Most Impacted to create a project responsive to the vision of the group and needs of the CMI?

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ii. Qualified Stakeholder Group's role in creating or co-designing the project concept.

iii. A description of how the project is responsive to the vision of the Communities Most Impacted (as represented in How has the developer engaged with the Qualified Stakeholder Group) to address housing challenges and disparities.

i. A description of how the identified Communities Most Impacted to create a project is uniquely tailored responsive to the culture, traditions, vision of the group and needs of the CMI?

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ii. How will this project help in fulfilling a need in your community?

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iii. How often did the Qualified Stakeholder Group meet with the developer and what were those meetings like?

i. iv. How has the project changed in response to the input from the Qualified Stakeholder Group?

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v. If the development is selected, what are your expectations for the Qualified Stakeholder Group's continued involvement in the project?

v. c. If the development is selected, what are your expectations for the Qualified Stakeholder Group's continued involvement in the project?

Rural/Tribal

C. Rural/Tribal (6 points)

1. Projects located in Rural/Tribal Designated Areas outside of the Metropolitan Area, and as defined by the 2024-2025 QAP and urbanized areas in and around Greater Minnesota. Urbanized areas in Greater Minnesota are

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areas with population over 50,000. They include Duluth, East Grand Forks, La Crescent, Mankato, Moorhead, Rochester, and St. Cloud. Select one:

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a. ☐ Tier 1: The project is located in a Rural/Tribal Designated Area that is outside of the Metropolitan Area and has a population less than 5,000. (6 points)

b. ☐ Tier 2: The project is located in a Rural/Tribal Designated Area outside of the Metropolitan Area and has a population at or greater than 5,000. (4 points)

Qualified Census Tracts/Community Revitalization, Tribal Equivalent Areas, and Opportunity Zones

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D. Qualified Census Tracts (QCT)/Community Revitalization, Tribal Equivalent Areas, and Opportunity Zones (3 points)

1. ☐ The proposed housing is located in a QCT/Community Revitalization Area, Tribal Equivalent Area, or Opportunity Zone. (3 points)

Projects that are located in a Tribal Equivalent Area or Opportunity Zone are eligible for the criteria solely based upon geographic location. To be eligible as a QCT/Community Revitalization component, the project must be located in a Qualified Census Tract (refer to Qualified Census Tract – Reference Materials Index on the Minnesota Housing website) and be part of a concerted plan that provides for community revitalization consistent with the definition described in the Community Development Initiative selection criteria.

E. _____

Multifamily Award History

E. Multifamily Award History (4 points)

☐ Projects located in communities that have not received an award or allocation of _____ funding or

1. ☐ Points will be awarded for ☐ Projects located in communities that have not received an award or allocation of

1. ~~Funding~~ funding or

_____ HTCs from Minnesota Housing for a source of funding offered through the Multifamily Consolidated RFP/HTC Round 1, HTC Round 2, in any pipeline funding round if the funding source is available in the RFP/HTC Round 1, or for projects receiving an allocation of bonding authority from Minnesota Management and Budget (MMB) with an award of 4% Minnesota Housing HTCs in the last five years. Projects that received Low and Moderate Income Rental (LMIR)-only financing are excluded. Refer to the Multifamily Award History Methodology in the Methodology Guide for more information. (4 points)

Black, Indigenous, People of Color, and Women-owned Business Enterprises

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F. Black-, Indigenous-, People of Color-, Women-owned Business Enterprises (1 to 19 points)

A Black-, Indigenous-, People of Color¹⁴- or Women-owned Business Enterprise (BIPOCBE/WBE) (1 to 7 points):

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0. Ownership

1. BIPOCBE/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 BIPOC or women, and whose management and daily business operations an individual(s) that is(are controlled by one or more BIPOC or women who own it.) Black, Indigenous, a Person of Color, or a woman. This includes nonprofits and governmental entities where the executive director or equivalent where the individual is Black, Indigenous, a Person of Color, or a woman. The individual must also control and manage the daily business operations. Provide documentation demonstrating that the entity meets the definition. This could include a signed and dated certification statement, qualifications form, qualification forms, ownership documentation, or other third-party verification.

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a. Ownership/Sponsorship (Select one)

OR

a. ☐ Ownership/Sponsorship (Select one)

i. ☐ The project owner/sponsor is a tribe or tribally-designated housing entity, tribal corporate entity or a for-profit Black-, Indigenous-, People of Color-owned Business Enterprise (8 points)

ii. ☐ The project owner/sponsor is a for-profit Women-owned Business Enterprise (5 points)

iii. ☐ The project owner/sponsor is a nonprofit Black-, Indigenous-, People of Color-, - or Women-owned Business Enterprise (4 points)

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b. Development Team

The developer, general contractor, architect, service provider, or management agent is a Black-, Indigenous-, People of Color-, - or Women-owned Business Enterprise. Select one.

i. ☐ Two or more entities are a Black-, Indigenous-, People of Color-owned Business Enterprise (7 points)

ii. ☐ Two or more entities are Women-owned Business Enterprises or a combination of Black-, Indigenous-, People of Color-, or Women-owned Business Enterprise (4 points)

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¹⁴ Includes Native and Indigenous North and South American, Black and African-descendant, Hispanic or Latinx, Asian and Pacific Islander, and other non-white communities.
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- iii. ☐ One entity is a Black, Indigenous, People of Color-owned Business Enterprise/
Women-owned Business Enterprise (1 point)

NOTE: Black-, Indigenous-, People of Color-, Women-owned Business Enterprises (F.1.a) and Black-, Indigenous-, People of Color-, Women-owned Business Enterprises (F.1.b) selection criteria cannot be claimed if there is an identity of interest between the Owner/Sponsor and the Developer for the same units.

c. Partnership

The project sponsor, developer, general contractor, architect, or management agent partners with a Black, Indigenous, or People of Color-owned or Women-owned Business Enterprise

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Partnership

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- ☐ The project sponsor, general contractor, architect or management agent partners with a BIPOCBE/WBE Black, Indigenous, or People of Color-owned or Women-owned Business Enterprise entity with the goal of building the entity's capacity to develop, manage, construct, design or own affordable housing in the future. Examples include: (a) BIPOCBE/WBE entity performing as a joint venture partner with the general contractor to perform some defined portion of the general contractor role, (b) BIPOCBE/WBE entity entering into a joint venture or subcontracting with the architect to perform some defined portion of the design or supervision work. (1 point), or own affordable housing in the future.

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Provide an agreement executed between the partnering entity(ies) that defines the division of specific duties and roles, ownership, profit, and cashflow projection. The agreement should explicitly state the goal of building capacity to develop, manage, construct, design, or own affordable housing in the future. Select one.

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- i. The project sponsor agrees to partner with a Black, Indigenous, People of Color-owned Business Enterprise /Women-owned Business Enterprise sponsor that will have at least a 50.1% stake in all aspects of the development including, but not limited to, ownership in the General Partnership, cash flow, and voting rights.

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(4 points)

5. (4 points)

- ii. The project sponsor agrees to partner with a Black, Indigenous, People of Color-owned Business Enterprise /Women-owned Business Enterprise sponsor that will have at least a 30% stake in all aspects of the development including, but not limited to, ownership in the General Partnership, cash flow, and voting rights (2 points)

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- iii. The project developer, general contractor, architect, service provider, or management agent agrees to partner with a People of Color-owned Business

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Enterprise/Women-owned Business Enterprise entity to perform a defined portion of the contracted work (1 point)

EFFICIENT USE OF SCARCE RESOURCES AND LEVERAGE

5. Efficient Use of Scarce Resources and Leverage

Financial Readiness to Proceed/Leveraged Funds

A. Financial Readiness to Proceed/Leveraged Funds (4 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. Funding from Minnesota Housing and Funding Partners (i.e., Greater Minnesota Housing Fund, Metropolitan Council Local Housing **Incentives** Account) can only be included in the calculation if **funds were** committed in a previous funding cycle/round.

Calculate your total using the formula below. Exclude any commitments for the amortizing first mortgage financing and any anticipated syndication proceeds from the current HTC request.

Total eligible funding secured, awarded, or committed (excluding amortizing first mortgages and any anticipated proceeds from the current HTC request. If applicable, the Tax Increment Financing (TIF) amount **provided by the city** can be included as a commitment).

\$ _____ **divided by Total Development Costs \$** _____ **equals Percentage of Permanent Capital Funding Sources Committed** _____ **% (round to the nearest tenth):**

- a. ☐ 10.51% or more of funding secured, awarded, or committed **(16 points)**
- c.b. ☐ 9.01% to 10.5% of funding secured, awarded, or committed **(14 points)**
- e.b. ☐ 9.01% to 10.5% of funding secured, awarded, or committed **(14 points)**
- e.c. ☐ 7.51% to 9.0% of funding secured, awarded, or committed **(12 points)**
- e.c. ☐ 7.51% to 9.0% of funding secured, awarded, or committed **(12 points)**
- g.d. ☐ 6.01% to 7.5% of funding secured, awarded, or committed **(10 points)**
- g.d. ☐ 6.01% to 7.5% of funding secured, awarded, or committed **(10 points)**
- i.e. ☐ 4.51% to 6.0% of funding secured, awarded, or committed **(8 points)**
- i.e. ☐ 4.51% to 6.0% of funding secured, awarded, or committed **(8 points)**
- k.f. ☐ 3.01% to 4.5% of funding secured, awarded, or committed **(6 points)**

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k.f. ☐ 3.01% to 4.5% of funding secured, awarded, or committed (6 points)

m.g. ☐ 1.51% to 3.0% of funding secured, awarded, or committed (4 points)

m.g. ☐ 1.51% to 3.0% of funding secured, awarded, or committed (4 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 and be executed or approved by the lender or contributor.

Commitments must contain no contingencies other than receipt of an HTC allocation or award from Minnesota Housing. Documentation containing words synonymous with “consider” or “may,” (as in “may award”) regarding the commitment will not be acceptable.

Funding commitments, or an equivalent commitment, must be maintained and cannot be eliminated or reduced.

The list below includes potential Financial Readiness/Leveraged Funding Commitments, but the list is not all inclusive:

- Syndication proceeds due to previously allocated or awarded HTCs: Syndication proceeds from HTCs allocated or awarded in a previous cycle/round may be included if verification is included in the application. Acceptable verification is a letter from the allocating agency and 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.
- Monetary grants/donations
- The portion of the amortizing first mortgage supported by payments in lieu of taxes (PILOT)
- Tax Increment Financing (TIF) and/or Property Tax Abatement: Provide satisfactory documentation that the contribution is committed to the project at the time of application. The documentation must include a resolution from the local government unit indicating its intention to provide TIF or property tax abatement assistance. The anticipated amount must be included in the resolution or a letter from the local government unit.
- Deferred loans
- Grants from nonprofit charitable organizations converted to deferred loans. 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 project 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 form that is certified and signed by the National Park Service (NPS), along with a syndicator/investor Letter of Intent. NPS must check a box on the form indicating that the property contributes to the significance or appears to contribute to the significance.

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- Funder commitments to modify existing debt¹⁵, including approval of assumption of debt and extension of loan term; commitments must contain no contingencies other than receipt of an HTC allocation or award from Minnesota Housing. At the time of application, written documentation of approval from the funder clearly demonstrating that the approval is for the re-syndication/receipt of a new deferred or HTC allocation or award, justifying the amount and the terms of the contribution, must be provided.
- General Partner (GP) commitments can count as long as satisfactory documentation is provided. Commitments cannot be eliminated or reduced. Examples include:
 - GP cash and seller loans
 - Deferred developer fee: Information provided in the applicant's Multifamily workbook is satisfactory documentation and is considered a commitment. For a committed deferred developer fee that cannot be paid back within 10 years on a pro forma basis (based on the pro forma submitted with the application), approval by the syndicator/investor is required.
 - Purchase 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 a purchase agreement or financial statements, along with a commitment letter from the applicant.
 - Energy or Sales Tax Rebate: Information provided in the applicant's Multifamily workbook is satisfactory documentation and is considered a commitment.

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

Other Contributions

B. Other Contributions (2 to 10 points)

- 2.1.** For projects that receive **non-capital contributions**, 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.
- 2.1.** For projects that receive **non-capital contributions**, 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.

¹⁵ For Minnesota Housing's existing debt to count as committed, the Request for Action (RFA) process must be completed before the application is submitted.

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This calculation is based on Total Development Costs. Do not use any exclusions. Total "Other" non-capital funding contributions and sources \$ _____ divided by Total Development Costs \$ _____ equals Other Contributions (rounded to the nearest tenth):

- a. ☐ 10.1% and above (10 points)
- c.b. ☐ 8.1% to 10.0% (8 points)
- e.b. ☐ 8.1% to 10.0% (8 points)
- e.c. ☐ 6.1% to 8.0% (6 points)
- e.c. ☐ 6.1% to 8.0% (6 points)
- g.d. ☐ 3.5% to 6.0% (4 points)
- g.d. ☐ 3.5% to 6.0% (4 points)
- i.e. ☐ 1.0% to 3.4% (2 points)
- i.e. ☐ 1.0% to 3.4% (2 points)

At the time of application, written documentation from the contributor justifying the amount and the terms of the contribution must be provided and be consistent with current market comparable costs. The documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval, statement of agreement or eligibility, or memorandum of understanding.

For scoring purposes, the documentation must state the amount and must be executed or approved, at a minimum, by the contributor. Commitments must contain no contingencies other than receipt of a funding selection from Minnesota Housing. Documentation containing words synonymous with "consider" or "may" (as in "may award") regarding the contribution will not be acceptable.

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

- Land donation or write-down of the project site. Documentation used to determine the as-is 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 value.
- Local government reduction, donation, or waiver of project specific costs, assessments, or fees (e.g. Sewer/Water Access Charge [SAC/WAC], Park Dedication Fees)
- 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 the applicable federal rate (AFR) for the term.
- Land with long-term low-cost leases: Calculate net present value (NPV) of the cumulative lease payments by using NPV discounted by applicable federal rate (AFR) for the term of the deferred loan/LURA or the term of the land lease, whichever is later. The contribution amount is determined by deducting the NPV amount and any capitalized acquisition costs from the value of the property.

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Documentation must include the proposed terms of the lease, including the length of lease and any annual payments required. 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. Reservation land with long term low cost leases

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- The final land lease must be equal to or exceed the term of the LURA or the deferred loan and must be approved by Minnesota Housing prior to closing.

- Funder commitments to modify existing debt¹⁶, including: debt forgiveness; forgiveness of interest payable; or reduction in interest rate (measured as amount of interest saved over the term of the loan). Commitments must contain no contingencies other than receipt of an 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.

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- Tax Increment Financing (TIF) and/or Property Tax Abatement for properties that cannot support an amortizing first mortgage. Calculate the net present value (NPV) using the applicable federal rate (AFR) for the term of the TIF or Property Tax Abatement. Provide satisfactory documentation that the contribution is committed to the project at the time of application. The documentation must include a resolution from the local unit of government indicating its intention to provide TIF and/or Property Tax Abatement assistance. The anticipated amounts must be included in the resolution or a letter from the local unit of government. The documentation should include the TIF or Property Tax Abatement analysis from the local unit of government or its consultant.

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- Payments in lieu of taxes (PILOT) 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 the net present value (NPV) using the applicable federal rate (AFR) for the term of the abatement (up to the term of the Minnesota Housing deferred loan or LURA).

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

Intermediary Costs

C. Intermediary Costs (1 to 6 points)

1. Intermediary costs are third-party service costs related to the project development. Costs excluded from Intermediary costs include Park Dedication Fees; Surveys; Soil Borings; Payment and Performance Bond Premium; Sewer/Water Access Charge (SAC/WAC); Fixtures; Furnishing and Equipment (FFE); Hazard and Liability Insurance; and Building Permits.

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¹⁶ For Minnesota Housing's existing debt to count as committed, the Request for Action (RFA) process must be completed before the application is submitted.

This calculation is based upon the amount of intermediary costs on a sliding scale based on the percentage of Total Development Costs. For selected projects, this percentage may be enforced at the time of closing for deferred loans or at issuance of 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)

c.b. ☐ 15.1% to 20% (3 points)

e.b. ☐ 15.1% to 20% (3 points)

e.c. ☐ 20.1% to 25% (2 points)

e.c. ☐ 20.1% to 25% (2 points)

g.d. ☐ 25.1% to 30% (1 point)

g.d. ☐ 25.1% to 30% (1 point)

BUILDING CHARACTERISTICS

6. Building Characteristics

Universal Design

A. Universal Design (3 points)

The project will incorporate Universal Design Features. A Universal Design unit is a unit that includes all Minimum Essential Universal Design Features, 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:

☒ The project will incorporate Universal Design Features. A Universal Design unit is a unit that includes all Minimum Essential Universal Design Features, 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:

☐ An elevator building with 100% of the assisted units meeting the definition of a Universal Design Unit (3 points)

☐ Select one:

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An elevator building with 100% of the assisted units meeting the definition of a Universal Design Unit **(3 points)**

Number of units: _____

OR

☐ **OR**

e.b. ☐ A non-elevator building with at least 10% of the assisted units meeting the definition of a Universal Design Unit **(3 points)**

Number of units: _____

A list of the required Minimum Essential Universal Design and Optional Features can be found in the Universal Design Worksheet.

Smoke Free Buildings

B. Smoke Free Buildings (1 point)

☐ The project will institute and maintain a written policy prohibiting smoking in all units 1. and all common areas within the building 4(s) of the project. The written policy, submitted after selection during the due diligence process, 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.

The project must include a non-smoking clause in the lease for every household. Projects awarded a point in this scoring criteria may be required to maintain the smoke free policy for the term of the LURA **(1 point)**

Enhanced Sustainability

C. Enhanced Sustainability (1 to 6 points)

The project will incorporate additional sustainability criteria into its design. The applicant must complete the "How Will Criteria Be Implemented" column within the applicable year's Multifamily Intended Methods Worksheet and clearly explain how each selected Optional Criteria point and alternative building performance pathway (Tier 3 and Tier 4) will be implemented. The selected Optional Criteria point total on the Multifamily Intended Methods Worksheet must reconcile with the minimum number of Optional Criteria points required for the applicable tier, if claiming Tier 1 or Tier 2 points.

Applicants can select Tier 1, Tier 2, Tier 3, Tier 4; or a combination of Tiers 1 and 3, Tiers 2 and 3, Tiers 1 and 4, or Tiers 2 and 34; for a maximum of five 6 points. Please note: All buildings in the project with residential units, regardless, if claiming or not claiming point(s) for enhanced sustainability, must be

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certified through the ENERGY STAR Residential New Construction Program using ENERGY STAR Multifamily New Construction (MFNC), ENERGY STAR Manufactured Homes and/or ENERGY STAR Certified Homes as relevant. Refer to applicable MN Overlay for additional information regarding baseline requirements. Actual enrollment of project with Enterprise Green Communities Criteria (EGCC) is not required for any selected Tier or combination of Tiers.

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1. ☐ **Tier 1:** The project will include at least two times the minimum number of Optional Criteria points, in addition to the Required Mandatory Criteria, as outlined within the applicable year's Minnesota Overlay to Enterprise Green Communities Criteria (EGCC) and as claimed in the Multifamily Intended Methods Worksheet **(1 point)**.

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3.2. ☐ **Tier 2:** The project will include at least three times the minimum number of Optional Criteria points, in addition to the Required Mandatory Criteria, as outlined within the applicable year's Minnesota Overlay to EGCC and as claimed in the Multifamily Intended Methods Worksheet **(2 points)**.

3.2. ☐ **Tier 2:** ProjectThe project will include at least three times the minimum number of Optional Criteria points, in addition to the Required Mandatory Criteria, as outlined within the applicable year's Minnesota Overlay to Enterprise Green Communities CriteriaEGCC and as claimed in the Multifamily Intended Methods Worksheet **(2 points)**.

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5.3. ☐ **Tier 3:** The project will conform to at least one of the following alternative building performance pathways as claimed in the Multifamily Intended Methods Worksheet **(3 points)**.

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5.3. ☐ **Tier 3:** ProjectThe project will conform to at least one of the following alternative building performance pathways as claimed in the Multifamily Intended Methods Worksheet **(3 points)**.

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b.a. Pathway 1¹⁷ –(applicable to new construction and rehabilitation (rehab) –Projectprojects):
The project meets Minnesota B3 Sustainable Building 2030 (SB 2030) Energy Standard

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e.b. Pathway 2¹⁸ –(applicable to new construction projects only) – Project meets Enterprise Green Communities Certification Plus Standards): Certify the project with the Department of Energy (DOE) Zero Energy Ready Home (ZERH) program

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d.c. Pathway 3 (applicable to rehabilitation (rehab) projects only
): The project meets the 2020EGCC – Criterion 5.1b Building Performance Standard

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¹⁷ Follow Minnesota B3 Sustainable Building 2030 (SB 2030) Energy Standard. Compliance with SB 2030 Standard is achieved by a combination of on-site renewable energy generation and energy efficiency. Projects meeting SB 2030 Standard are evaluated for compliance during design, during construction, and for a period of 10 years of occupancy. Compliance will be monitored through the B3-MSBG Tracking Tool. All buildings with residential units in the project must be certified through the ENERGY STAR Residential New Construction Program. Refer to applicable MN Overlay for additional information regarding baseline requirements.

¹⁸ Follow 2020 Enterprise Green Communities CriteriaEGCC – Criterion 5.2b Moving to Zero Energy: Near Zero Certification or Criterion 5.4 Achieving Zero Energy requirements. Actual enrollment of project with Enterprise Green Communities Criteria is not required, however to monitor compliance, certification with Department of Energy (DOE) Zero Energy Ready Home (ZERH), Passive House Institute US (PHIUS), Passive House Institute Classic (PHI), or other program outlined in the applicable criteria is required.
2024-2025

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To receive points for Pathway 3, the project must follow the Performance Pathway as described in the applicable year's Minnesota Overlay to EGCC – Criterion 5.1b by providing an Energy Rater Index (ERI) Pathway by achieving one of the following Home Energy Rating System (HERS) Index thresholds:

- ii.i. A HERS Index score of 80 or less for properties built in or after 1980
- ii.i. A HERS ~~Score~~Index score of 80 or less for properties built ~~on~~in or after 1980
- iii.ii. A HERS Index score of 100 or less for properties built before 1980
- iv.iii. A post-rehab HERS Index score at least 15% less than the pre-rehab HERS Index score.

4. ☐ **Tier 4:** The project will be certified by one of the following alternative building performance

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4. ☐ **Tier 4:** The project will be certified by one of the following alternative building performance pathways as claimed in the Multifamily Intended Methods Worksheet **(4 points)**:
- a. Passive House Institute (PHI) Classic
 - b. Passive House Institute United States (PHIUS)
 - c. One of the following 2020 Enterprise Green Communities Criteria, Criterion 5.4 Achieving Zero Energy, Option 2 programs:
 - i. PHIUS + Source Zero
 - ii. PHI Plus
 - iii. PHI Premium
 - iv. International Living Future Institute's Zero Energy Petal
 - v. Zero Carbon Petal
 - vi. Living Building Challenge

UNACCEPTABLE PRACTICES

7. Unacceptable Practices (-1 to -35 points)

Minnesota Housing may impose penalty points for unacceptable practices.

TOTAL POINTS

TOTAL POINTS

TOTAL DEVELOPER CLAIMED POINTS: _____

TOTAL MINNESOTA HOUSING AWARDED POINTS:

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2024-2025

2022-2023 Self-Scoring Worksheet

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December 2020

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November 2022

Self-Scoring Worksheet (SSW)



2024-2025 Self-Scoring Worksheet

Housing Tax Credit and Deferred Projects¹

Updated November 2022

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¹ Includes all 4% and 9% HTC projects and deferred funds awarded through the Consolidated Request for Proposals (Consolidated RFP) as well as available financing throughout the year.

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Instructions and Requirements

The Self-Scoring Worksheet sets the selection criteria and funding priorities that Minnesota Housing will use to prioritize applications requesting 4% Housing Tax Credits (HTCs), 9% HTCs, and/or deferred funds that are selected through the Multifamily Consolidated Request for Proposals (Consolidated RFP) or on a pipeline basis for available financing that may be available throughout the year.

Applicants must meet the requirements outlined in the Self-Scoring Worksheet and QAP to be eligible for points. To submit the Self-Scoring Worksheet for an application, all applicants must use the Scoring Wizard in the Multifamily Customer Portal website. All documents referenced in this Self-Scoring Worksheet can be found on Minnesota Housing's website or in the Multifamily Customer Portal.

When selecting projects for funding in the Consolidated RFP, Minnesota Housing considers the total amount of points achieved in conjunction with such factors as feasibility, amount of total funding requested, available resources, and ability to complete the development in a timely manner.

A. Strategic Priority

1. All projects must meet at least one of the HTC statutory strategic priorities or a strategic objective contained in Minnesota Housing's current Strategic Plan as published on the Minnesota Housing website. Applicants must demonstrate how the project meets the Strategic Plan in the Multifamily Rental Housing Narrative.
2. Residential rental housing projects financed with an allocation of tax-exempt bonds under chapter 474A are the highest strategic priority for tax credits in accordance with Minn. Stat. 462A.222, subd. 3(d), and such projects are not required to meet a separate strategic priority.

B. Pre-Application

A Pre-Application may be required for specific selection preferences or selection criteria. The applicant must provide the required Pre-Application prior to the application deadline according to the due date established by Minnesota Housing and published on Minnesota Housing's website. Failure to submit required pre-application materials may result in rejection of the Pre-Application.

C. Preference for Eventual Tenant Ownership

HTC projects are eligible for homeowner conversion. These projects will receive a preference during the selection process when reviewing tie breakers. The project owner should submit a preliminary transition plan with their application that is consistent with the requirements of the Eventual Tenant Ownership (ETO) Guide. The Declaration of Land Use Restrictive Covenants (LURA) may 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.

☐ The project will have an Eventual Tenant Ownership component.

D. Preference for Innovative Construction Techniques

A Pre-Application is required for this selection preference. Using this selection preference, Minnesota Housing intends to select at least one project that will use innovative construction techniques that:

☐ Reduce total construction costs by at least 10%

AND/OR

- ☐ Reduce the time a project is under construction by at least 20%

Minnesota Housing will make a reasonable effort to select a minimum of one project that meets this preference criterion, based on competitive ranking applications and available funding, and reserves the right to select a lower-scoring proposal if deferred funding is applied for and the project meets this preference criterion.² The preference does not obligate Minnesota Housing to select a project that uses an innovative construction technique.

The Innovative Construction Technique preference is available in the 2023 Consolidated RFP/2024 HTC Round 1 and in the 2024 Consolidated RFP/2025 HTC Round 1³

Application Guidance for Innovative Construction Techniques will be posted on Minnesota Housing's website.

E. Minimum Point Requirements

1. Request for Minnesota Housing administered HTCs from the state's HTC volume cap must demonstrate the project is eligible for no fewer than 80 points, excluding projects funded through the Rural Development/Small Projects set-aside.
2. Request for HTCs 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 Qualified Allocation Plan(QAP), to revise proposal features and associated scoring, and to help ensure the project meets the requirements.

F. Claiming of Points

An award and /or allocation is based upon the information provided in the application. The project is required to comply with all selection criteria that are claimed and awarded. This includes any due diligence/reporting requirements after selection and term of the declaration. Failure to comply could result in the loss of the award and/or allocation as well as the assessment of penalty points.

G. Documentation of Points

In the Scoring Wizard, mark the selection criteria expected for your project. **Where indicated in the Minnesota Housing Self-Scoring Worksheet, the applicant must also submit documentation that clearly supports the points claimed. Refer to the Scoring Guide and Multifamily Customer Portal for additional details. Minnesota Housing will determine the eligible points; points may not be awarded unless the required documentation is provided along with the application to justify the points claimed.**

During the competitive 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

² 9% HTC applications will continue to be ranked and reviewed for selection based on competitive score and requirements as outlined in Chapter 5, Project Selection, of the QAP. Deferred only proposals or deferred with 4% HTC projects that meet this preference criterion will be reviewed and may be selected with a lower score than other deferred only or deferred with a 4% HTC projects in accordance with the Consolidated RFP Application Instructions.

³ Minnesota Housing will review and score all proposals submitted to the Consolidated RFP according to the 2024-2025 HTC and Deferred Funding Selection Criteria. As outlined in the Consolidated RFP Application Instructions and the QAP, Minnesota Housing takes specified criteria into consideration when reviewing and selecting applications through the Consolidated RFP, in addition to project score (e.g., project feasibility, organization capacity, financial capacity).

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.

H. Documentation of Units

In the Scoring Wizard, mark the number of units for each selection criteria expected for your project. Minnesota Housing will not award points if the necessary number of units is not included in the Self-Scoring Worksheet. The number of units will also be validated in the Multifamily Workbook and may result in a loss of points if the documentation is not consistent. When calculating a percentage for the criterion, all units must be rounded up to the next full unit.

I. Extended Duration

Request for Minnesota Housing administered HTCs from the state's HTC volume cap and 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) do not apply to the project, and the owner also agrees the Section 42 income, rental, and occupancy restrictions must apply for the term of the LURA.

J. Design Standards

The project must meet the requirements in the Minnesota Housing Rental Housing Design/Constructions Standards. Additional design requirements will be imposed if points are claimed/awarded that require specific design elements (e.g., Universal Design, Enhanced Sustainability).

K. Declarations

1. A Declaration of Land Use Restrictive Covenants (LURA) covering the income and rent restrictions and occupancy requirements presented at selection may be recorded against the property.
2. A deferred loan Declaration covering the income and rent restrictions and occupancy requirements presented at selection may be recorded against the property.

L. Deeper Rent Targeting

All applicants must meet the minimum deeper rent targeting unit requirements outlined below.

1. Request for Minnesota Housing deferred financing or Minnesota Housing administered HTCs from the state's total volume cap or in association with tax-exempt volume limited bonds must include at least 2% of the total units, with a minimum number of one unit, with rents restricted at or below the county 30% Multifamily Tax Subsidy Project (MTSP) rent limit. Units with project-based rental assistance count toward this requirement. Projects where 100% of the units include project-based rental assistance are excluded.

Number of Units: _____

2. Request for Minnesota Housing deferred financing or Minnesota Housing administered HTC's from the state's total volume cap or in association with tax-exempt volume limited bonds must include at least 3% of the total units, with a minimum number of one unit, with rents restricted at or below the Housing Assistance Payment (HAP) payment standard as determined by the responsible entity in the jurisdiction. The units must generally be evenly distributed by bedroom type. Projects that are 100% project-based rental assistance or are located on tribal reservations are excluded.

0 Bedroom Units: _____

1 Bedroom Units: _____

2 Bedroom Units: _____

3 Bedroom Units: _____

4 Bedroom Units: _____

5 Bedroom Units: _____

6 Bedroom Units: _____

Total Number of Units: _____

Round 1 – Minimum Threshold Requirements

In accordance with Minnesota Statutes § 462A.222 Subdivision 3 (e), all 9% HTC applications submitted statewide in HTC Round 1 must meet one of the following threshold types. Please indicate the threshold item your project meets:

In the Metropolitan Area

A. In the Metropolitan Area⁴

1. ☐ New construction or Substantial Rehabilitation in which, for the term of the extended use period (term of the LURA), at least 75% of the total 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 LURA), at least 75% of the total 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.

Outside the Metropolitan Area

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.

People with Disabilities

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 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 the United States Code, Title 42, Section 6001, paragraph (8), as amended;
3. Who have been assessed as drug dependent persons as defined in Minnesota Statutes § 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes § 254A.02, Subdivision 2;
4. With a brain injury as defined in Minnesota Statutes § 256B.093, Subdivision 4, paragraph (a); **OR**
5. With permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules Chapter 1340.

⁴ 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 Falls), Hennepin (excluding the cities of Hanover and Rockford), Ramsey, Scott (excluding the city of New Prague), and Washington.

NOTE: Minnesota Housing considers accessible units to be Type A and/or Type B units as identified in the referenced Chapter 1340, also known as the Minnesota Accessibility Code.

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

Preserve Existing Subsidized Housing

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 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**

Rural Development

E. Rural Development

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

2024-2025 Housing Tax Credit and Deferred Funding Selection Criteria

GREATEST NEED TENANT TARGETING

1. Greatest Need Tenant Targeting

Large Family Housing

A. Large Family Housing (12 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 assisted⁵ units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms. **(12 points)**

Number of units with:

2 Bedrooms: _____

3 Bedrooms: _____

4 Bedrooms: _____

5 Bedrooms: _____

6 Bedrooms: _____

- b. ☐ If eligible under 1.a. above, at least one-third of three or more bedrooms required above must contain four or more bedrooms. **(3 points)**

Number of units with:

4 Bedrooms: _____

5 Bedrooms: _____

6 Bedrooms: _____

Senior Housing

B. Senior Housing (3 to 7 points)

1. **Senior Housing:** The proposal is for a project that provides housing that is restricted to persons 55 years of age or older. Select all that apply:

- a. ☐ 100% of the total assisted units will be restricted and marketed to seniors 55 years of age or older **(3 points)**

Number of Units: _____

- b. Projects eligible under 1.a. above that agree to further restrict the units' incomes to the county 30% MTSP income limit.

⁵ Assisted is defined as HTC units for HTC applications and affordable units for deferred funding.
2024-2025 Self-Scoring Worksheet

- i. ☐ 30% to 100% of the total units **(4 points)**
Number of Units: _____
- ii. ☐ 20% to 29.99% of the total units **(3 points)**
Number of Units: _____
- iii. ☐ 10% to 19.99% of the total units **(2 points)**
Number of Units: _____
- iv. ☐ 5% to 9.99% of the total units **(1 point)**
Number of Units: _____

NOTE: The Senior Housing selection criterion 1.b. cannot be claimed for units that are claimed under the Rental Assistance selection criterion 2.B.2.

Permanent Supportive Housing for High Priority Homeless

C. Permanent Supportive Housing for High Priority Homeless (HPH)⁶ (7 to 32 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 System⁷ (HPH Units) and targeted to the populations indicated below.

Minnesota Housing, at its sole discretion, in consultation with the owner of a selected project and the local community, will consider alternative referral and prioritization processes for populations that have a demonstrated need for supportive housing but are not included in the Coordinated Entry System.

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.

Select one and complete the unit count below:

- a. ☐ 50% to 100% of the total units, but no fewer than 20 units **(30 points)**

⁶ Specific performance requirement relief provisions are available for projects eligible for the Permanent Supportive Housing for High Priority Homeless selection criterion for "HPH Units". Reference Chapter 6.A. of the QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property. Alternative referral and prioritization options are available with approval from Minnesota Housing when there is not an eligible household on the Coordinated Entry waiting list. Reference the relief provisions in Chapter 6.A. of the QAP for additional details.

⁷ 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: _____

- b. ☐ 10% to 49.99% of the total units, but no fewer than 7 units **(10 points)**

Number of Units: _____

- c. ☐ 5% to 9.99% of the total units, but no fewer than 4 units **(7 points)**

Number of Units: _____

NOTE: The Permanent Supportive Housing for High Priority Homeless (C.) and People with Disabilities (D.) selection criteria cannot be claimed for the same units.

The documentation requirements to be eligible for Permanent Supportive Housing for HPH points is based upon the percentage of total units that are HPH, PWD, and other homeless households in the project. Projects are classified as either:

- Primarily Supportive Housing: 50% or more of the total units will serve HPH, PWD, or other homeless households.
- Partially Supportive Housing: Less than 50% of the total units will serve HPH, PWD, or other homeless households.

The classification determines the Supportive Housing application materials that must be submitted, including the narratives, forms, certifications, and submittals identified in the Application Checklist in the Multifamily Customer Portal.

Please also note the following requirements depending on the project classification:

Primarily Supportive Housing

1. The market need for the proposed HPH units must be verified and documented on the Continuum of Care (CoC) Confirmation form. Minnesota Housing, at its sole discretion, will determine if there is market need for HPH units based upon a number of factors including location, household type, Coordinated Entry waiting list, pending projects, resources etc.
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.

Partially Supportive Housing

1. Minnesota Housing, at its sole discretion, will determine if there is a market need for HPH units based upon a number of factors including location, household type, Coordinated Entry waiting list, pending projects, etc. This will be verified with the local Continuum of Care during the application review process. If Minnesota Housing determines that there is not a need for additional HPH units within the local market, the applicant agrees that Minnesota Housing may remove the proposed HPH units from the project and convert the proposed units to units with rent restricted to 30% MTSP and maintain a priority to serve homeless households.
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.

A proposal that claims this criterion and is selected will be required to comply with any due diligence/reporting requirements after selection and term of the declaration. Failure to comply could result in the loss of the award and/or allocation as well as the assessment of penalty points. The LURA and Minnesota Housing loan documents may contain performance requirements related to these permanent supportive housing units for High Priority Homeless and may be recorded with the property.

People with Disabilities

D. People with Disabilities (PWD) (7 to 13 points)

Select one:

1. **Tier 1:** Permanent supportive housing proposals that **are not restricted to persons of a particular age group** and in which a minimum of 5% of the total units, but no fewer than four units, are set aside and rented to persons with a disability as defined below. The applicant agrees that the units are restricted to households with incomes at or below the county 30% MTSP income limit.

The applicant agrees that if units set aside for People with Disabilities 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.

Select the number of units set aside for People with Disabilities:

- a. ☐ 15% to 25% of the total units, but no fewer than six units **(10 points)**
Number of Units: _____
- b. ☐ 10% to 14.99% of the total units, but no fewer than five units **(9 points)**
Number of Units: _____
- c. ☐ 5% to 9.99% of the total units, but no fewer than four units **(7 points)**
Number of Units: _____

OR

2. **Tier 2:** People with Disabilities (PWD) units that will use Section 811 Project-based Rental Assistance (811 PRA): Permanent housing proposals that are not restricted to people of a particular age group and in which a minimum of 5% of the total units, but no fewer than five units, are set aside and rented to people with a disability as defined below. The applicant agrees that the units are restricted to households with incomes at or below the county 30% MTSP income limit.

The applicant must **provide the required 811 PRA Pre-Application prior to the application deadline. The due date will be established prior to the application deadline.** Failure to submit all required pre-application materials may result in rejection of the Pre-Application. Minnesota

Housing will further evaluate the feasibility of the 811 PRA units during the formal application review process and reserves the right not to award the PWD points for 811 PRA units.

Select the number of units set aside for People with Disabilities that will use 811 PRA. The total number of 811 PRA units **cannot** exceed 11 units. Section 811 program requirements limit the percentage of supportive housing units. The total number of supportive housing units (HPH, homeless, PWD) in the project **cannot** exceed 25% of the total units.

- a. ☐ 15% to 25% of the total units, but no fewer than ten units **(13 points)**
Number of Units: _____
- b. ☐ 10% to 14.99% of the total units, but no fewer than seven units **(11 points)**
Number of Units: _____
- c. ☐ 5% to 9.99% of the total units, but no fewer than five units **(9 points)**
Number of Units: _____

A percentage of the units are set aside and rented to persons with any of the following disabilities⁸:

1. A serious and persistent mental illness as defined in Minn. Stat. § 245.462, subdivision 20, paragraph (c);
2. A developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended;
3. 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;
4. A brain injury as defined in Minn. Stat. § 256B.093, Subdivision 4, paragraph (a); **OR**
5. 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 1340.

NOTE:

- Projects that meet Round 1 Minimum Threshold C.5. (persons with physical disabilities), as well as any other Round 1 Minimum Threshold Requirement serving People with Disabilities, may count any units rented to persons with a physical disability in their total units, even if the statutory 50% requirement of Threshold C.5. is not met.
- Projects that meet the Round 1 Minimum Threshold only with Threshold C.5. must meet the statutory requirement that 50% of units be accessible. Minnesota Housing considers accessible units to be Type A and B units as identified in the referenced Minnesota Rules Chapter 1340, also known as the Minnesota Accessibility Code.

⁸ Specific performance requirement relief provisions are available for projects that meet the People with Disabilities selection criterion for "PWD Units." Reference Section 6.A. of the QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property.

- If the minimum threshold is not required, then the statutory requirement pertaining to accessible units is not applicable.
- The definition of permanent physical disability is not limited to people with mobility impairment.

NOTE: The Permanent Supportive Housing for High Priority Homeless (C.) and People with Disabilities (D.) selection criteria may not be claimed for the same units. These units cannot be layered; they must be separate and distinct.

NOTE: Projects with unit(s) that are age restricted cannot claim the People with Disabilities selection criterion (D.).

The project must submit documentation that meets all of the following conditions:

1. The applicant must submit the forms and submittals identified in the Application Checklist in the Multifamily Customer Portal.
2. The population, market need, and resource plan for the PWD units will be determined after selection in consultation with the county or tribal human services. If homeless eligibility is required the market need must be verified and documented on the CoC Confirmation form. Minnesota Housing, at its sole discretion, will determine if there is market need.
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.

A proposal that claims this criterion and is selected will be required to comply with the Supportive Housing standards, any due diligence/reporting requirements after selection, and terms of the declaration.

SERVES LOWEST INCOME FOR LONG DURATIONS

2. Serves Lowest Income for Long Durations

Projects with existing rental assistance that has been in place for 15 years or more can only take points under Preservation (A.). Projects with new rental assistance that has been in place for less than 15 years can only take points under Rental Assistance (B.). The Serves Lowest Income selection criterion (C.) can only be claimed for units that do not have rental assistance. The definitions explained below determine which criteria the project qualifies for, and the project is only eligible for points in that criteria.

Preservation

A. Preservation (15 to 40 points)

Thresholds:

Applicants seeking Preservation 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 HTC projects eligible to exercise their option to file for a Qualified Contract, and have not previously exercised their option; **AND**
- b. Risk of market conversion evidenced by a low physical vacancy rate (4% or lower) for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing's sole discretion); **AND**
- c. Risk of market conversion evidenced by one or more of the following:
 - i. For properties with Section 8 contracts, a Rent Comparability Study acceptable to Minnesota Housing staff and reviewers that was completed within a year of the application date that shows current rents are below comparable market rents; **OR**
 - ii. 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 a comparable location(s), amenities, and condition to convert to market rate; **AND**

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. Critical physical needs identified by third party assessment to support the following conclusions:
 - i. Identified scope of critical physical needs exceeds the available reserves by at least \$5,000 per unit, as evidenced by the Year Critical Needs Model submitted with the application.

NOTE: Minnesota Housing may conduct an inspection of the project and must agree with applicant scope of work, severity levels, and cost estimates.

- 3. ☐ Risk of Loss Due to Ownership Capacity/Program Commitment
 - a. One of the following four conditions exist:
 - i. Existing conditions created by the current owner such as bankruptcy, insolvency, default, foreclosure action, unpaid taxes and assessment, ongoing lack of compliance with lenders or terms of the Existing Federal Assistance, or self-determination by a nonprofit 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 has been submitted to Minnesota Housing;

OR

- iii. The property has been or will be acquired from an unrelated party within three years of the application date as a result of a Preservation Affordable Rental Investment Fund (PARIF) Right of First Refusal being exercised;

OR

- iv. The acquisition of a property with U.S. Department of Agriculture (USDA) Rural Development (RD) rental assistance has occurred or will occur when the current or previous owner intends or intended to allow the existing USDA RD mortgage to mature and has turned down offers from USDA RD to re-amortize 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.

Criteria:

1. Tier1 - Existing Federal Assistance – projects with existing project based rental assistance (15 to 40 points)

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), Native American Housing Assistance and Self Determination Act (NAHASDA). Properties that have converted their type of federal rental assistance through the Rental Assistance Demonstration Program (RAD), Component 2 (RAD 2), and RAD for Project Rental Assistance Contracts (PRAC) are eligible. Such assistance must have been committed to the property at least 15 years prior to the year of application.

For eligible projects, fifteen (15) or more years must have passed since the award of the federal project based rental assistance.

The owner will continue renewals of the existing project-based rental assistance 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 a Section 8bb transfer) must count the total number of assisted units below. Such units are not eligible to be counted under Rental Assistance.

a. Existing Federally Assisted Units:

- i. ☐ 100% of the total units are federally assisted **(40 points)**

Number of Units: _____

- ii. ☐ 75.01% to 99.99% of the total units are federally assisted **(32 points)**

Number of Units: _____

- iii. ☐ 50.01% to 75% of the total units are federally assisted **(25 points)**

Number of Units: _____

- iv. ☐ 25.01% to 50% of the total units are federally assisted **(20 points)**

Number of Units: _____

- v. ☐ Fewer than 25% of the total units are federally assisted **(15 points)**

Number of Units: _____

NOTE: The Rental Assistance selection criterion cannot be claimed if the project is of a type covered under Preservation – Tier 1, Existing Federal Assistance , even if the project is not claiming preservation points because it does not meet a Risk of Loss. Rental assistance under the Rental Assistance Demonstration Program (components I or II) or the Public Housing Program are also not eligible. Any public housing repositioning that results in project-based vouchers or project-based rental assistance is also not eligible.

NOTE: The Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) cannot be claimed for units that have new or existing rental assistance. This would include People with Disabilities – Tier 2 –811 PRA (1.D.2.), Preservation – Tier 1 and Tier 2 (2. A.1. and 2.A. 2), and Rental Assistance (2.B.).

OR

2. Tier 2 - Other Existing Federal Assistance and Critical Affordable Units – Tier 2 (15 points)

Rental housing with existing federal, state, local or intermediary funding with a current recorded deed restriction that limits rents for at least 50% of the total units to at or below the county 50% MTSP limit (or utilizes another rent limitation whose current maximum is at or below the 50% MTSP limit) without long-term project based rental assistance. This may include units funded with Low-Income Housing Tax Credits, RAD Component 1, existing public housing units, RD units without Rental Assistance, other existing federal assistance not described above, or a loan funded by federal, state, local or intermediary sources. Applicants who claim these points must agree to continue limit the rents to at or below 50% MTSP for the term of the deferred declaration or the LURA.

For eligible projects, fifteen (15) or more years have passed since the award of the existing federal assistance or the most recent HTC placed in service date or since the closing of the loan that created rent restrictions.

NOTE: The Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) cannot be claimed for units that have new or existing rental assistance. This would include People with Disabilities – Tier 2 –811 PRA (1.D.2.), Preservation – Tier 1 and Tier 2 (2. A.1. and 2.A. 2), and Rental Assistance (2.B.).

NOTE: Preservation – Tier 2 (2.A.2) and the Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) may not be claimed for the same units. These units cannot be layered; they must be separate and distinct.

Rental Assistance

B. Rental Assistance (6 to 26 points)

1. Priority is given to an owner who submits with the application a **project-specific, fully executed binding commitment** (i.e., binding Resolution/binding Letter of Approval from the governing body) for project-based rental assistance, which is effectively project-based by written contract or for project-based vouchers (PBVs) awarded in accordance with 24 CFR Ch. IX, Section 983.51. 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.

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 Support⁹ 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. Refer to the 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 projects 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. In addition, by selecting an option, the project agrees to continue renewals of the existing project-based rental assistance contract(s) for a **minimum of 15 years** from the later of the last placed in service date for any building in the property or loan closing. The applicant agrees that

⁹ Formerly known as Group Residential Housing.
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rents will remain affordable at the county 50% MTSP income limit for a 15-year period if the rental assistance is not available for the full period¹⁰.

- a. ☐ 100% of the total units will have project-based rental assistance **(19 points)**
Number of Units: _____
- b. ☐ 51.1% to 99.9% of the total units **(16 points)**
Number of Units: _____
- c. ☐ 20.1% to 51% of the total units **(13 points)**
Number of Units: _____
- d. ☐ 10.1% to 20% of the total units, but no fewer than four units **(10 points)**
Number of Units: _____
- e. ☐ 5% to 10% of the total units, but no fewer than four units **(7 points)**
Number of Units: _____
- f. ☐ Fewer than 5% of the total units, but no fewer than four units **(6 points)**
Number of Units: _____

Further Restricting Rental Assistance

2. Further Restricting Rental Assistance

Projects that are eligible under 2.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 the county 30% MTSP income limit for a 10-year period¹¹. 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: _____

¹⁰ Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion for “RA Units.” Reference Chapter 6.A. of the QAP for additional details. Specific performance requirements may 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 selection criterion for Further Restricted Rental Assisted Units (“FRRRA Units”). Reference Chapter 6.A. of the QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property.

NOTE: The Rental Assistance selection criterion cannot be claimed if the project is of a type covered under Preservation - Tier 1 criterion Existing Federal Assistance (2.A.1), even if the project is not claiming preservation points because it does not meet a Risk of Loss. Rental assistance under the Rental Assistance Demonstration Program (Components I or II) or the Public Housing Program are also not eligible. Any public housing repositioning that results in project-based vouchers or project-based rental assistance is also not eligible.

NOTE: The Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) cannot be claimed for units that qualify as units that have new or existing rental assistance. This would include People with Disabilities – Tier 2 –811 PRA (1.D.2.), Preservation – Tier 1 – Existing Federal Assistance (2.A.1.), and Rental Assistance (2. B.).

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 HTC.

Rent for assisted units must be at or below Fair Market Rents (or the 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.

Serves Lowest Income Tenants/Rent Reduction

C. Serves Lowest Income Tenants/Rent Reduction (8 to 20 points)

1. The project agrees to restrict the rents for a percentage of the units in the project. Eligible units **cannot** have project-based rental assistance and the rents must be based on the gross rent level, including utilities. Rents must be affordable to households whose incomes do not exceed the county 30 % MTSP or 50% MTSP income limit as published by HUD. 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 for the term of the LURA or deferred declaration.

This selection will restrict rents only (tenant incomes will not be restricted to the county 50% MTSP income limit by claiming this selection criterion).

- a. ☐ 100% of the total units will restrict rents at or below the county 50% MTSP rent limit **(13 points)**

Number of Units: _____

- b. ☐ At least 50% of the total units will restrict rents at or below the county 50% MTSP rent limit **(8 points)**

Number of Units: _____

- c. ☐ Projects that are eligible for 1.a. or 1.b. above and agree to further restrict units to the county 30% MTSP rent limit:
- i. ☐ 30% to 40% of the total units **(7 points)**
Number of Units: _____
 - ii. ☐ 20% to 29.99% of the total units **(6 points)**
Number of Units: _____
 - iii. ☐ 10% to 19.99% of the total units **(5 points)**
Number of Units: _____
 - iv. ☐ 5% to 9.99% of the total units **(4 points)**
Number of Units: _____

NOTE: The Serves Lowest Income Tenants/Rent Reduction (2.C.) selection criterion cannot be claimed for units that qualify for units that have new or existing project-based rental assistance. This would include People with Disabilities – Tier 2 –811 PRA (1.D.2.), Preservation – Tier 1 – Existing Federal Assistance (2.A.1.), and Rental Assistance (2.B.).

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)]. Final determination is 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).

Long-Term Affordability

D. Long-Term Affordability (8 to 9 points)

For an HTC project, the owner agrees to extend the long-term affordability of the project by agreeing to extend the term of the LURA beyond 30 years by choosing an option below. The owner also agrees that the Qualified Contract provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a Qualified Contract for the acquisition of the project) do not apply to the project for the term of the LURA.

For a deferred loan project, the owner agrees to extend the term of the Declaration beyond 30 years.

Select one:

- a. ☐ The HTC project will extend the term of the LURA and waive the right to a Qualified Contract for a minimum of 50 years and/or the deferred loan project will extend the term of the deferred loan Declaration to 50 years **(9 points)**
- b. ☐ The HTC project will extend the term of the LURA and waive the right to a Qualified Contract for a minimum of 40 years and/or the deferred loan project will extend the term of the deferred loan Declaration to 40 years **(8 points)**

INCREASING GEOGRAPHIC CHOICE**3. Increasing Geographic Choice****Need for More Affordable Housing Options****A. Need for More Affordable Housing Options (8 to 10 points)**

1. Projects located in communities with a need for more affordable housing options because either there is a low share of affordable rental housing compared to all housing options in a community or a large share of renters are cost burdened by their rent. Select one:
 - a. ☐ **Tier 1 Tracts or Cities, and Tribal Reservations:** Those in the 80th percentile or higher in the highest share of cost burdened renters or in the lowest share of affordable rental housing relative to the community type. Tribal reservations are also considered Tier 1 for having a need for more affordable housing options **(10 points)**
 - b. ☐ **Tier 2 Tracts or Cities:** Those in the 50th to 79th percentile in the highest share of cost burdened renters or in the lowest share of affordable housing relative to the community type **(8 points)**

Workforce Housing Communities**B. 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 in the Methodology Guide). Select one:
 - a. ☐ The proposed housing is in a Top Job Center or Net Five Year Job Growth Community **(6 points)**
 - b. ☐ The proposed housing is in an Individual Employer Growth Community where an individual employer has added at least 100 net jobs (for permanent employees of the company) during the previous five years, as evidenced by documentation signed by an authorized representative of the company, subject to validation by Minnesota Housing **(6 points)**
 - c. ☐ The proposed housing is in a Long Commute Community **(3 points)**

In the Metropolitan Area, project locations must be within five miles of a workforce housing city or township. In Greater Minnesota, project locations must be within ten miles of a workforce housing city or township.

Transit and Walkability**C. Transit and Walkability (1 to 9 points)****Metropolitan Area**

1. For projects in the **Metropolitan Area**, indicate if the project is located in a community for transportation and access to transit.
 - a. Access to Transit: To claim access to transit in the Metropolitan Area, a project must be (Select one):
 - i. ☐ Located within one-half mile of a planned or existing Light Rail Transit (LRT), Bus Rapid Transit (BRT), commuter rail station, or a Metro Transit Hi-Frequency Network transit stop. Planned stations include those eligible for Livable Communities Demonstration Account (LCDA) Transit Oriented Development (TOD) Grants (<https://metro council.org/Communities/Services/Livable-Communities-Grants/LCA/2020-LCA-TOD-application-guide.aspx>), but not including express bus stations eligible for Metropolitan Council Livable Communities Demonstration Account (LCDA) Transit Oriented Development (TOD) Grants **(7 points)**
 - ii. ☐ Located within one-quarter mile of a high service public transportation fixed route stop defined as those with service from 6 a.m. to 7 p.m. and has a frequency of approximately every half hour during that time or located within one-half mile of an express bus route stop or located within one-half mile of a park and ride lot **(4 points)**
 - iii. ☐ Served by demand response/dial-a-ride with prior day notice. This excludes Metro Transit's Transit Link Service. Transit service must be available daily, Monday through Friday, for a minimum of 8 hours per day **(2 points)**
 - b. Walkability: To claim walkability in Minneapolis and Saint Paul, a project must be (Select one):
 - i. ☐ Located in an area with a Walk Score of 80 or more according to www.walkscore.com **(2 points)**
 - ii. ☐ Located in an area with a Walk Score between 60 and 79 according to www.walkscore.com **(1 point)**
 - c. Walkability: To claim walkability in suburban communities, a project must be (Select one):
 - i. ☐ Located in an area with a Walk Score of 60 or more according to www.walkscore.com **(2 points)**
 - ii. ☐ Located in an area with a Walk Score between 50 and 59 according to www.walkscore.com **(1 point)**

If applicants would like to request revisions of a location's Walk Score, they should email Walk Score directly with details of the request to: mhfa-request@walkscore.com. Walk Score staff will review the request and make any necessary adjustments to scoring with 45 business days. If an address cannot be found in the Walk Score tool, use the closest intersection within one-quarter mile of the proposed location.

Greater Minnesota Urbanized Area

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) (Greater Minnesota Transit Investment Plan: <http://minnesotago.org/index.php?cid=435>) 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):

- i. Access to Transit: To claim access to transit, a project in a Greater Minnesota urbanized area must be (Select one; refer to the Transit and Walkability section to determine points):

1. ☐ Located within one-quarter mile of a planned or existing public transportation fixed route stop. For a planned transit stop to be eligible, 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 daily, Monday through Friday, and provide service every 60 minutes for a minimum of 10 hours per day. **(7 points)**
2. ☐ Located between one-quarter mile and one-half mile of a planned or existing public transportation fixed route stop. For a planned transit stop to be eligible, 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 daily, Monday through Friday, and provide service every 60 minutes for a minimum of 10 hours per day.

OR

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 a Greater Minnesota urbanized area must be (Select one):

1. ☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com **(2 points)**
2. ☐ Located in an area with a Walk Score between 50 and 69 according to www.walkscore.com **(1 point)**

Greater Minnesota Rural and Small Urban Areas

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 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 advance notice. Demand response usually involves curb-to-curb or door-to-door service with trips scheduled in advance (also known as “Dial-A-Ride”).

- i. Access to Transit: To claim access to transit, a project in a Greater Minnesota rural and small urban area must be (Select one):
 - 1. ☐ Within one-half mile of a designated transit stop **OR** served by demand response/dial-a-ride **OR** within one-half mile of a commuter rail station, and is available daily, Monday through Friday, providing same day service. Commuter rail stations include the Elk River and Big Lake Stations serviced by Metro Transit’s Northstar Commuter Rail. **(7 points)**
 - 2. ☐ Served by demand response/dial-a-ride with prior day or greater notice needed and is available daily, Monday through Friday **(4 points)**
- ii. Walkability: To claim walkability, a project in a Greater Minnesota rural and small urban area must be (Select one):
 - 1. ☐ Located in an area with a Walk Score of 50 or more according to www.walkscore.com **(2 points)**
 - 2. ☐ Located in an area with a Walk Score between 30 and 49 according to www.walkscore.com **(1 point)**

SUPPORTING COMMUNITY AND ECONOMIC DEVELOPMENT

4. Supporting Community and Economic Development

Community Development Initiative

A. Community Development Initiative (3 points)

1. ☐ The project contributes to the 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 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.

REQUIRED	REQUIRED DOCUMENTATION	DESCRIPTION OF REQUIREMENT
a. Targeted Geographic Area and Map	Yes	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.
b. Current implementation plan with goals	Yes	Include milestones or steps of the plan that have been:

REQUIRED	REQUIRED DOCUMENTATION	DESCRIPTION OF REQUIREMENT
or outcomes specific to the need identified by the initiative		<ol style="list-style-type: none"> 1. Completed 2. Underway 3. Planned
c. Affordable housing as a key strategy	Yes	Affordable housing is identified as a key strategy of the initiative.
d. Stakeholder list and role	Yes	Provide a list of local stakeholders involved and a description of their role in the active implementation of the initiative.
ADDITIONAL REQUIREMENTS FOR PROJECTS IN A QCT		
a. Public or Private Investment (non-housing)	Required if the project is in a QCT	<p>Demonstrated strategy for obtaining commitments of public or private investment (or both) in non-housing infrastructure, amenities, or services that could include, but are not limited to:</p> <ul style="list-style-type: none"> • Commercial/retail development • Economic development • Education-related initiative/ development • Environmental clean-up • Public works/infrastructure • Parks, green space, and recreation • Transit-oriented development or transit initiatives

Equitable Development

B. Equitable Development (3 points)

1. ☐ To receive Equitable Development points, there must be evidence that the project attempts to address the needs of a Community Most Impacted (CMI) by housing disparities and that a Qualified Stakeholder Group, with meaningful participation from that community, has a significant role in the project proposal as defined below. Occupancy restrictions or services provided as a result of the selection criteria are excluded.

Applicants must complete the Equitable Development Narrative and submit documentation demonstrating how the initiative meets the requirements outlined below into the Multifamily Customer Portal. A full copy of all referenced data, reports and information must be uploaded into the Multifamily Customer Portal. Links to other websites will not be accepted in lieu of uploading the supporting documentation.

A Qualified Stakeholder Group:

- Is not required to be a registered nonprofit organization and could consist of a group of community members, advocates, people with lived experiences, etc. The group must demonstrate meaningful and inclusive representation and participation of a CMI.
- Must be an independent body separate and apart from the proposed project owner, sponsor, developer, development team, service provider and management agent of record for the project. The developer may initiate or convene a Qualified Stakeholder Group, but the participants and opinions of the group must be independent of the development team organizations.
- Must include at least three participants who belong to the CMI the project is proposing to serve.
- Examples of a Qualified Stakeholder Group: A local nonprofit organization that serves the needs of indigenous individuals and families
- A neighborhood organization concerned about healthcare access and inequities
- A parent group formed to influence a youth-centered development
- A group of individuals with lived experience of homelessness informing the service model of a supportive housing development

To be eligible for Equitable Development, submit documentation into the Multifamily Customer Portal that meets *all* of the following threshold criteria:

1. Threshold Criteria:

a. Housing Disparity Addressed by the project.

- i. Identity which CMI(s) is/are this project proposal focused on serving. If the project is focused on serving multiple populations, select the CMI(s) participating in the Qualified Stakeholder Group that has a significant role in the proposal.
 - a. Lowest Income (e.g., <= 30% of MTSP)
 - b. People of Color
 - c. Indigenous People
 - d. LGBTQ+ People
 - e. People Experiencing Homelessness
 - f. People with Disabilities
 - g. Immigrants
 - h. Large Families
 - i. Seniors
 - j. Families with Children

b. Meaningful participation of Communities Most Impacted: A Qualified Stakeholder Group must have meaningful participation of the CMI that is the focus of the project proposal as documented in the narrative.

- i. Describe the Qualified Stakeholder Group's mission, and purpose in elevating the voices of the identified CMI.

- ii. Identify and describe what leadership and/or advisory roles people belonging to the identified CMI have in the Qualified Stakeholder Group, including one or more of the following:
 - a. A paid leadership position; list position (if applicable)
 - b. A member of the board (if applicable)
 - c. A paid staff position (if applicable)
 - d. A member role, such as serving on an advisory committee
 - e. Other meaningful role, such as a volunteer (describe)
- iii. Provide a list of the Qualified Stakeholder Group's previous activities related to the identified CMI and community development. If there have been no previous activities, describe who formed the Qualified Stakeholder Group and why.
- c. Meaningful Engagement with the identified CMI through the Qualified Stakeholder Group: The development team must evidence that the Qualified Stakeholder Group and specifically the CMI participants have been meaningfully engaged in the project concept by conducting, at minimum, two meetings with the group prior to submission of the current application. Documentation must be provided to evidence engagement and may include meeting minutes, notes, survey results, etc.

NOTE: Any in-process engagement with the Qualified Stakeholder Group must include a detailed timeline for work done to-date, next steps, and future completion.

- d. Significant involvement of the Qualified Stakeholder Group: The developer partnered with the Qualified Stakeholder Group and the identified CMI to develop the project proposal. Identify and submit a narrative explaining how the Qualified Stakeholder Group was involved in the development, the specific input they provided, and how the project addresses or responds to that input. These must be in addition to any mandatory minimum requirements of the QAP, and in addition to the minimum requirements for which points are claimed in other selection criteria, such as Serves Lowest Income Tenants and/or Large Families. Applicants may select more than one of the following:
 - i. Design
 - ii. Services
 - iii. Community Benefits: An agreement between the developer and local community to provide a benefit as identified by Community(ies) Most Impacted in the local community. (Examples include projects that support paying a competitive wage such as using union workers, employing individuals from the neighborhood, or signing onto a Worker-Driven Social Responsibility compliance and monitoring system, community services, training, shared green space, etc.)
 - iv. Other (describe in the narrative)
- e. Provide a signed letter from the Qualified Stakeholder Group. The letter must be signed by group participants who are willing to sign the document.

The letter must address each of the following questions:

- i. How has the developer engaged with the Qualified Stakeholder Group and the identified Communities Most Impacted to create a project responsive to the vision of the group and needs of the CMI?
- ii. How will this project help in fulfilling a need in your community?
- iii. How often did the Qualified Stakeholder Group meet with the developer and what were those meetings like?
- iv. How has the project changed in response to the input from the Qualified Stakeholder Group?
- v. If the development is selected, what are your expectations for the Qualified Stakeholder Group's continued involvement in the project?

Rural/Tribal

C. Rural/Tribal (6 points)

1. Projects located in Rural/Tribal Designated Areas outside of the Metropolitan Area as defined by the 2024-2025 QAP and urbanized areas in Greater Minnesota. Urbanized areas in Greater Minnesota are areas with population over 50,000. They include Duluth, East Grand Forks, La Crescent, Mankato, Moorhead, Rochester, and St. Cloud. Select one:
 - a. ☐ Tier 1: The project is located in a Rural/Tribal Designated Area that is outside of the Metropolitan Area and has a population less than 5,000. **(6 points)**
 - b. ☐ Tier 2: The project is located in a Rural/Tribal Designated Area outside of the Metropolitan Area and has a population at or greater than 5,000. **(4 points)**

Qualified Census Tracts/Community Revitalization, Tribal Equivalent Areas, and Opportunity Zones

D. Qualified Census Tracts (QCT)/Community Revitalization, Tribal Equivalent Areas, and Opportunity Zones (3 points)

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

Projects that are located in a Tribal Equivalent Area or Opportunity Zone are eligible for the criteria solely based upon geographic location. To be eligible as a QCT/Community Revitalization component, the project must be located in a Qualified Census Tract (refer to Qualified Census Tract – Reference Materials Index on the Minnesota Housing website) **and** be part of a concerted plan that provides for community revitalization consistent with the definition described in the Community Development Initiative selection criteria.

Multifamily Award History

E. Multifamily Award History (4 points)

1. ☐ Projects located in communities that have not received an award or allocation of funding or

HTCs from Minnesota Housing for a source of funding offered through the Multifamily Consolidated RFP/HTC Round 1, HTC Round 2, in any pipeline funding round if the funding source is available in the RFP/HTC Round 1, or for projects receiving an allocation of bonding authority from Minnesota Management and Budget (MMB) with an award of 4% Minnesota Housing HTCs in the last five years. Projects that received Low and Moderate Income Rental (LMIR)-only financing are excluded. Refer to the Multifamily Award History Methodology in the Methodology Guide for more information **(4 points)**

Black-, Indigenous-, People of Color-, and Women-owned Business Enterprises

F. Black-, Indigenous-, People of Color-, and Women-owned Business Enterprises (1 to 19 points)

1. A Black-, Indigenous-, People of Color¹²-- or Women-owned Business Enterprise is a tribe or tribally-designated housing entity, tribal corporate entity, or other entity which is at least 51% owned by an individual(s) that is(are) Black, Indigenous, a Person of Color, or a woman. This includes nonprofits and governmental entities where the executive director or equivalent where the individual is Black, Indigenous, a Person of Color, or a woman. The individual must also control and manage the daily business operations. Provide documentation demonstrating that the entity meets the definition. This could include a signed and dated certification statement, qualification forms, ownership documentation, or third-party verification.

a. Ownership/Sponsorship (Select one)

- i. ☐ The project owner/sponsor is a tribe or tribally-designated housing entity, tribal corporate entity or a for-profit Black-, Indigenous-, People of Color-owned Business Enterprise **(8 points)**
- ii. ☐ The project owner/sponsor is a for-profit Women-owned Business Enterprise **(5 points)**
- iii. ☐ The project owner/sponsor is a nonprofit Black-, Indigenous-, People of Color-, - or Women-owned Business Enterprise **(4 points)**

b. Development Team

The developer, general contractor, architect, service provider, or management agent is a Black-, Indigenous-, People of Color-, or Women-owned Business Enterprise. Select one.

- i. ☐ Two or more entities are a Black-, Indigenous-, People of Color-owned Business Enterprise **(7 points)**
- ii. ☐ Two or more entities are Women-owned Business Enterprises or a combination of Black-, Indigenous-, People of Color-, or Women-owned Business Enterprise **(4 points)**
- iii. ☐ One entity is a Black, Indigenous, People of Color-owned Business Enterprise/ Women-owned Business Enterprise **(1 point)**

¹² Includes Native and Indigenous North and South American, Black and African-descendant, Hispanic or Latinx, Asian and Pacific Islander, and other non-white communities.

NOTE: Black-, Indigenous-, People of Color-, Women-owned Business Enterprises (F.1.a) and Black-, Indigenous-, People of Color-, Women-owned Business Enterprises (F.1.b) selection criteria cannot be claimed if there is an identity of interest between the Owner/Sponsor and the Developer for the same units.

c. Partnership

The project sponsor, developer, general contractor, architect, or management agent partners with a Black, Indigenous, or People of Color-owned or Women-owned Business Enterprise entity with the goal of building the entity's capacity to develop, manage, construct, design, or own affordable housing in the future.

Provide an agreement executed between the partnering entity(ies) that defines the division of specific duties and roles, ownership, profit, and cashflow projection. The agreement should explicitly state the goal of building capacity to develop, manage, construct, design, or own affordable housing in the future. Select one.

- i. The project sponsor agrees to partner with a Black, Indigenous, People of Color-owned Business Enterprise /Women-owned Business Enterprise sponsor that will have at least a 50.1% stake in all aspects of the development including, but not limited to, ownership in the General Partnership, cash flow, and voting rights **(4 points)**
- ii. The project sponsor agrees to partner with a Black, Indigenous, People of Color-owned Business Enterprise /Women-owned Business Enterprise sponsor that will have at least a 30% stake in all aspects of the development including, but not limited to, ownership in the General Partnership, cash flow, and voting rights **(2 points)**
- iii. The project developer, general contractor, architect, service provider, or management agent agrees to partner with a People of Color-owned Business Enterprise/Women-owned Business Enterprise entity to perform a defined portion of the contracted work **(1 point)**

EFFICIENT USE OF SCARCE RESOURCES AND LEVERAGE

5. Efficient Use of Scarce Resources and Leverage

Financial Readiness to Proceed/Leveraged Funds

A. Financial Readiness to Proceed/Leveraged Funds (4 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. Funding from Minnesota Housing and Funding Partners (i.e., Greater Minnesota Housing Fund, Metropolitan Council Local

Housing Incentives Account) can only be included in the calculation if funds were committed in a previous funding cycle/round.

Calculate your total using the formula below. Exclude any commitments for the amortizing first mortgage financing and any anticipated syndication proceeds from the current HTC request.

Total eligible funding secured, awarded, or committed (excluding amortizing first mortgages and any anticipated proceeds from the current HTC request. If applicable, the Tax Increment Financing (TIF) amount provided by the city can be included as a commitment).

\$_____ divided by Total Development Costs \$_____ equals Percentage of Permanent Capital Funding Sources Committed _____% (round to the nearest tenth):

- a. ☐ 10.51% or more of funding secured, awarded, or committed **(16 points)**
- b. ☐ 9.01% to 10.5% of funding secured, awarded, or committed **(14 points)**
- c. ☐ 7.51% to 9.0% of funding secured, awarded, or committed **(12 points)**
- d. ☐ 6.01% to 7.5% of funding secured, awarded, or committed **(10 points)**
- e. ☐ 4.51% to 6.0% of funding secured, awarded, or committed **(8 points)**
- f. ☐ 3.01% to 4.5% of funding secured, awarded, or committed **(6 points)**
- g. ☐ 1.51% to 3.0% of funding secured, awarded, or committed **(4 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 and be executed or approved by the lender or contributor. Commitments must contain no contingencies other than receipt of an HTC allocation or award from Minnesota Housing . Documentation containing words synonymous with “consider” or “may,” (as in “may award”) regarding the commitment will not be acceptable.

Funding commitments, or an equivalent commitment, must be maintained and cannot be eliminated or reduced.

The list below includes potential Financial Readiness/Leveraged Funding Commitments, but the list is not all inclusive:

- Syndication proceeds due to previously allocated or awarded HTCs: Syndication proceeds from HTCs allocated or awarded in a previous cycle/round may be included if verification is included in the application. Acceptable verification is a letter from the allocating agency and 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.
- Monetary grants/donations
- The portion of the amortizing first mortgage supported by payments in lieu of taxes (PILOT)
- Tax Increment Financing (TIF) and/or Property Tax Abatement: Provide satisfactory documentation that the contribution is committed to the project at the time of application. The documentation

must include a resolution from the local government unit indicating its intention to provide TIF or property tax abatement assistance. The anticipated amount must be included in the resolution or a letter from the local government unit.

- Deferred loans
- Grants from nonprofit charitable organizations converted to deferred loans. 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 project 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 Part 1 – Evaluation of Significance form that is certified and signed by the National Park Service (NPS), along with a syndicator/investor Letter of Intent. NPS must check a box on the form indicating that the property contributes to the significance or appears to contribute to the significance.
- Funder commitments to modify existing debt¹³, including approval of assumption of debt and extension of loan term; commitments must contain no contingencies other than receipt of an HTC allocation or award from Minnesota Housing. At the time of application, written documentation of approval from the funder clearly demonstrating that the approval is for the re-syndication/receipt of a new deferred or HTC allocation or award, justifying the amount and the terms of the contribution, must be provided.
- General Partner (GP) commitments can count as long as satisfactory documentation is provided. Commitments cannot be eliminated or reduced. Examples include:
 - GP cash and seller loans
 - Deferred developer fee: Information provided in the applicant’s Multifamily workbook is satisfactory documentation and is considered a commitment. For a committed deferred developer fee that cannot be paid back within 10 years on a pro forma basis (based on the pro forma submitted with the application), approval by the syndicator/investor is required.
 - Purchase 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 a purchase agreement or financial statements, along with a commitment letter from the applicant.
 - Energy or Sales Tax Rebate: Information provided in the applicant’s Multifamily workbook is satisfactory documentation and is considered a commitment.

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

Other Contributions

B. Other Contributions (2 to 10 points)

¹³ For Minnesota Housing’s existing debt to count as committed, the Request for Action (RFA) process must be completed **before** the application is submitted.

1. For projects that receive **non-capital contributions**: 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.

This calculation is based on Total Development Costs. Do not use any exclusions. Total “Other” non-capital funding contributions and sources \$ _____ divided by Total Development Costs \$ _____ equals Other Contributions (rounded to the nearest tenth):

- a. ☐ 10.1% and above **(10 points)**
- b. ☐ 8.1% to 10.0% **(8 points)**
- c. ☐ 6.1% to 8.0% **(6 points)**
- d. ☐ 3.5% to 6.0% **(4 points)**
- e. ☐ 1.0% to 3.4% **(2 points)**

At the time of application, written documentation from the contributor justifying the amount and the terms of the contribution must be provided and be consistent with current market comparable costs. The documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval, statement of agreement or eligibility, or memorandum of understanding.

For scoring purposes, the documentation must state the amount and must be executed or approved, at a minimum, by the contributor. Commitments must contain no contingencies other than receipt of a funding selection from Minnesota Housing. Documentation containing words synonymous with “consider” or “may” (as in “may award”) regarding the contribution will not be acceptable.

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

- Land donation or write-down of the project site. Documentation used to determine the as-is 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 value.
- Local government reduction, donation, or waiver of project specific costs, assessments, or fees (e.g. Sewer/Water Access Charge [SAC/WAC], Park Dedication Fees)
- 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 the applicable federal rate (AFR) for the term.
- Land with long-term low-cost leases: Calculate net present value (NPV) of the cumulative lease payments by using NPV discounted by applicable federal rate (AFR) for the term of the deferred loan/LURA or the term of the land lease, whichever is later. The contribution amount is determined by deducting the NPV amount and any capitalized acquisition costs from the value of the property. Documentation must include the proposed terms of the lease, including the length of lease and any annual payments required. 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. The final land

lease must be equal to or exceed the term of the LURA or the deferred loan and must be approved by Minnesota Housing prior to closing.

- Funder commitments to modify existing debt¹⁴, including debt forgiveness, forgiveness of interest payable, or reduction in interest rate (measured as amount of interest saved over the term of the loan). Commitments must contain no contingencies other than receipt of an 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) and/or Property Tax Abatement for properties that cannot support an amortizing first mortgage. Calculate the net present value (NPV) using the applicable federal rate (AFR) for the term of the TIF or Property Tax Abatement. Provide satisfactory documentation that the contribution is committed to the project at the time of application. The documentation must include a resolution from the local unit of government indicating its intention to provide TIF and/or Property Tax Abatement assistance. The anticipated amounts must be included in the resolution or a letter from the local unit of government. The documentation should include the TIF or Property Tax Abatement analysis from the local unit of government or its consultant.
- Payments in lieu of taxes (PILOT) 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 the net present value (NPV) using the applicable federal rate (AFR) for the term of the abatement (up to the term of the Minnesota Housing deferred loan or LURA).

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

Intermediary Costs

C. Intermediary Costs (1 to 6 points)

1. Intermediary costs are third-party service costs related to the project development. Costs excluded from Intermediary costs include Park Dedication Fees; Surveys; Soil Borings; Payment and Performance Bond Premium; Sewer/Water Access Charge (SAC/WAC); Fixtures, Furnishing and Equipment (FFE); Hazard and Liability Insurance; and Building Permits.

This calculation is based upon the amount of intermediary costs on a sliding scale based on the percentage of Total Development Costs. For selected projects, this percentage may be enforced at the time of closing for deferred loans or at issuance of 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)

¹⁴ For Minnesota Housing's existing debt to count as committed, the Request for Action (RFA) process must be completed **before** the application is submitted.

- b. ☐ 15.1% to 20% **(3 points)**
- c. ☐ 20.1% to 25% **(2 points)**
- d. ☐ 25.1% to 30% **(1 point)**

BUILDING CHARACTERISTICS

6. Building Characteristics

Universal Design

A. Universal Design (3 points)

The project will incorporate Universal Design Features. A Universal Design unit is a unit that includes all Minimum Essential Universal Design Features, 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 the assisted units meeting the definition of a Universal Design Unit **(3 points)**

Number of units: _____

OR

- b. ☐ A non-elevator building with at least 10% of the assisted units meeting the definition of a Universal Design Unit **(3 points)**

Number of units: _____

A list of the required Minimum Essential Universal Design and Optional Features can be found in the Universal Design Worksheet.

Smoke Free Buildings

B. Smoke Free Buildings (1 point)

- 1. ☐ The project will institute and maintain a written policy prohibiting smoking in all units and all common areas within the building(s) of the project. The written policy, submitted after selection during the due diligence process, 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.

The project must include a non-smoking clause in the lease for every household. Projects awarded a point in this scoring criteria may be required to maintain the smoke free policy for the term of the LURA **(1 point)**

Enhanced Sustainability

C. Enhanced Sustainability (1 to 6 points)

The project will incorporate additional sustainability criteria into its design. **The applicant must complete the “How Will Criteria Be Implemented” column within the applicable year’s Multifamily Intended Methods Worksheet and clearly explain how each selected Optional Criteria point and alternative building performance pathway (Tier 3 and Tier 4) will be implemented.** The selected Optional Criteria point total on the Multifamily Intended Methods Worksheet must reconcile with the minimum number of Optional Criteria points required for the applicable tier, if claiming Tier 1 or Tier 2 points.

Applicants can select Tier 1, Tier 2, Tier 3, Tier 4; or a combination of Tiers 1 and 3, Tiers 2 and 3, Tiers 1 and 4, or Tiers 2 and 4; for a maximum of 6 points. Please note: All buildings in the project with residential units, regardless, if claiming or not claiming point(s) for enhanced sustainability, must be certified through the ENERGY STAR Residential New Construction Program using ENERGY STAR Multifamily New Construction (MFNC), ENERGY STAR Manufactured Homes and/or ENERGY STAR Certified Homes as relevant. Refer to applicable MN Overlay for additional information regarding baseline requirements. Actual enrollment of project with Enterprise Green Communities Criteria (EGCC) is not required for any selected Tier or combination of Tiers.

1. ☐ **Tier 1:** The project will include at least two times the minimum number of Optional Criteria points, in addition to the Required Mandatory Criteria, as outlined within the applicable year’s Minnesota Overlay to Enterprise Green Communities Criteria (EGCC) and as claimed in the Multifamily Intended Methods Worksheet **(1 point)**
2. ☐ **Tier 2:** The project will include at least three times the minimum number of Optional Criteria points, in addition to the Required Mandatory Criteria, as outlined within the applicable year’s Minnesota Overlay to EGCC and as claimed in the Multifamily Intended Methods Worksheet **(2 points)**
3. ☐ **Tier 3:** The project will conform to at least one of the following alternative building performance pathways as claimed in the Multifamily Intended Methods Worksheet **(3 points)**
 - a. Pathway 1¹⁵ (applicable to new construction and rehabilitation (rehab) projects): The project meets Minnesota B3 Sustainable Building 2030 (SB 2030) Energy Standard
 - b. Pathway 2¹⁶ (applicable to new construction projects only): Certify the project with the Department of Energy (DOE) Zero Energy Ready Home (ZERH) program
 - c. Pathway 3 (applicable to rehabilitation (rehab) projects only): The project meets the 2020 EGCC – Criterion 5.1b Building Performance Standard

¹⁵ Follow Minnesota B3 Sustainable Building 2030 (SB 2030) Energy Standard. Compliance with SB 2030 Standard is achieved by a combination of on-site renewable energy generation and energy efficiency. Projects meeting SB 2030 Standard are evaluated for compliance during design, during construction, and for a period of 10 years of occupancy. Compliance will be monitored through the B3-MSBG Tracking Tool. All buildings with residential units in the project must be certified through the ENERGY STAR Residential New Construction Program. Refer to applicable MN Overlay for additional information regarding baseline requirements.

¹⁶ Follow 2020 EGCC – Criterion 5.2b Moving to Zero Energy: Near Zero Certification.
2024-2025 Self-Scoring Worksheet

To receive points for Pathway 3, the project must follow the Performance Pathway as described in the applicable year's Minnesota Overlay to EGCC – Criterion 5.1b by providing an Energy Rater Index (ERI) Pathway by achieving one of the following Home Energy Rating System (HERS) Index thresholds:

- i. A HERS Index score of 80 or less for properties built in or after 1980
- ii. A HERS Index score of 100 or less for properties built before 1980
- iii. A post-rehab HERS Index score at least 15% less than the pre-rehab HERS Index score

4. ☐ **Tier 4:** The project will be certified by one of the following alternative building performance pathways as claimed in the Multifamily Intended Methods Worksheet **(4 points)**:
- a. Passive House Institute (PHI) Classic
 - b. Passive House Institute United States (PHIUS)
 - c. One of the following 2020 Enterprise Green Communities Criteria, Criterion 5.4 Achieving Zero Energy, Option 2 programs:
 - i. PHIUS + Source Zero
 - ii. PHI Plus
 - iii. PHI Premium
 - iv. International Living Future Institute's Zero Energy Petal
 - v. Zero Carbon Petal
 - vi. Living Building Challenge

UNACCEPTABLE PRACTICES

7. Unacceptable Practices (-1 to -35 points)

Minnesota Housing may impose penalty points for unacceptable practices.

TOTAL POINTS

TOTAL DEVELOPER CLAIMED POINTS: _____

TOTAL MINNESOTA HOUSING AWARDED POINTS: _____

Methodology Guide

Redline



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2023 Consolidated RFP/2024 HTC

Minnesota Housing will publish the geographic priorities for the 202~~31~~ RFP/202~~42~~ HTC in ~~June 2020~~ of June 2022 and updated them in the spring of 202~~31~~ with the most current available data as part of the early release of the Consolidated RFP application materials¹. Communities (areas) that were considered priority areas when the data was released in ~~June 2020~~ June 2022 will not be removed as part of the update in the spring of 202~~31~~. Communities (areas) can only be added as part of the spring 202~~31~~ data update. ~~Minnesota Housing will highlight those communities that met the threshold with the initial release in June 2020, but not in the updated data release in the spring of 2021. This may indicate whether a community is going to be eligible for those priority points in the 2022 RFP/2023 HTC.~~

2024 Consolidated RFP/2025 HTC

When the data is updated for the 202~~31~~ Consolidated RFP/202~~42~~ HTC geographic priorities in the spring of 202~~31~~, the 202~~42~~ Consolidated RFP/202~~53~~ HTC geographic priority areas will also be released. The analysis methods used to identify communities and priorities will not change from the 202~~31~~ Consolidated RFP/202~~42~~ HTC to the 202~~42~~ Consolidated RFP/202~~53~~ HTC. However, the most current data sources will be used to

¹ The Continuum of Care (CoC) Priority list will be updated according to the CoC methodology.
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identify the initial communities that meet the geographic priority for the 202~~42~~ Consolidated RFP/202~~53~~ HTC. Communities that were eligible for points with the initial release of the 202~~31~~ Consolidated RFP/202~~42~~ HTC might not be eligible for those points with the initial release of the 202~~42~~ Consolidated RFP/202~~53~~ HTC. In the spring of 202~~32~~, prior to the release of the 202~~42~~ Consolidated RFP/202~~53~~ HTC, Minnesota Housing will update the methodologies using the most current data sources. Communities (areas) that were considered priority areas when the data was released in the spring of 202~~31~~ will not be removed as part of the update in the spring of 202~~42~~. Communities (areas) can only be added as part of the spring 202~~42~~ data update.

The methodologies and their corresponding data sources for the 202~~31~~ Consolidated RFP/202~~42~~ HTC and 202~~42~~ Consolidated RFP/202~~53~~ HTC are outlined below. Please refer to each individual methodology document for more detailed descriptions.

Interactive maps for past, current, and future geographic scores are accessible at www.mnhousing.gov/profiles.

Hold Harmless Provision - Returning Applicants and New Applicants

We recognize applicants often select a location for their projects based on Minnesota Housing's geographic priorities ~~and, and we also understand~~ that applicants may need to apply more than once ~~before receiving for~~ funding for that project. Because of this, we will allow applicants who applied but were not selected for funding in the 202~~21~~ ~~Multifamily Consolidated~~ Consolidated RFP/202~~32~~ HTC Round 1 and/or 202~~32~~ HTC Round 2 to reapply and use the geographic scores from the prior year for that project. Similarly, applicants that applied but were not selected for funding in the 2023 Consolidated RFP/2024 HTC Round 1 and/or 2024 HTC Round 2 can reapply in the 2024 Consolidated RFP/2025 HTC Round 1 and/or 2025 HTC Round 2 using the prior year's score for that project.

The hold harmless provision applies to all the scoring categories in the table below, except for the No Multifamily Awards in the Past 5-Years category. Minnesota Housing recognizes that communities are applying for scarce resources and the intent of this category is to award a community points that have not received funding in recent history.

~~In 2022, n~~New applicants or previously selected projects must use the updated ~~2022 Consolidated RFP~~ geographic scores for the corresponding Consolidated RFP scoring round. For example, an applicant with a new or previously selected project in the 2023 Consolidated RFP/2024 HTC Round 1 or 2024 HTC Round 2 must use the geographic scores for the 2023 Consolidated RFP/2024 HTC. The ability to use the prior year's geographic scores only applies to ~~applicants-projects~~ that previously applied and who were not selected for funding.

Methodology	Definition	Data Sources and Update Schedule	Annual Review of Eligibility	Other Notes
Need for More Affordable Housing	Communities with a need for more affordable housing options either have a low share of affordable rental housing compared to all housing options in a community OR a large share of renters are cost burdened by their rent (30% or more of household income spent on rent).	<p>Data source for low share of affordable rental housing compared to all housing; HUD Comprehensive Housing Affordability Strategy (CHAS) data: https://www.huduser.gov/portals/datasets/cp.html</p> <p>Data source for large share of renters that are cost burdened by their rent; American Community Survey (ACS); data.census.gov</p> <p>2021 RFP/2022 HTC Published June 2020 for 2021 RFP/2022 HTC: HUD CHAS 2012-2016 ACS 2014-2018 Update Spring 2021 for 2021 RFP/2022 HTC: HUD CHAS 2013-2017 ACS 2015-2019 2022 RFP/2023 HTC Published Spring 2021 for 2022 RFP/2023 HTC: HUD CHAS 2013-2017 ACS 2015-2019 Update Spring 2022 for 2022 RFP/2023 HTC: HUD CHAS 2014-2018 ACS 2016-2020</p>	<p>*Pay close attention if your community met the scoring criteria when the data was originally published but did not when the data was updated Spring 2021/was updated in the spring. Your project is still eligible to receive the points for the 2021 RFP/2022 HTC current Consolidated RFP/HTC round, but it may be an early indicator that it may not meet the criteria for the 2022 RFP/2023 HTC following year's Consolidated RFP/HTC rounds.</p>	<p>Affordable rental is considered rents affordable at or below 50% Area Median Income (AMI).</p> <p>Cost burdened is 30% or more of household income spent on rent.</p>

Methodology	Definition	Data Sources and Update Schedule	Annual Review or Eligibility	Other Notes
Workforce Housing	Communities that have experienced job growth over a 5-year period or have a significant portion of the workforce that travels 30+ miles into that community for work.	<p>Data source for job growth and job centers; MN Department of Employment and Economic Development (DEED) Quarterly Census of Employment and Wages: https://mn.gov/deed/data/data-tools/qcew/</p> <p>Data source for long commute communities; US Census Bureau's Longitudinal Employer-Household Dynamics (LEHD) program: https://lehd.ces.census.gov/data/</p>	<p>* <u>Due to the impact that the COVID pandemic had on employment across Minnesota's communities, Minnesota Housing will continue to use the 2022 Consolidated RFP/2023 HTC workforce housing communities for the duration of the 2024-2025 QAP as a hold harmless provision.</u></p> <p><u>Minnesota Housing will continue to evaluate job growth and long commute communities, as defined in the current methodology, and add any NEW workforce communities with updated jobs numbers. No communities will be removed from the existing methodology during the 2024-2025 QAP.</u></p>	<p>Communities must have 2,000+ jobs to be considered a workforce housing community or have an individual employer that has had a net increase of 100+ permanent employees over the past 5-years.</p> <p>A 5-mile commuteshed buffer is applied in the 7-County Twin Cities Metropolitan Area, and a 10-mile commuteshed buffer for Greater MN Communities.</p>

Methodology	Definition	Data Sources and Update Schedule	Annual Review of Eligibility	Other Notes
Transit and Walkability	Access to transit, either fixed route or demand response. Located in a walkable area with nearby amenities.	Metro Transit, Minnesota Valley Transit Authority (MVTA), Duluth Transit Authority, East Grand Forks Transit, La Crescent Apple Express, Mankato Transit, Moorhead Transit (MATBUS), Rochester Public Transit, Saint Cloud Metro Bus.	* Pay close attention if your community met the scoring criteria when the data was originally published but did not when the data was updated Spring 2021 <u>was updated in the spring</u>. Your project is still eligible to receive the points for the 2021 RFP/2022 HTC <u>current RFP/HTC round</u>, but it may be an early indicator that it may not meet the criteria for the 2022 RFP/2023 HTC <u>following year's RFP/HTC rounds</u>.	Data for demand response and dial-a-ride transit services in Greater MN Rural and Small Urban Areas is accessible on MnDOT's transit website (https://www.dot.state.mn.us/transit/riders/index.html)

Methodology	Definition	Data Sources and Update Schedule	Annual Review of Eligibility	Other Notes
Rural/Tribal Designated Areas	Areas outside of the Twin Cities 7-County Metropolitan Area and Greater MN urbanized areas.	Areas are not subject to change, so data published in June 2020 will remain the same for the 2021 RFP/2022 HTC and 2022 RFP/2023 HTC. <u>Rural/Tribal Designated Areas are not subject to change.</u>	No annual review needed. Areas eligible for these points are not subject to change.	<u>Tier 1 - The project is located in a Rural/Tribal Designated Area and is located within a community that has a population of less than 5,000.</u> <u>Tier 2 - The project is located in a Rural/Tribal Designated Area and is located within a community that has a population at or greater than 5,000.</u>
Tribal Equivalent Qualified Census Tracts (QCTs)	In addition to HUD designated QCT's, Tribal Reservations are evaluated whether they meet the same criteria as HUD QCTs.	Data source American Community Survey (ACS); data.census.gov	* Pay close attention if your community met the scoring criteria when the data was originally published but did not when the data was <u>updated Spring 2021</u> <u>was updated in the spring</u>. Your project is still eligible to receive the points for the 2021 RFP/2022 HTC <u>current RFP/HTC round</u>, but it may be an early indicator that it may not meet the criteria for the 2022 RFP/2023 HTC <u>following</u>	HUD QCT Designation Algorithm found here: https://www.huduser.gov/portal/qct/QCT_Algorithm_2020.html

			<u>year's</u> Consolidated <u>RFP/HTC</u> <u>rounds.</u>	
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Methodology	Definition	Data Sources and Update Schedule	Annual Review of Eligibility	Other Notes
Opportunity Zones	Community development program established by Congress in the Tax Cut and Jobs Act of 2017 to encourage long-term investments in low-income and urban communities nationwide.	<p>Census tracts were nominated by Governor Dayton and certified and designated by the U.S. Department of Treasury in May 2018.</p> <p>Opportunity zone Census tracts will not change, so data published in June 2020 will remain the same for the 2021 RFP/2022 HTC and 2022 RFP/2023 HTC.</p>	No annual review needed. Areas eligible for these points are not subject to change.	These are Census tract based areas.
No Multifamily Awards in the Past 5-Years	Cities or townships that have not received an award in the past 5-years.	<ul style="list-style-type: none"> Consolidated RFP <ul style="list-style-type: none"> HTC Round 1 HTC Round 2 Any Minnesota Housing deferred funding source <p>Excludes: Projects solely funded by a funding partner</p> <ul style="list-style-type: none"> Pipeline projects with any eligible multifamily deferred funding source <p>4% only HTC projects</p>	<p>Data published in June 2020<u>2022 for the 2023</u> Consolidated <u>RFP/2024 HTC</u> will remain unchanged through the 202<u>31</u> Consolidated RFP/202<u>24</u> HTC. Communities will not be added or removed.</p> <p>Data published in the Spring of 2021<u>2023 for the 2024</u> Consolidated <u>RFP/2025 HTC</u> will remain unchanged through the 202<u>42</u> Consolidated RFP/202<u>53</u> HTC. Communities will not be added or removed.</p>	The most recently awarded Consolidated RFP/MF Award data, but rather will set the cut off one complete year prior. This allows communities advance notice to determine what communities are/are not included in this scoring criterion.

2024-2025 QAP Need for More Affordable Housing Options Methodology

2023 Consolidated RFP/2024 HTC

Communities with a need for more affordable housing options either have a low share of affordable rental² housing compared to all housing options in a community³ **OR** a large share of renters are cost burdened by their rent⁴ (30% or more of household income spent on rent).

Communities are geographically defined by census tracts in the Metropolitan Area, as defined in the QAP, and Greater Minnesota – Urbanized Areas⁵ (these include Duluth, East Grand Forks, La Crescent, Mankato, Moorhead, Rochester, and Saint Cloud). For Greater Minnesota – Reservations and Rural/Small Urban Areas⁶, communities are geographically defined by reservation boundaries or place (city).

Projects located in communities are eligible for these points if:

- **Tier 1 Tracts or Cities, and Reservations (10 points):** those in the 80th percentile or higher in the highest share of cost burdened renters **OR** in the lowest share of affordable rental housing relative to the community type. Tribal Reservations ~~and communities~~ are also considered Tier 1 for having a need for more affordable housing options.
- **Tier 2 Tracts or Cities (8 points):** those in the 50 – 79th percentile in the highest share of cost burdened renters **OR** in the lowest share of affordable rental housing relative to the community type.

To acknowledge differences in community types, percentiles were created by comparing census tracts within each community type.

This document includes maps of the census tracts that meet the two tiers of Need for More Affordable Housing Options for the Metropolitan Area, as defined in the QAP, and Greater Minnesota – Urbanized Areas. For Greater Minnesota – Reservations and Rural/Small Urban Areas a map and table of eligible places are provided. Applicants can map project locations and determine Need for More Affordable Options points through the Community Profiles interactive map at www.mnhousing.gov/profiles.

If additional areas become eligible applying the same criteria highlighted above using 201~~54~~-201~~98~~ CHAS data or 201~~76~~-202~~10~~ ACS data, Minnesota Housing will add them to the maps; no areas will be subtracted from the maps with the update. Refer to the 202~~42~~-202~~53~~ QAP Data Methodology table for more information on how data updates may impact point eligibility under this category.

² Affordable at or below 50% Area Median Income (AMI).

³ Analysis based on data from the HUD Comprehensive Housing Affordability Strategy (CHAS) data; ~~2013-2017 and~~ 2014-2018; <https://www.huduser.gov/portal/datasets/cp.html>.

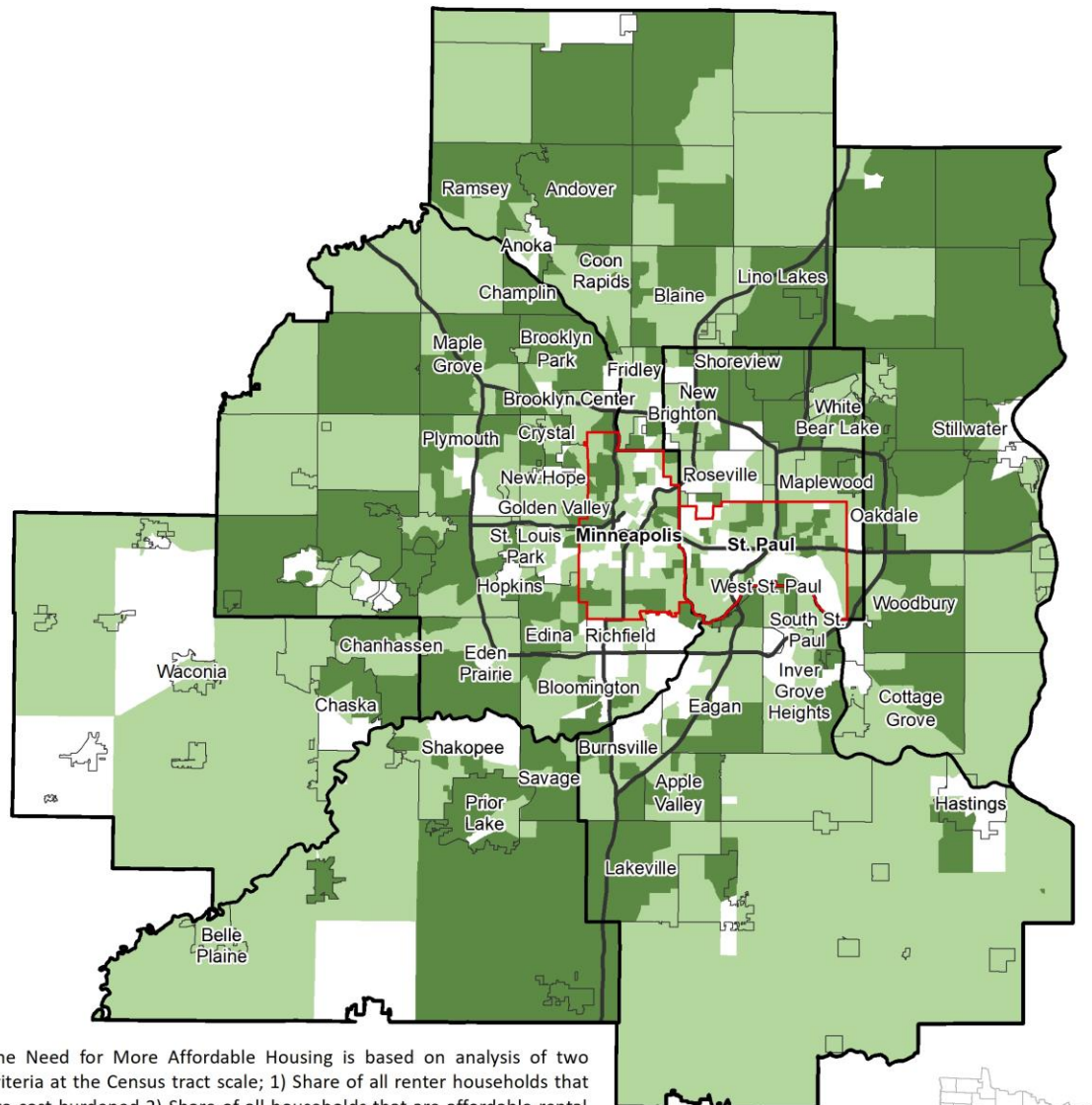
⁴ Analysis based on data from the American Community Survey (ACS) ~~2015 – 2019 and~~ 2016-2020; data.census.gov.

⁵ Defined by the U.S. Census as places/urban areas with populations greater than 50,000.

⁶ Communities with 500 or more households were used as a minimum threshold. In urban places with populations less than 50,000.

Twin Cities 7-County Metropolitan Area

Need For More Affordable Housing: Twin Cities Metro



The Need for More Affordable Housing is based on analysis of two criteria at the Census tract scale; 1) Share of all renter households that are cost burdened 2) Share of all households that are affordable rental at or below 50% AMI. If a Census tract is in the 80-100th percentile for cost burden OR 0-20th percentile for lacking affordable rental options, it is considered Tier 1 in this category. Tribal Reservations are considered Tier 1 areas. Tier 2 represents tracts in the 50-80th percentile for cost burden OR 20-50th for lacking affordable rental options.

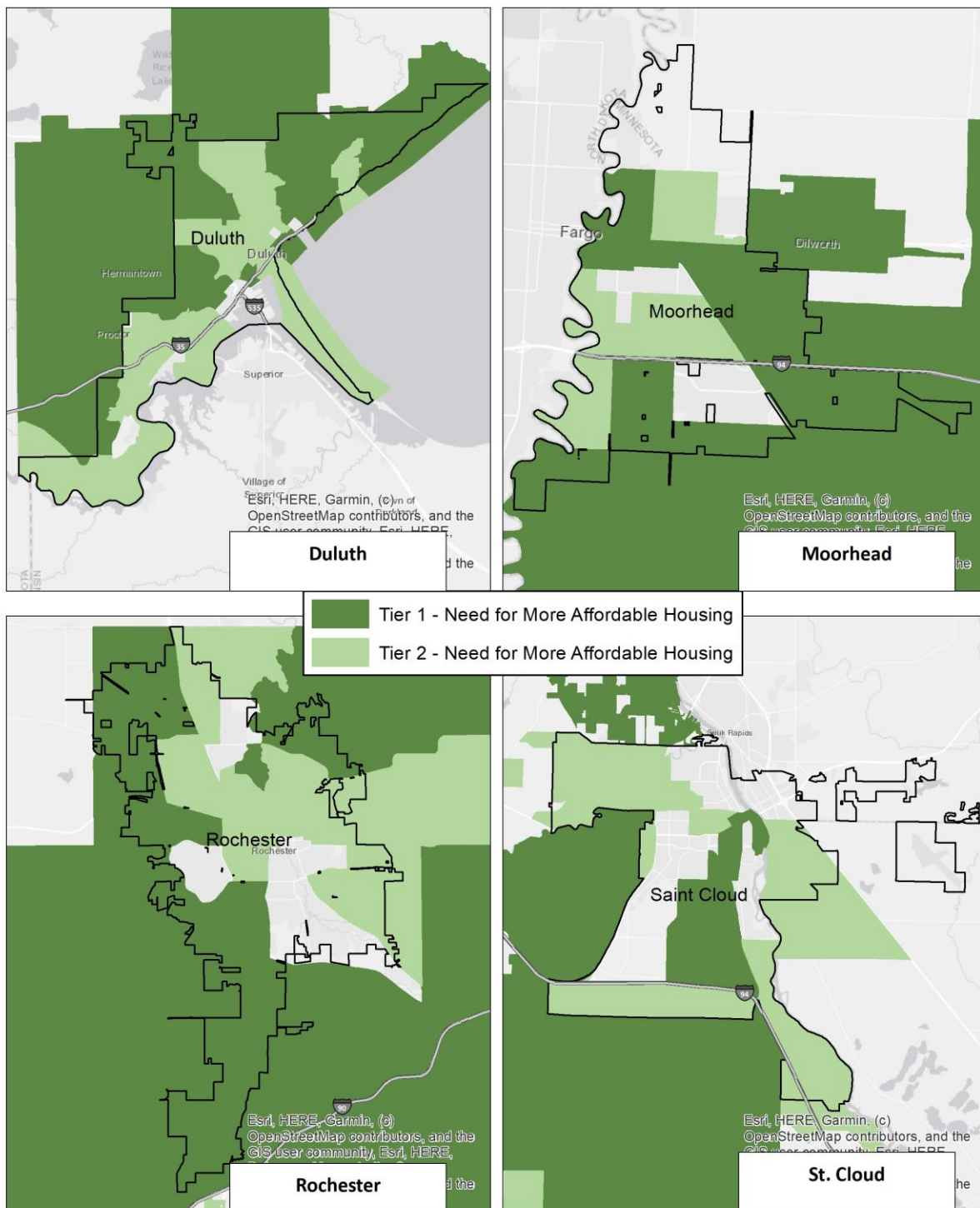
- Tier 1 - Need for More Affordable Housing
- Tier 2 - Need for More Affordable Housing



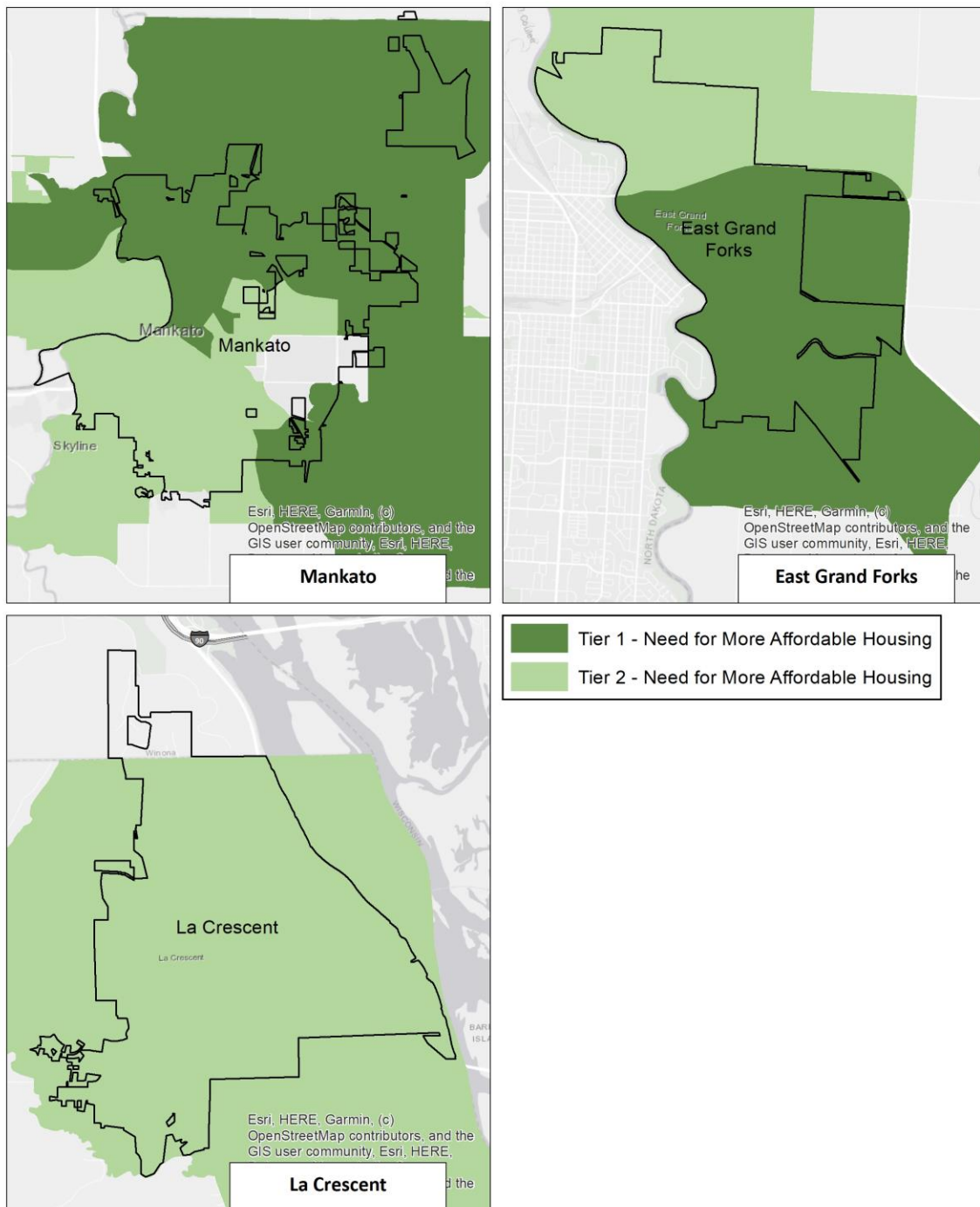
Source: Minnesota Housing analysis; 5/11/2022

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Greater Minnesota - Urbanized Areas



Greater Minnesota - Urbanized Areas continued



Greater Minnesota – Rural and Small Urban Areas

Place	Tier	Place	Tier	Place	Tier	Place	Tier
Adrian	2	Eveleth	2	Nisswa	1	Willmar	2
Aitkin	2	Eyota	2	North Branch	1	Windom	2
Albany	2	Fairmont	2	North Mankato	2	Winona	2
Albert Lea	2	Faribault	2	Northfield	2	Winsted	1
Albertville	1	Fergus Falls	2	Olivia	2	Winthrop	2
Alexandria	2	Foley	1	Oronoco	1	Wyoming	1
Annandale	2	Fosston	1	Otsego	1	Zimmerman	1
Appleton	2	Frazee	2	Owatonna	1		
Arlington	2	Fulda	2	Park Rapids	2		
Aurora	2	Gilbert	2	Pine City	1		
Austin	2	Glencoe	1	Pine Island	2		
Avon	1	Glenwood	1	Plainview	1		
Babbitt	2	Goodview	2	Princeton	2		
Bagley	2	Grand Rapids	1	Proctor	1		
Barnesville	2	Granite Falls	2	Red Lake Falls	1		
Baxter	1	Hanover	1	Red Wing	2		
Becker	2	Harmony	1	Redwood Falls	2		
Bemidji	1	Hawley	2	Rice	1		
Big Lake	1	Hermantown	1	Rice Lake	1		
Blooming Prairie	1	Hibbing	2	Richmond	1		
Braham	2	Hinckley	2	Rock Creek	1		
Brainerd	2	Howard Lake	2	Rockford	2		
Breckenridge	1	Hoyt Lakes	1	Rockville	1		
Breezy Point	1	Hutchinson	2	Rush City	2		
Buffalo	2	International Falls	1	Rushford	2		
Buhl	1	Jackson	2	Sartell	1		
Byron	1	Janesville	1	Silver Bay	1		
Cambridge	1	Kasson	2	Sleepy Eye	1		
Canby	2	Keewatin	1	Spicer	2		
Cannon Falls	2	Kenyon	2	Spring Grove	1		
Chisago City	2	Lake City	2	Spring Valley	2		
Chisholm	2	Lake Crystal	1	Springfield	2		
Clara City	1	Lakefield	1	St. Augusta	1		
Cloquet	2	Le Sueur	2	St. Charles	2		
Cohasset	1	Lester Prairie	1	St. Joseph	2		
Cokato	1	Lindstrom	1	St. Michael	1		
Cold Spring	1	Lonsdale	1	St. Peter	2		
Coleraine	1	Madelia	1	Stacy	1		
Crosby	1	Maple Lake	2	Stewartville	2		
Crosslake	1	Marshall	2	Two Harbors	2		
Delano	2	Melrose	2	Tyler	2		
Detroit Lakes	2	Milaca	2	Virginia	1		
Dilworth	1	Minneota	1	Wabasha	2		
Dundas	1	Montgomery	1	Wadena	2		
Eagle Lake	2	Monticello	2	Waite Park	1		
Edgerton	2	Montrose	1	Warren	2		
Elbow Lake	2	Morris	2	Waseca	1		
Elk River	2	Mountain Iron	1	Waterville	2		
Ely	1	New London	1	Waverly	1		
Esko	1	New Prague	2	Wheaton	2		

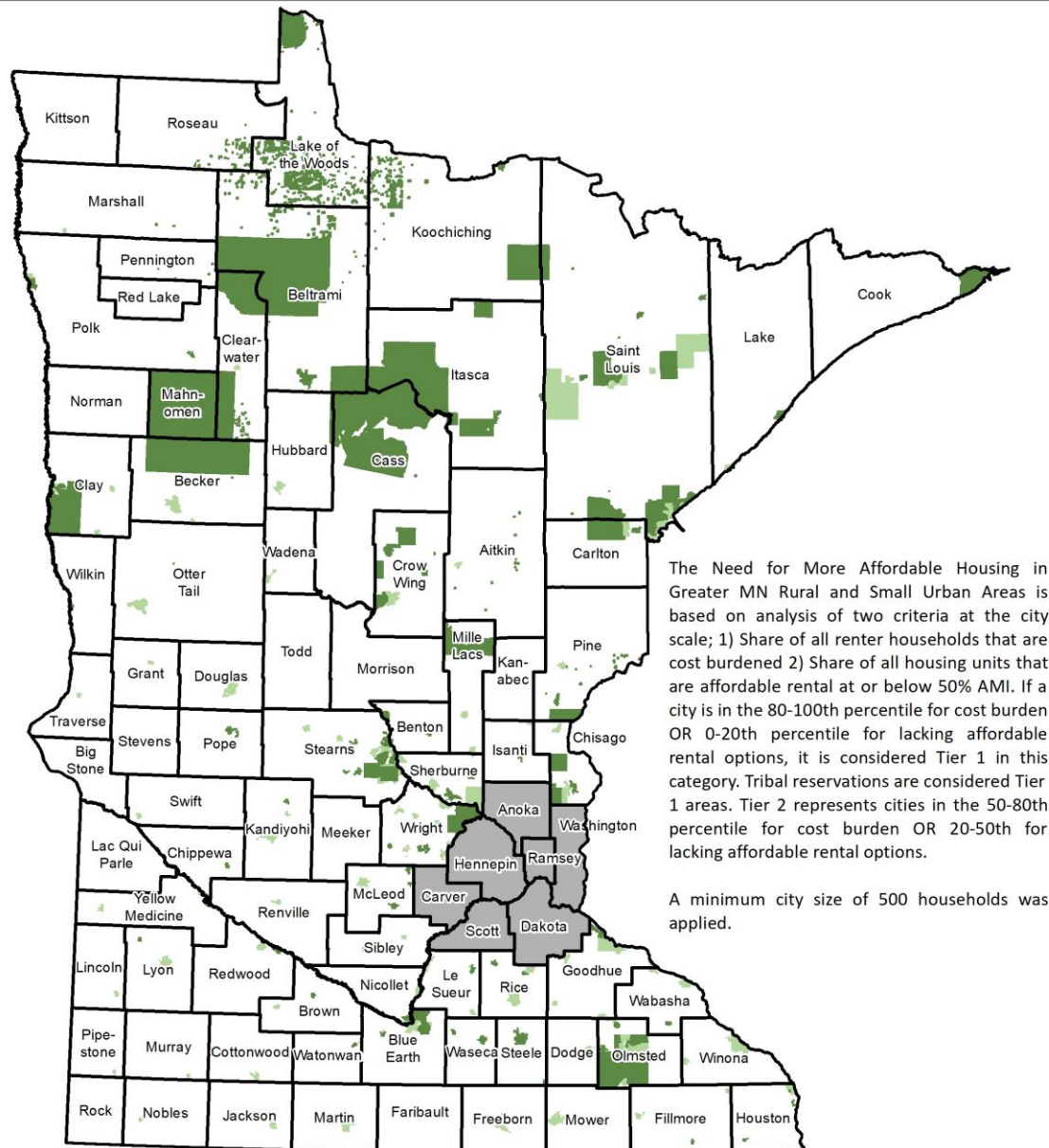
Tribal Reservation	Tier	Tribal Reservation	Tier
Bois Forte	1	Prairie Island	1
Fond du Lac	1	Red Lake	1
Grand Portage	1	Shakopee Mdewakanton Sioux	1
Leech Lake	1	Upper Sioux	1
Lower Sioux	1	White Earth	1
Mille Lacs	1		

Place	Tier		Place	Tier		Place	Tier		Place	Tier	
Adrian	2		Ely	1	*	Minneota	1		St. Charles	2	
Aitkin	2	*	Esko	1		Montgomery	1		St. Joseph	1	
Albany	2		Eveleth	2	*	Monticello	2		St. Michael	1	
Albert Lea	2		Eyota	2		Montrose	1		St. Peter	2	
Albertville	1		Fairmont	2		Mora	1		Stacy	1	
Alexandria	1		Faribault	1		Morris	1		Starbuck	2	
Annandale	2		Fergus Falls	2		Mountain Iron	1		Stewartville	2	
Appleton	2	*	Foley	1		Mountain Lake	2		Two Harbors	2	
Arlington	2		Fosston	1		Nashwauk	2		Tyler	2	
Aurora	2		Frazee	2	*	New London	1		Virginia	1	
Austin	2		Fulda	2		New Prague	2		Wabasha	2	
Avon	1		Gilbert	2		New Ulm	2		Wadena	1	
Babbitt	2		Glencoe	1		Nisswa	1		Waite Park	1	*
Bagley	2		Glenwood	1	*	North Branch	1		Warren	2	
Barnesville	2		Goodview	2		North Mankato	2		Waseca	1	
Baxter	1		Grand Rapids	1		Northfield	2		Waterville	2	
Becker	2		Granite Falls	1		Olivia	2	*	Waverly	1	
Bemidji	1		Hanover	1		Oronoco	1		Wells	2	
Big Lake	1		Harmony	1	*	Osakis	2		Wheaton	2	
Blooming Prairie	1		Hawley	2		Otsego	1		Willmar	2	
Blue Earth	2		Hermantown	1		Owatonna	1	*	Windom	2	
Braham	2		Hibbing	2		Park Rapids	2	*	Winona	1	
Brainerd	1		Hinckley	2	*	Pequot Lakes	2		Winsted	1	*
Breckenridge	1		Howard Lake	2	*	Pine City	1		Winthrop	2	
Breezy Point	1		Hoyt Lakes	1		Pine Island	2		Wyoming	1	
Buffalo	2		Hutchinson	2		Plainview	1		Zimmerman	1	
Buhl	1	*	International Falls	1		Princeton	2		Zumbrota	2	
Byron	1		Isanti	2		Proctor	1	*			
Cambridge	1		Jackson	2		Red Lake Falls	1				
Canby	2		Janesville	1		Red Wing	1				
Cannon Falls	2		Kasson	2		Redwood Falls	2	*			
Chisago City	2		Keewatin	1		Rice	1				
Chisholm	2		Kenyon	2		Rice Lake	1				
Clara City	1	*	Lake City	2		Richmond	1				
Cloquet	2		Lake Crystal	1	*	Rock Creek	1				
Cohasset	1		Lakefield	1		Rockford	1				
Cokato	1		Le Sueur	2		Rockville	1	*			
Cold Spring	1		Lester Prairie	1		Roseau	2				
Coleraine	1		Lewiston	2		Royalton	2				
Crosby	1	*	Lindstrom	1	*	Rush City	1				
Crosslake	1		Little Falls	2		Rushford	2				
Delano	2		Lonsdale	1		Sartell	1				
Detroit Lakes	1		Luverne	2		Silver Bay	1				
Dilworth	1	*	Madelia	1		Slayton	2				
Dodge Center	2		Mahnomen	2		Sleepy Eye	1	*			
Dundas	1		Maple Lake	2		Spicer	2				
Eagle Lake	1		Mapleton	2		Spring Grove	1	*			
Edgerton	1		Marshall	2		Spring Valley	2				
Elbow Lake	2		Melrose	2		Springfield	2				
Elk River	1		Milaca	1		St. Augusta	1				

* NEW Community added with data update, or now it is a Tier 1 community with the updated data.

Need for More Affordable Housing: Reservations and Greater Minnesota Rural/Small Urban Areas

Need For More Affordable Housing: Reservations and Greater MN Rural/Small Urban Areas



■ Tier 1 - Need for More Affordable Housing
■ Tier 2 - Need for More Affordable Housing

0 20 40 Miles

Source: Minnesota Housing; 5/11/2022

mn MINNESOTA
HOUSING

2024-2025 QAP Workforce Housing Communities Methodology

2023 Consolidated RFP/2024 HTC

Due to the impact that the COVID pandemic has had on employment across Minnesota's communities, Minnesota Housing will continue to use the 2022 RFP/2023 HTC workforce housing communities for the duration of the 2024-2025 QAP as a hold harmless provision. Minnesota Housing will continue to evaluate job growth and long commute communities, as defined in the current methodology, and add any NEW workforce communities with updated jobs numbers. No communities will be removed from the existing methodology during the 2024-2025 QAP.

Communities with a need for workforce housing are identified using data on: (1) total jobs (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.⁷ Data on commuting are from the U.S. Census Bureau's Longitudinal Employer-Household Dynamics program.⁸ Workforce housing areas are defined separately for the Metropolitan Area as defined in the QAP 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 at www.mnhousing.gov/profiles. Refer to the 2024-2025 QAP Data Methodology table for more information on how data updates may impact point eligibility under this category.

- **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 Metropolitan Area as defined in the QAP *Communities are buffered by 10 miles in Greater Minnesota and 5 miles in the Metropolitan Area as defined in the QAP 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 Metropolitan Area, as defined in the QAP, the minimum net job growth is 500. *Communities are buffered by 10 miles in Greater Minnesota and 5 miles in the Metropolitan Area as defined by the QAP 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**

⁷The 5 year job growth communities presented in this methodology are for 2014-2019. Minnesota Housing will also add eligible 2015-2020 growth communities prior to application release. Data source: <https://mn.gov/deed/data/data-tools/qcew/>

⁸ Data from LEHD are current to 2018. Minnesota Housing will also add eligible communities with more current data if available by application release. Data source: <https://lehd.ces.census.gov/data/>.

- **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 Metropolitan Area, as defined by the QAP, to account for a modest commuteshed.*

The maps and tables below and on following pages list and display eligible areas for the Metropolitan Area, as defined by the QAP, (pages 2-4) and Greater Minnesota (pages 5-7). If additional communities become eligible prior to release of the Consolidated RFP, Minnesota Housing will add them to the lists; no communities will be subtracted from the lists with the update.

Twin Cities 7-County Metropolitan Area as defined by the QAP Job Centers and Job Growth Communities 2014-2019 or 2015-2020

(6 Points)

Twin Cities 7-County Metropolitan Area Top 5 Job Centers (2019 or 2020)		Twin Cities 7-County Metropolitan Area Communities With Net Growth of 500 Jobs or More (2014-2019 or 2015-2020)	
Minneapolis, Hennepin		Andover, Anoka	Medina, Hennepin
Saint Paul, Ramsey		Apple Valley, Dakota	Mendota Heights, Dakota
Bloomington, Hennepin		Bayport, Washington	Minneapolis, Hennepin
Eden Prairie, Hennepin		Blaine, Anoka	Minnetonka, Hennepin
Plymouth, Hennepin		Bloomington, Hennepin	Mounds View, Ramsey
Eagan, Dakota		Brooklyn Center, Hennepin	New Brighton, Ramsey
		Brooklyn Park, Hennepin	New Hope, Hennepin
		Burnsville, Dakota	New Market Twp, Scott
		Chanhassen, Carver	Oakdale, Washington
		Chaska, Carver	Plymouth, Hennepin
		Coon Rapids, Anoka	Ramsey, Anoka
		Cottage Grove, Washington	Richfield, Hennepin
		Eagan, Dakota	Rogers, Hennepin
		Eden Prairie, Hennepin	Roseville, Ramsey
		Farmington, Dakota	Saint Paul, Ramsey
		Forest Lake, Washington	Savage, Scott
		Fridley, Anoka	Shakopee, Scott
		Ham Lake, Anoka	Shorewood, Hennepin
		Hopkins, Hennepin	Vadnais Heights, Ramsey
		Lakeville, Dakota	Waconia, Carver
		Lino Lakes, Anoka	White Bear Lake, Ramsey
		Mahtomedi, Washington	Woodbury, Washington
		Maple Grove, Hennepin	

Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2014-2019 and 2015-2020).

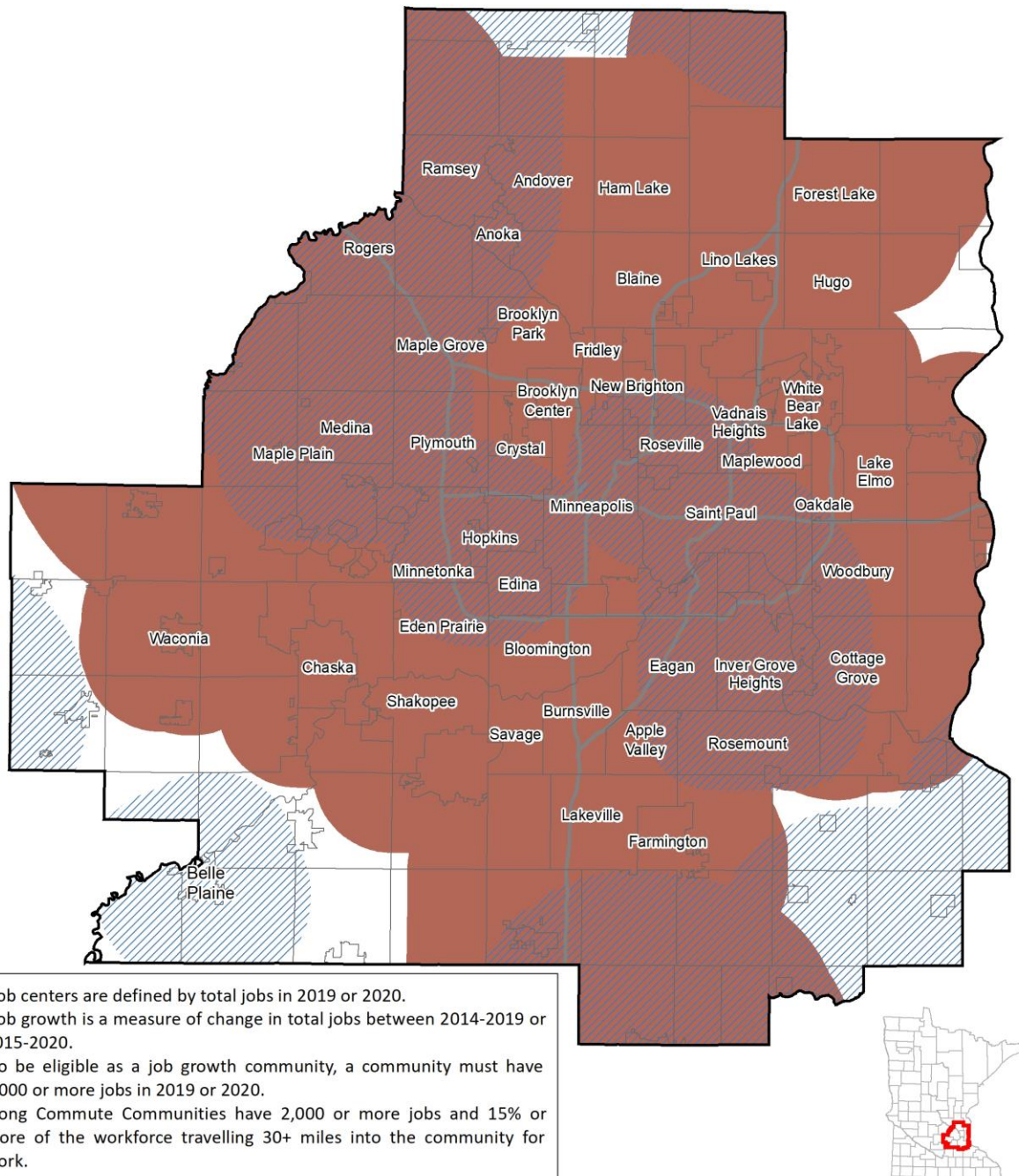
Twin Cities 7-County Metropolitan Area Long Commute Communities**(3 Points)**



Belle Plaine	Medina
Falcon Heights	South St. Paul
Hopkins	Rogers
Inver Grove Heights	Hassan Twp

Source: Minnesota Housing analysis of U.S. Census Longitudinal Employer Household Dynamics Data, 2018 and 2019.

Metro Workforce Housing Communities for 2024-2025 QAP

Metro Workforce Housing Communities for 2024 QAP



-  Long Commute Community (3 Points)
-  Top 5 Job Center or Growth >=500 Jobs (6 Points)



Source: Minnesota Housing analysis of MN Department of Employment and Economic Developments Quarterly Census of Employment and Wages. Date: 3/8/2021; Update 3/23/2022.



Greater Minnesota Job Centers and Job Growth Communities 2014-2019 or 2015-2020**(6 Points)**

Greater Minnesota Top 10 Job Centers (2019 or 2020)		Greater MN Communities With Net Growth of 100 jobs or more (2014-2019 or 2015-2020)	
Rochester, Olmsted		Albertville, Wright	Northfield, Rice
Duluth, Saint Louis		Alexandria, Douglas	Otsego, Wright
Saint Cloud, largely Stearns		Bemidji, Beltrami	Owatonna, Steele
Mankato, largely Blue Earth		Big Lake, Sherburne	Park Rapids, Hubbard
Winona, Winona		Brainerd, Crow Wing	Pine City, Pine
Owatonna, Steele		Buffalo, Wright	Princeton, Mille Lacs
Willmar, Kandiyohi		Cold Spring, Stearns	Rochester, Olmsted
Alexandria, Douglas		Delano, Wright	Saint Cloud, Stearns
Moorhead, Clay		Detroit Lakes, Becker	Saint Joseph, Stearns
Bemidji, Beltrami		Dodge Center, Dodge	Saint Michael, Wright
		Faribault, Rice	Saint Peter, Nicollet
		Glenwood, Pope	Sartell, Stearns
		Hermantown, Saint Louis	Sauk Centre, Stearns
		Litchfield, Meeker	Sauk Rapids, Benton
		Little Falls, Morrison	Thief River Falls, Pennington
		Mankato, Blue Earth	Wadena, Wadena
		Monticello, Wright	Waite Park, Stearns
		Moorhead, Clay	Willmar, Kandiyohi
		Mountain Iron, Saint Louis	Windom, Cottonwood
		New Ulm, Brown	Worthington, Nobles
		North Branch, Chisago	Wyoming, Chisago
		North Mankato, Nicollet	

Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2014-2019 and 2015-2020).

Greater Minnesota Long Commute Communities

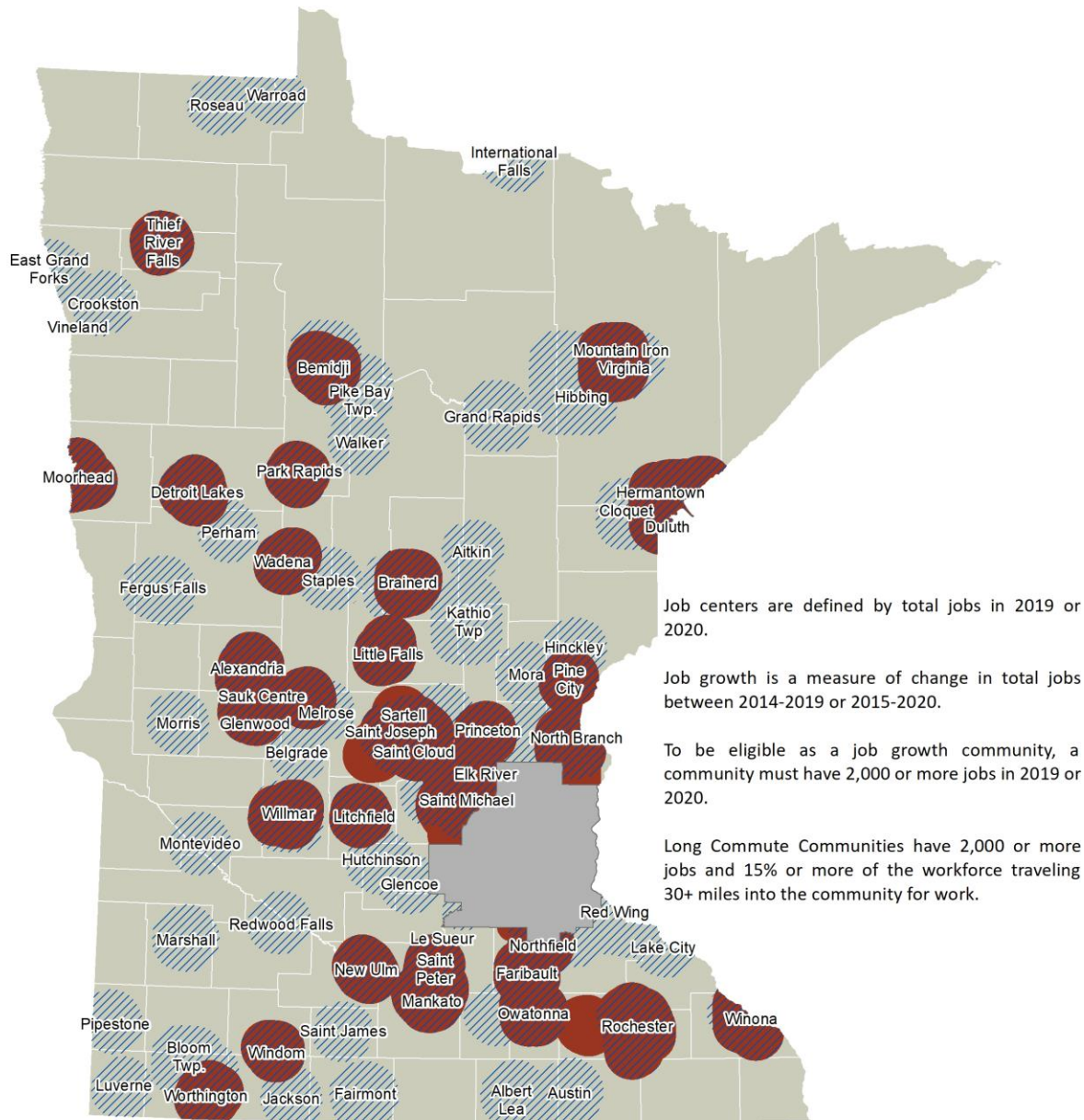
(3 Points)



Greater Minnesota Long Commute Communities			
Aitkin	Foley	Moorhead	Sauk Rapids
Albert Lea	Glencoe	Mora	St. Cloud
Alexandria	Glenwood	Morris	St. James
Austin	Goodview	Mountain Iron	St. Joseph
Baxter	Grand Rapids	New Ulm	St. Michael
Becker	Hermantown	North Branch	St. Peter
Belgrade	Hibbing	North Mankato	Staples
Bemidji	Hinckley	Northern Twp	Thief River Falls
Bloom Twp	Hutchinson	Northfield	Virginia
Brainerd	International Falls	Otsego	Wadena
Cambridge	Jackson	Owatonna	Waite Park
Cannon Falls	Kathio Township	Park Rapids	Waseca
Cloquet	Lake City	Perham	Walker
Crookston	Litchfield	Pike Bay Twp	Warroad
Detroit Lakes	Little Falls	Pine City	Willmar
Duluth	Luverne	Pipestone	Willmar Twp
East Grand Forks	Mankato	Princeton	Windom
Elk River	Maple Lake	Red Wing	Winona
Elk Township	Marshall	Redwood Falls	Worthington
Fairmont	Melrose	Rochester	
Faribault	Montevideo	Roseau	
Fergus Falls	Monticello	Sauk Centre	

Source: Minnesota Housing analysis of U.S. Census Longitudinal Employer Household Dynamics Data, 2018 and 2019.

Greater Minnesota Workforce Housing Communities for 2024-2025 QAP

Greater Minnesota Workforce Housing Communities for 2024 QAP



-  Long Commute Community (3 Points)
-  Top 10 Job Center or Growth >=100 Jobs (6 Points)



Source: Minnesota Housing analysis of MN Department of Employment and Economic Development's Quarterly Census of Employment and Wages. Date: 3/8/2021; Update 3/23/2022.



2024-2025 QAP Transit and Walkability Methodology

2023 Consolidated RFP/2024 HTC

If additional areas become eligible under the same criteria outlined below prior to the 2023~~32~~ RFP, Minnesota Housing will add the areas to the maps; no areas will be subtracted from the maps with the update. Refer to the 2024~~42~~-2025~~53~~ QAP Data Methodology table for more information on how data updates may impact point eligibility under this category.

Metropolitan Area (as defined in the QAP)

In the Metropolitan Area, as defined in the QAP, applicants can receive up to 9 points for transit and walkability. Applicants can claim points for access to transit and walkability together, or for either 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 at www.mnhousing.gov/profiles		
Proximity to LRT/BRT/Commuter Rail Station, or Hi-Frequency Network.	Locations within ½ mile of a planned ⁹ or existing LRT, BRT, or Commuter Rail Station or Metro Transit’s Hi-Frequency Network.	<u>Points</u> 7
Access to High Service Public Transportation	Locations within one quarter mile of a high service ¹⁰ public transportation fixed route stop or within one half mile of an express route bus stop or park and ride lot.	4
Access to Demand Response/Dial-A-Ride	Served by demand response/dial-a-ride transit service. Excludes Metro Transit’s Transit Link Service. Transit service must be available Monday through Friday for a minimum of 8 hours per day.	2
Walkability (one of the following):		
Located within Minneapolis or Saint Paul:		
Walk Score of 80+	Walk Score is based on results from the following tool: www.walkscore.com . ¹¹	2
Walk Score of 60-79		1
Located within a Suburban Community		

⁹ Includes planned stations eligible for Livable Communities Demonstration Account (LCDA) Transit Oriented Development (TOD) Grants (<https://metro council.org/Communities/Services/Livable-Communities-Grants/LCA/2020-LCA-TOD-application-guide.aspx>). Does not include Express Bus Stations eligible for LCDA TOD Grants.

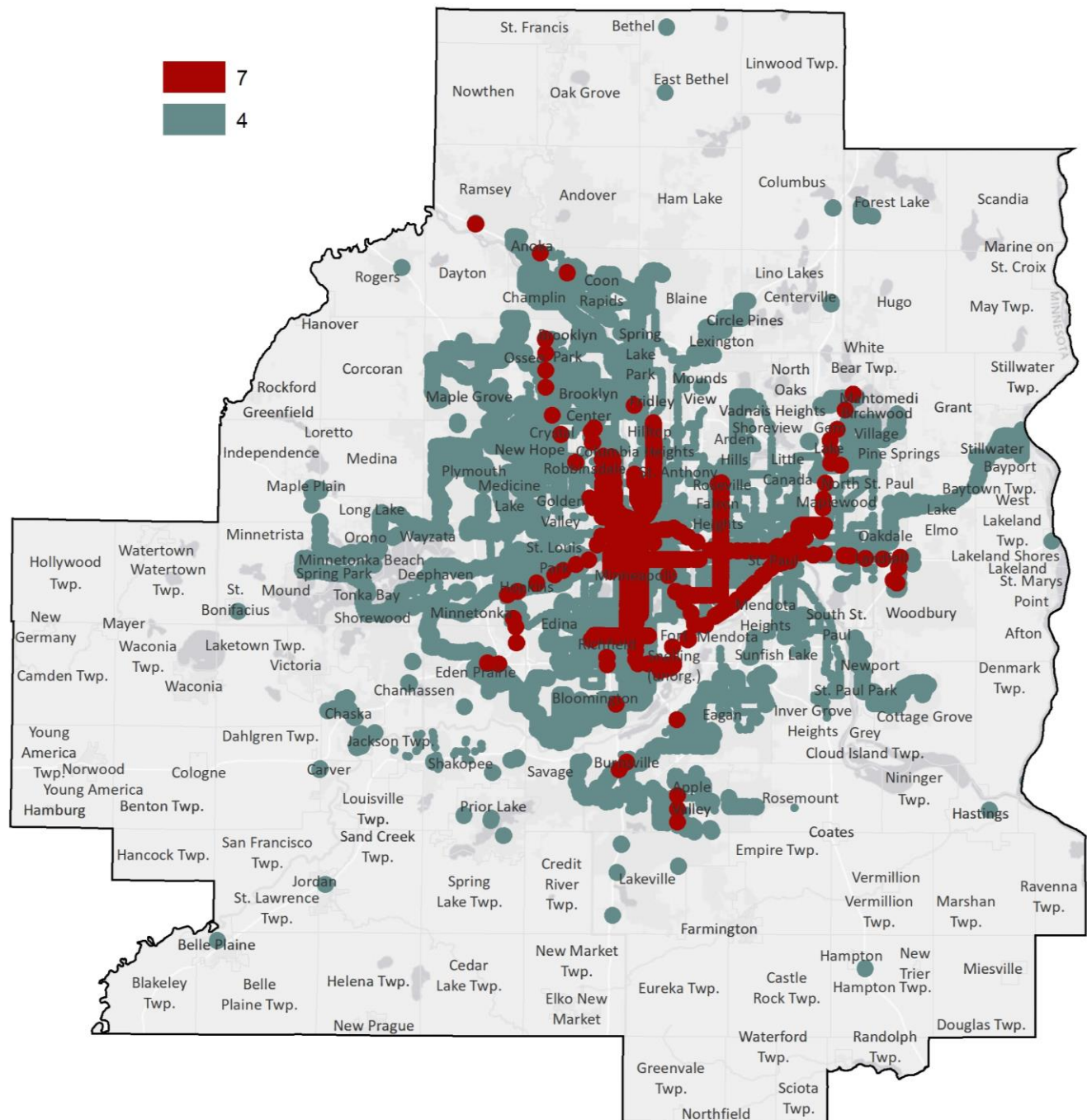
¹⁰ High service fixed route stop defined as those serviced during the time period 6 AM through 7 PM and with service approximately every half hour during that time.

¹¹ If applicants would like to request revisions of a location's Walk Score, they should e-mail Walk Score directly with details of the request to email: 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.

Walk Score of 60+	Walk Score is based on results from the following tool: www.walkscore.com .	2
Walk Score of 50-59		1

The following map shows areas with access to transit. An interactive version of this map is accessible at www.mnhousing.gov/profiles.

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 March 2020)

Greater Minnesota – Urbanized Areas

For urbanized areas, defined by the U.S. Census as places with populations greater than 50,000, applicants can receive up to 9 points with a combination of access to fixed route transit and walkability. Applicants can claim points for access to fixed route transit and walkability together, or for either category separately. These areas, identified by the Minnesota Department of Transportation (MnDOT)¹², 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
		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 . ¹⁴	2
Walk Score of 50-69		1
<ul style="list-style-type: none">• 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.		

¹² Greater Minnesota Transit Investment Plan: <https://www.dot.state.mn.us/transit/riders/index.html>

¹³ 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.

¹⁴ If applicants would like to request revisions of a location's Walk Score, they should e-mail Walk Score directly with details of the request to E-mail: 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 2: Transit Access Point Levels in Greater Minnesota

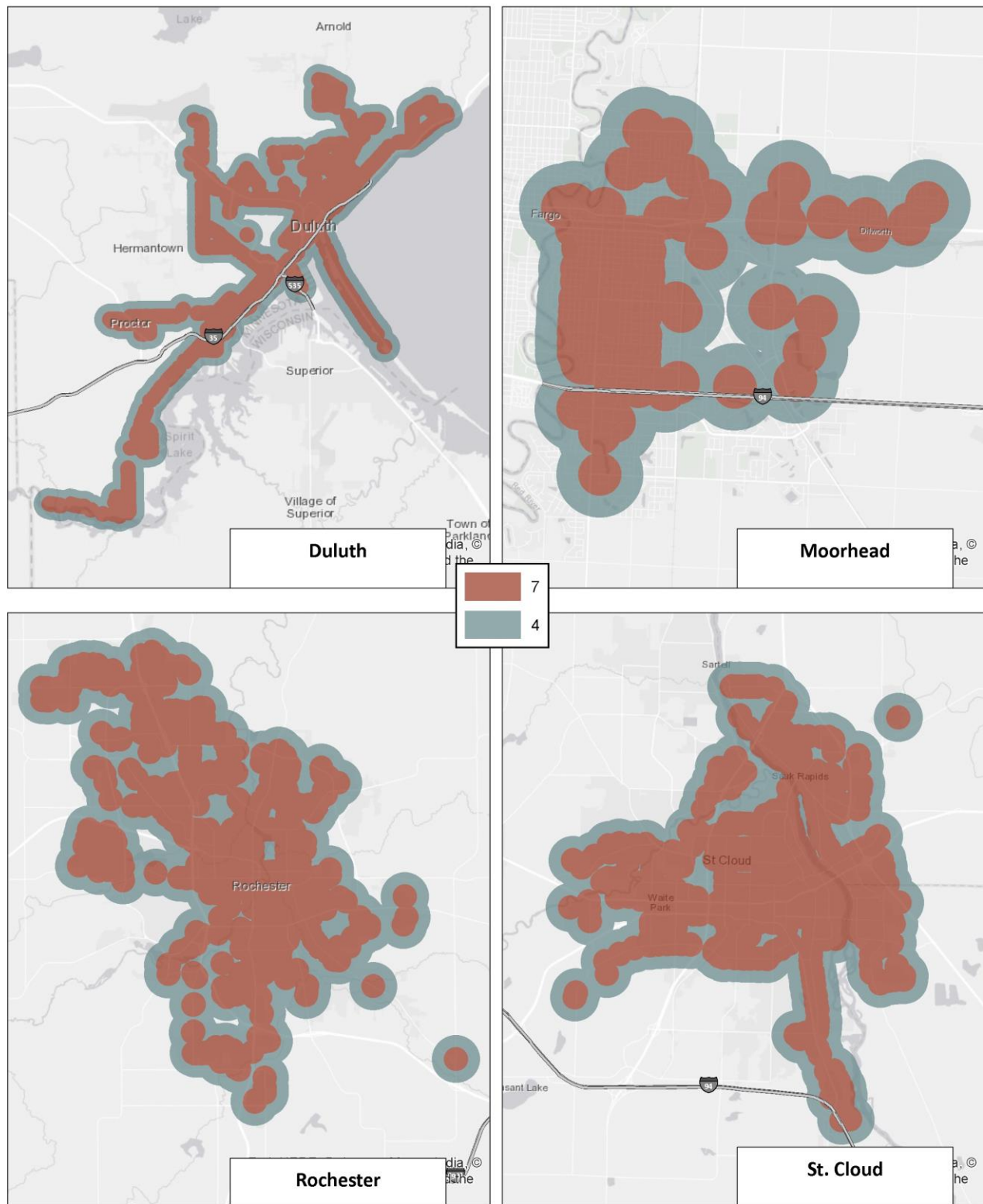
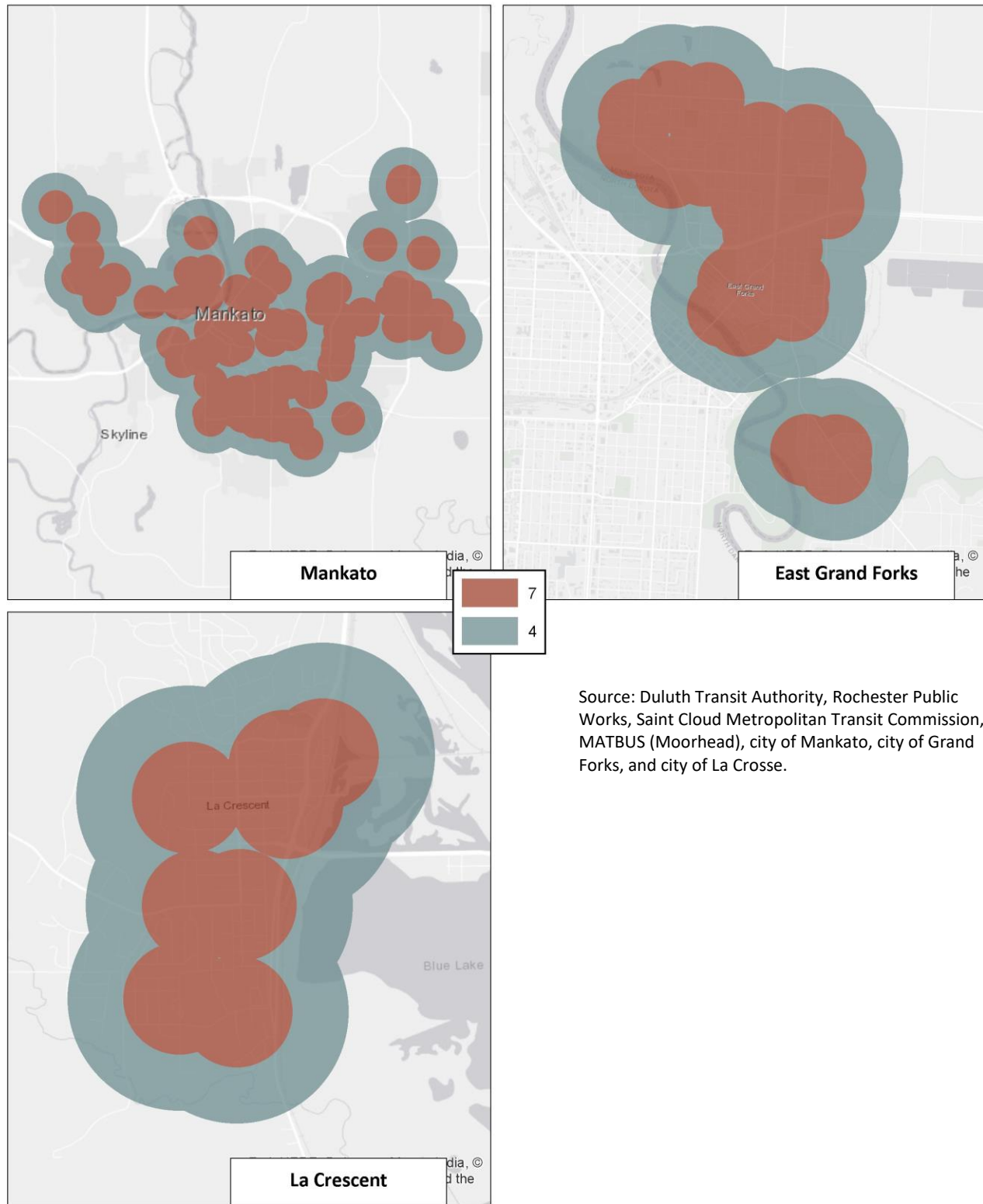


Figure 2: Transit Access Point Levels in Greater Minnesota



Greater Minnesota – Rural and Small Urban Areas

For rural and small urban areas, places with populations less than 50,000, applicants can receive up to 9 points by having access to route deviation service or demand response/dial-a-ride, and walkability. Applicants can claim points for 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 project’s transit service provider.

For rural and small urban areas:

Access to Transit (one of the following):		Points
Within ½ mile of a designated transit stop OR served by demand response/dial-a-ride OR within ½ mile of a commuter rail station ¹⁵ and is available daily Monday-Friday providing same day service		7
Served by demand response/dial-a-ride with prior day or greater notice needed and is available daily Monday-Friday.		4
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 location’s Walk Score from the Walk Score tool. ¹⁶	2
Walk Score of 30-49		1
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.		

¹⁵ Includes the Elk River and Big Lake Stations serviced by Metro Transit’s Northstar Commuter Rail.

¹⁶ If applicants would like to request revisions of a location’s Walk Score, they should e-mail Walk Score directly with details of the request to email: 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 the closest intersection within ¼ mile of the proposed location.

2024-2025 QAP Rural/Tribal Designated Areas Methodology

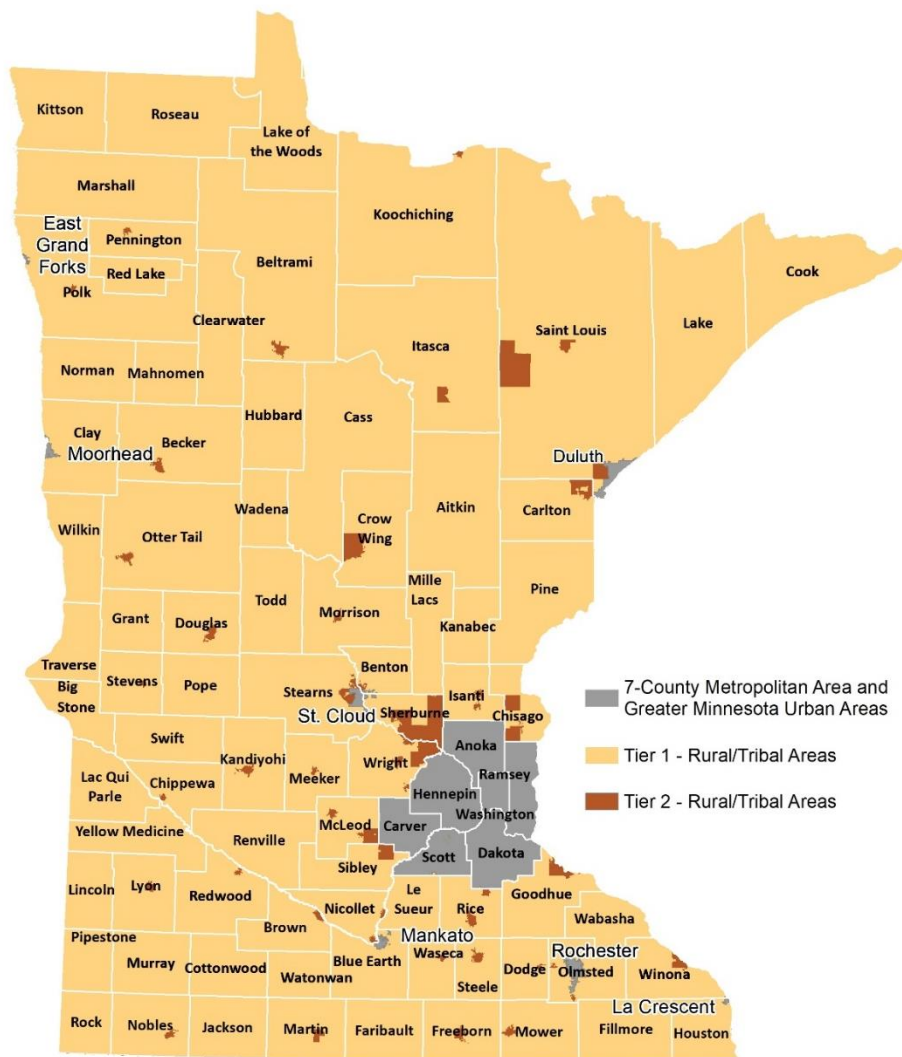
2023 Consolidated RFP/2024 HTC

Minnesota Housing defines ~~rural communities~~ rural/tribal designated areas as areas outside of the Metropolitan Area, as defined by the QAP, and urbanized areas in Greater Minnesota. Urbanized areas in Greater Minnesota are areas with populations over 50,000. They include Duluth, East Grand Forks, La Crescent, Mankato, Moorhead, Rochester, and St Cloud. Refer to the 202~~42~~-202~~53~~ QAP Data Methodology table for more information on how data updates may impact point eligibility under this category.

There are two tiers under the Rural/Tribal Designated Areas:

- **Tier 1 (6 Points)** - The project is located in a Rural/Tribal Designated Area that is located outside of the Metropolitan Area and -within a community that has a population of less than 5,000. ~~These areas are able to receive 4 points under this criterion.~~
- **Tier 2 (4 Points)** - The project is located in a Rural/Tribal Designated Area that -is located outside of the Metropolitan Area and within a community that has a population at or greater than 5,000.

The map below shows areas receiving the rural/tribal designation points ~~in brown~~.



2024-2025 QAP Qualified Census Tracts (QCT), Tribal Equivalent Areas Methodology

2023 Consolidated RFP/2024 HTC

QCTs are based on census tract boundaries, but the boundaries of larger census tracts and reservations in Greater Minnesota do not always align. Thus, large geographic areas of some low-income reservations are not classified as QCTs. Reservations that meet the criteria for designation as a QCT are treated as a QCT equivalent area 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 criteria¹⁷. Applicants will find interactive maps to identify whether a property falls within these areas on Minnesota Housing's website at www.mnhousing.gov/profiles.

2023~~2~~ Consolidated RFP/2024~~3~~ HTC 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 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 (~~2016-2018 or~~ 2017-2019).
- Areas are eligible based on the poverty threshold if the poverty rate is 25% or higher for at least two of three evaluation years (~~2016-2018 or~~ 2017-2019).

Indian Reservations or Trust Land in Minnesota Based on Characteristics of Eligibility for Qualified Census Tracts (~~Values in parenthesis represent years eligible from 2017-2019~~)

Indian Reservation	Years Eligible Based on Income	Years Eligible based on Poverty
Bois Forte Reservation, MN	3 (3)	<u>3</u> 2 (3)
Leech Lake Reservation and Off-Reservation Trust Land, MN	0 (0)	2 (1)
Mille Lacs Reservation and Off-Reservation Trust Land, MN	3 (3)	0 (0)
Prairie Island Indian Community and Off-Reservation Trust Land, MN	0 (0)	<u>2</u> 1 (2)
Red Lake Reservation, MN	3 (3)	3 (3)
Upper Sioux Community and Off-Reservation Trust Land, MN	<u>2</u> 1 (2)	<u>1</u> 2 (1)
White Earth Reservation and Off-Reservation Trust Land, MN	2 (2)	0 (0)

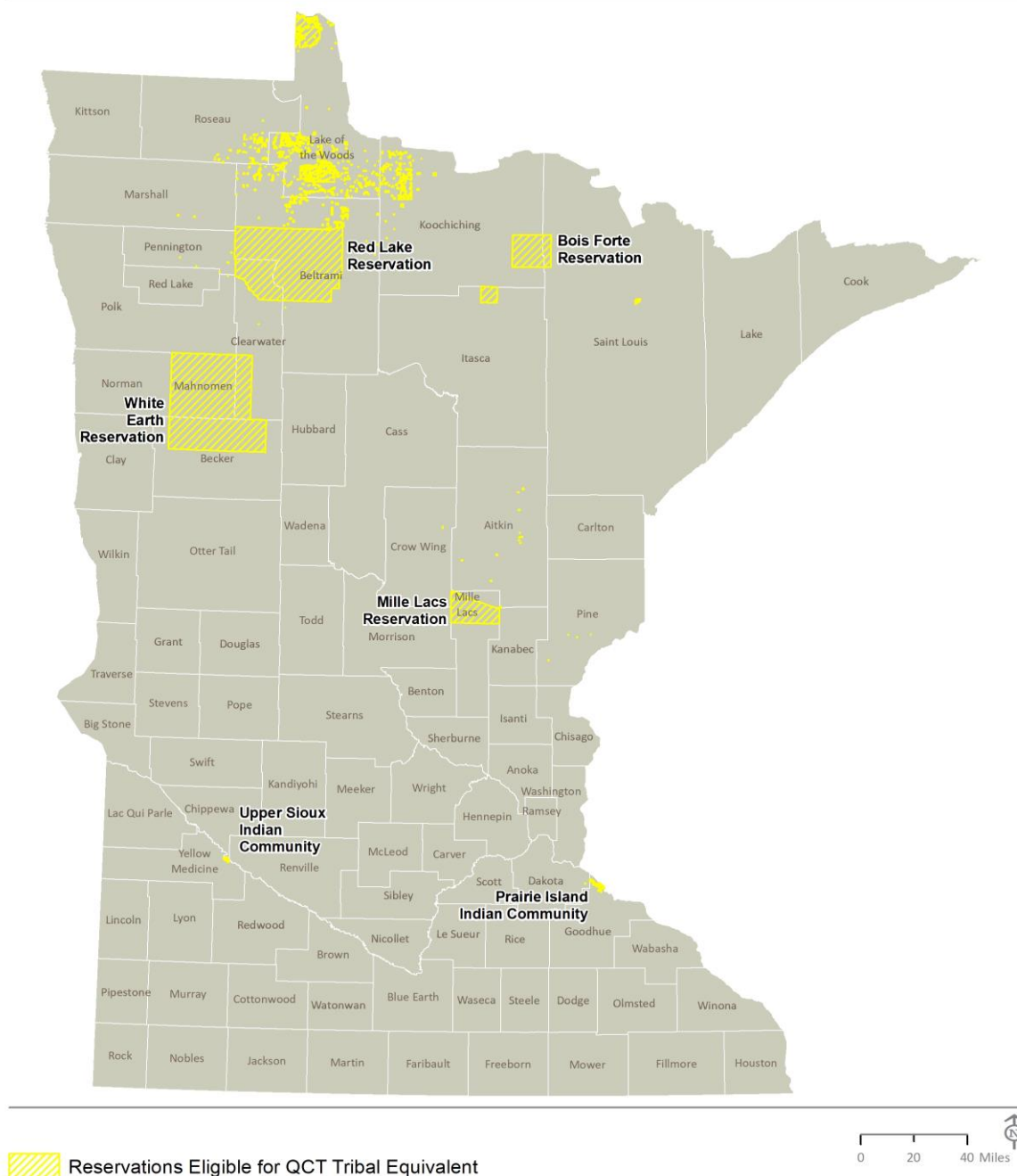
Sources: Decennial Census, HUD Income Limits (Statewide for Very Low Income, 50%), American Community Survey ~~2012-2016~~, 2013-2017, 2014-2018, and 2015-2019 samples.

Minnesota Housing will update the list of eligible reservations with the most current data prior to releasing the Consolidated RFP. Reservations can only be added and will not be removed based on the update. Refer to the 2024~~2~~-2025~~3~~ QAP Data Methodology table for more information on how data updates may impact point eligibility under this category.

¹⁷ HUD QCT Designation Algorithm found here: https://www.huduser.gov/portal/qct/QCT_Algorithm.html
2024-2025 Qualified Allocation Plan
Methodology Guide

Tribal Lands Eligible Under QCT Methods

Tribal Lands Eligible Under QCT Methods



Source: Minnesota Housing Analysis of American Community Survey Data 2015-2019, 2014-2018, and 2013-2017. Tribal lands are 2018 boundaries from the US Census of American Indian, Alaska Native, and Native Hawaiian geographies.



2024-2025 QAP Opportunity Zones Methodology

2023 Consolidated RFP/2024 HTC

Opportunity Zones are a community development program established by Congress in the [Tax Cut and Jobs Act of 2017](#) to encourage long-term investments in low-income and urban communities nationwide.

In accordance with [H.R.1 Tax Cut and Jobs Act of 2017](#), Governor Dayton nominated 128 census tracts for designation as a qualified opportunity zone. On May 18, 2018, the U.S. Department of Treasury certified and formally designated these [census tracts](#) as qualified Opportunity Zones.

Opportunity Funds are a new class of private sector investment vehicles authorized to aggregate and deploy private investment into Opportunity Zones. **Census tracts designated as Opportunity Zones do not change.**

Opportunity Funds allow U.S. investors holding unrealized gains in stocks and mutual funds to pool their resources in projects located in Opportunity Zones, which will be invested in rebuilding low-income communities.

Opportunity Funds pool investments in Opportunity Zones.

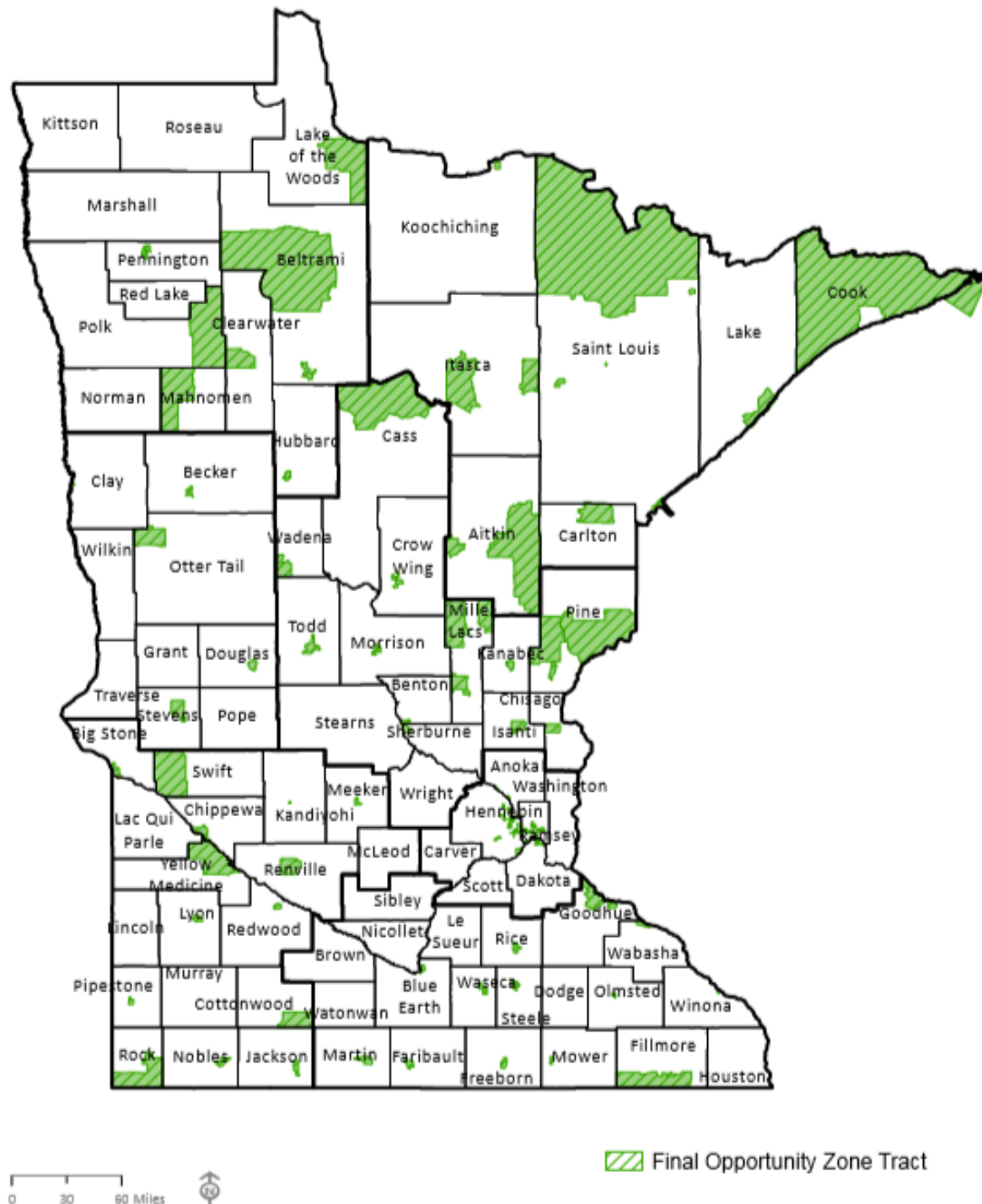
U.S. investors are eligible to receive:

- A temporary tax deferral for capital gains invested in an Opportunity Fund
- A step-up in basis for capital gains reinvested in an Opportunity Fund
- A permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in a qualified opportunity zone fund if the investment is held for at least 10 years

The following maps show the designated 128 census tracts. For more information regarding Opportunity Zones in Minnesota visit the Department of Employment and Economic Development's (DEED) website at <https://mn.gov/deed/business/financing-business/tax-credits/opp-zones/> or for a list of census tracts by county go to <https://mn.gov/deed/business/financing-business/tax-credits/opp-zones/census-opp-zone-tracts.jsp>.

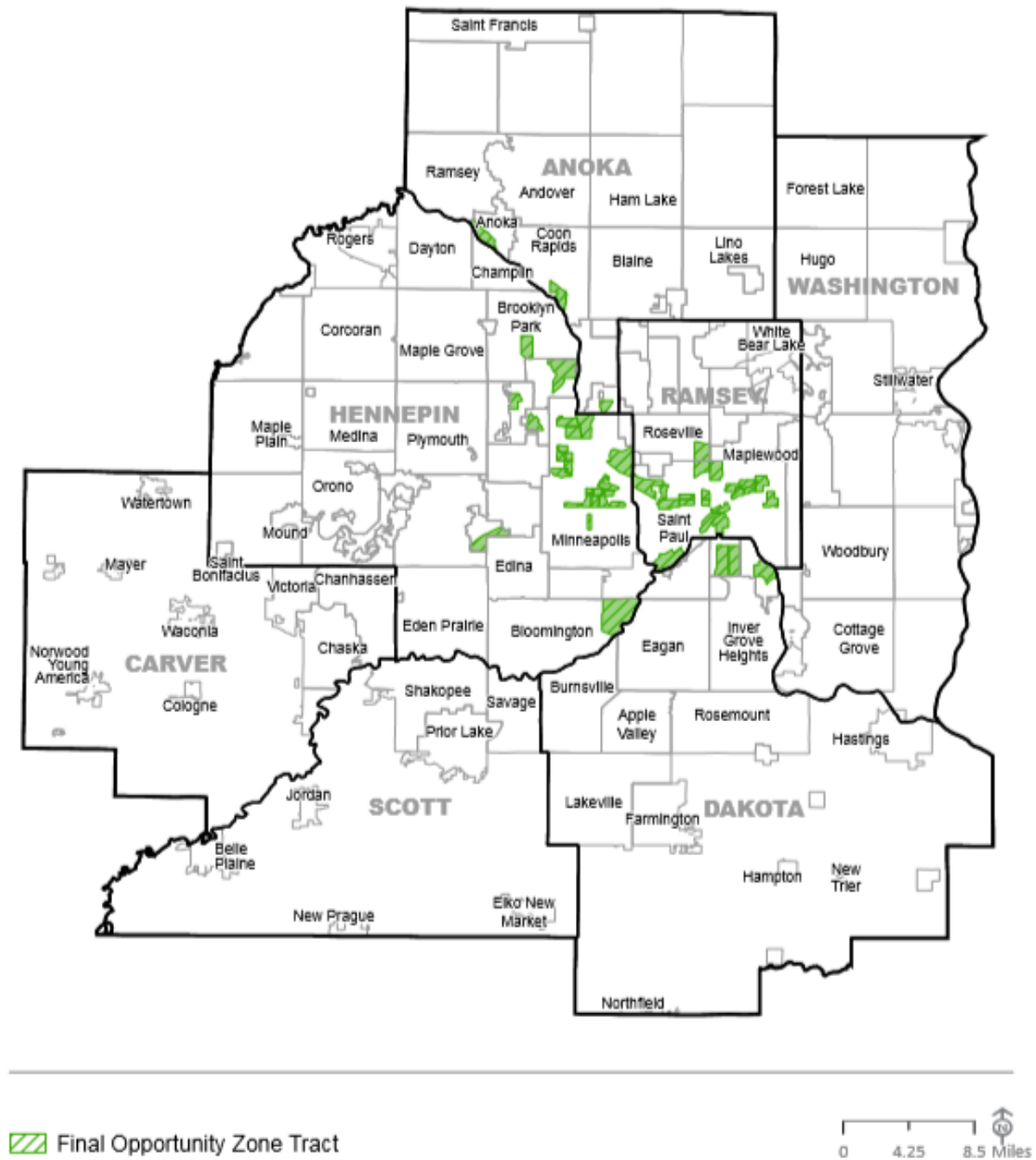
Opportunity Zones Designations

Opportunity Zone Designations



Twin Cities 7-County Metro: Opportunity Zones Designations

Twin Cities 7 -County Metro: Opportunity Zone Designations



2024-2025 QAP Multifamily Award History Methodology

2023 Consolidated RFP/2024 HTC

Four points will be awarded for communities that have not received an award or allocation of funding in the last five years.* Programs included to determine whether a community has not received an award are provided in the table below.

Communities under this criterion are defined as a city or township.

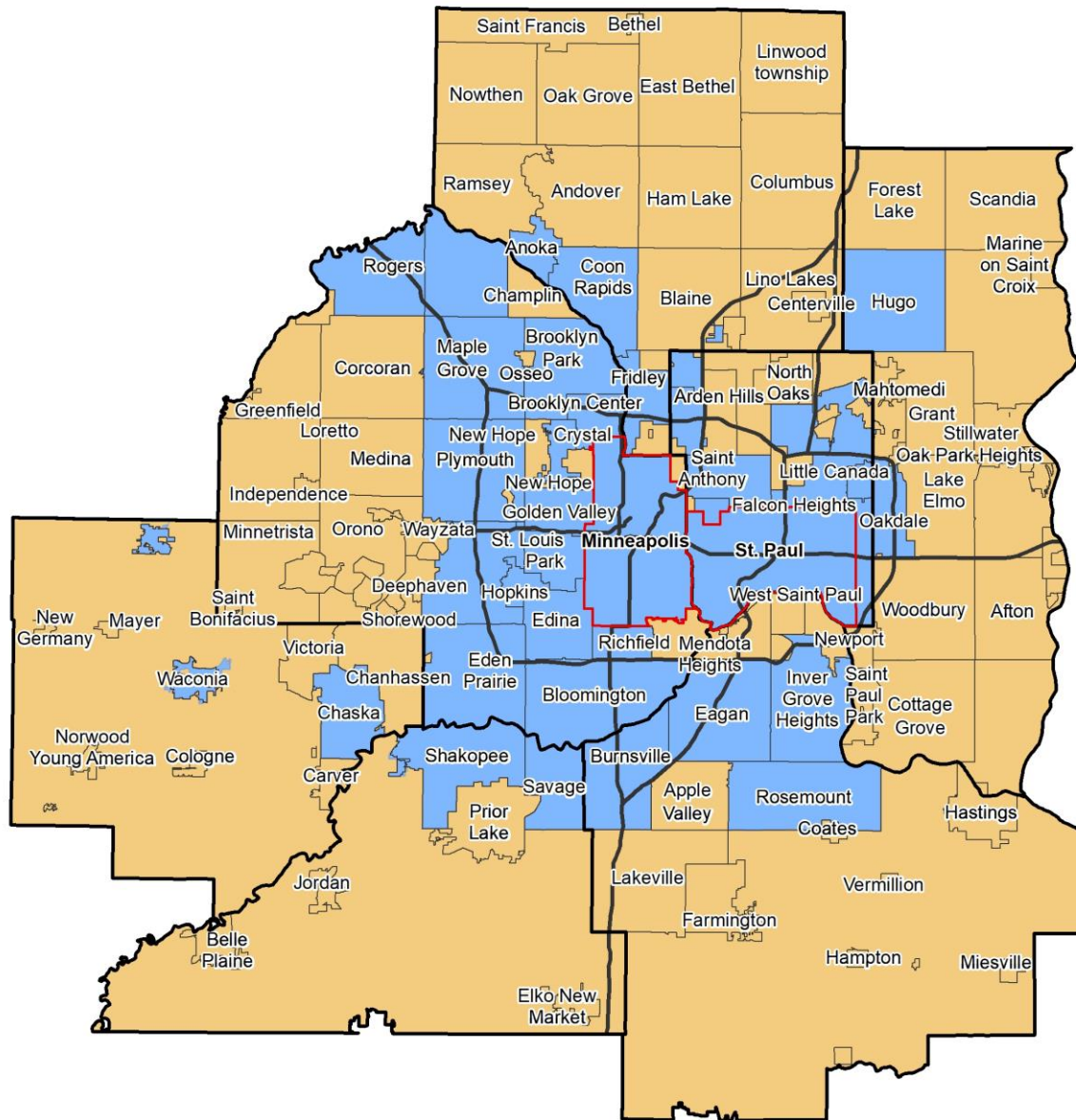
The maps on the following pages highlight the communities eligible for points under this criterion that have not received a Multifamily Award in the last five years.

Programs Included	Year	Publication Dates	Other Data Notes
Consolidated RFP <ul style="list-style-type: none">HTC Round 1HTC Round 2Any Minnesota Housing deferred funding sourceExcludes: Projects solely funded by a funding partner	Project selections or commitments from Jan. 1, 201 7 ⁶ through Jan ^{Dec} . 31, 202 2 ¹ 0	Note – we will not use the most recently awarded or allocated Multifamily Consolidated RFP funding, but rather will set the cut off one complete year prior. This allows communities advance notice to determine what communities are/are not included in this scoring criterion.	Rescinded awards are subtracted out
Pipeline projects with any eligible multifamily deferred funding source	Project selections or commitments from Jan. 1, 201 7 ⁶ through Jan ^{Dec} . 31, 202 2 ¹ 0		Rescinded awards are subtracted out
4% HTC only projects	Project selections or commitments from Jan. 1, 201 7 ⁶ through Jan ^{Dec} . 31, 202 2 ¹ 0		Project must have been issued a preliminary determination (42M) letter
Other Notes			
Excludes: Communities where projects were funded or financed in the past five years with Low and Moderate Income Rental (LMIR) first mortgage-only funding, Rental Rehabilitation Deferred Loan (RRDL), Workforce Housing Development Program, Publicly Owned Housing Program (POHP) loan or an asset management loan.			
HTC Data: <ul style="list-style-type: none">In cases where Minnesota Housing apportions our tax credits to another suballocator, that project and location will be included as a Minnesota Housing award for purposes of this methodology.Investments by a suballocator will otherwise be excluded from this methodology.			

*For scattered site projects, the location of each building will be incorporated into this methodology.

No Multifamily Award in the Last Five Years – Metropolitan Area

No Multifamily Award in the Last Five Years - Metropolitan Area



- City/Township Received Multifamily Award in the Last Five Years
- No Multifamily Award in the Last Five Years

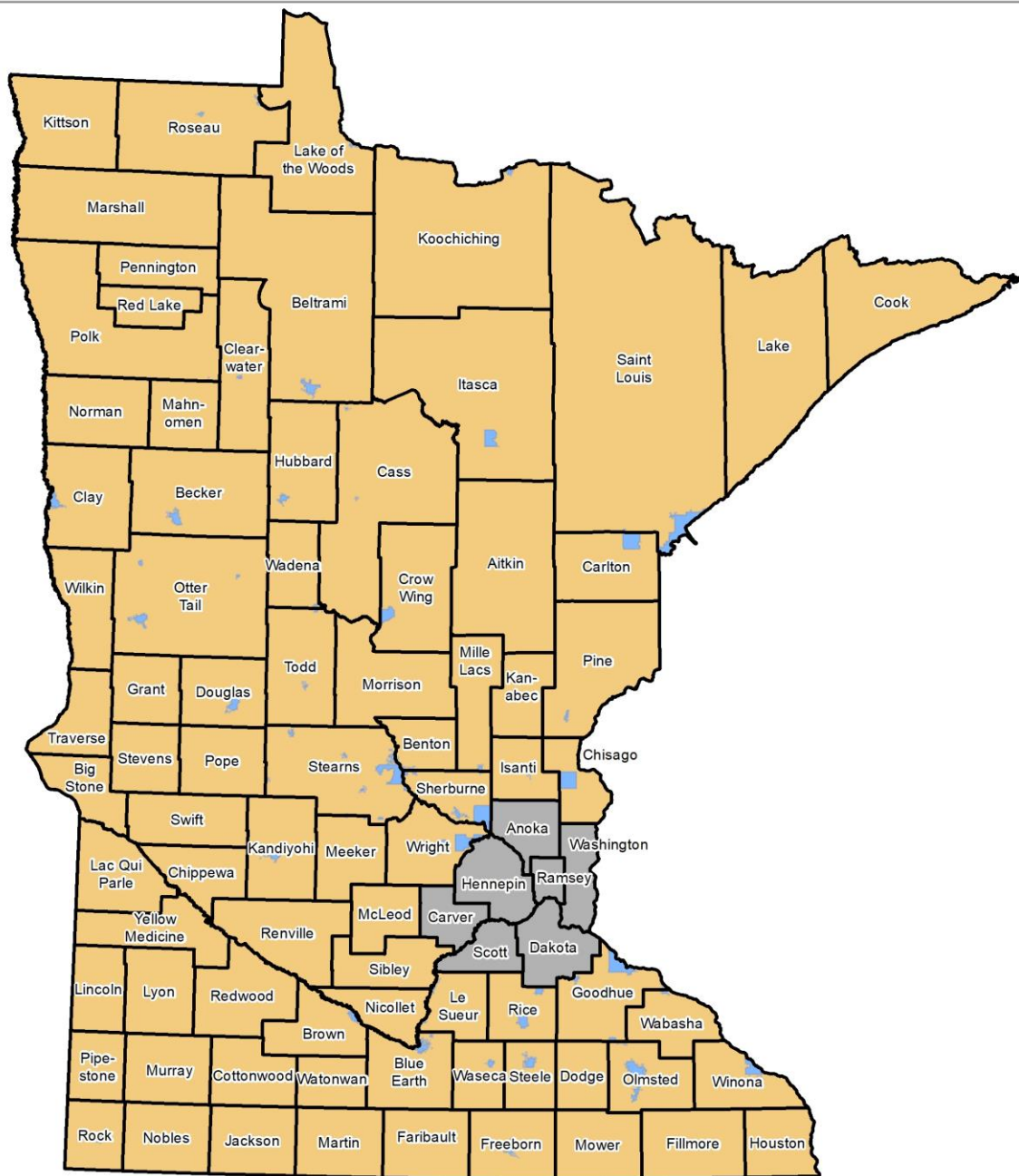


Source: Minnesota Housing analysis; Date: 5/11/2022

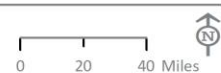
MINNESOTA HOUSING

No Multifamily Award in the Last Five Years – Greater Minnesota

No Multifamily Award in the Last Five Years - Greater Minnesota



City/Township Received Multifamily Award in the Last Five Years
 No Multifamily Award in the Last Five Years



Source: Minnesota Housing; Date: 5/11/2022



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Board Agenda Item: 8.A
Date: 11/17/2022

Item: Fourth Quarter 2022 Progress Report: 2020-2023 Strategic Plan and 2022-2023 Affordable Housing Plan

Staff Contact(s):

John Patterson, 651.296.0763, john.patterson@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input checked="" type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff are providing for the Board's review and discussion the fourth quarter 2022 progress report for implementing the 2020-2023 Strategic Plan and 2022-2023 Affordable Housing Plan. The report has two sections: (1) progress in reaching two strategic goals, and (2) progress in reaching program activity forecasts for program year 2022 (October 1, 2022 through September 30, 2023).

Fiscal Impact:

None

Meeting Agency Priorities:

- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☒ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):

- Fourth Quarter 2022 Progress Report: 2020-2023 Strategic Plan and 2022-2023 Affordable Housing Plan

Fourth Quarter 2022 Progress Report: 2020-2023 Strategic Plan and 2022-2023 Affordable Housing Plan (Program Year October 1, 2021 through September 30, 2022)

This report presents our progress in carrying out our 2020-2023 Strategic Plan and our 2022-2023 Affordable Housing Plan. The following diagram illustrates the Agency's strategy management framework and how these and other plans align and guide our work.



This progress report has two sections:

1. **Go Bigger Strategic Goals.** To track our progress in carrying out our 2020-2023 Strategic Plan, we have identified two priority areas for which we set strategic goals:
 - a. Share of first-time homebuyer mortgages going to Black, Indigenous and households of color
 - b. Share of new rental units that will be deeply affordable
2. **Forecast of Households and Housing Units to be Assisted.** To track our progress in implementing the 2022-2023 Affordable Housing Plan, we forecasted and now track the number of households and housing units that we expect to assist with funds awarded in program year 2022. This is a leading indicator of our program activity. For housing development programs, it can take two years from selecting projects for funding to disbursing of those funds when construction is carried out.

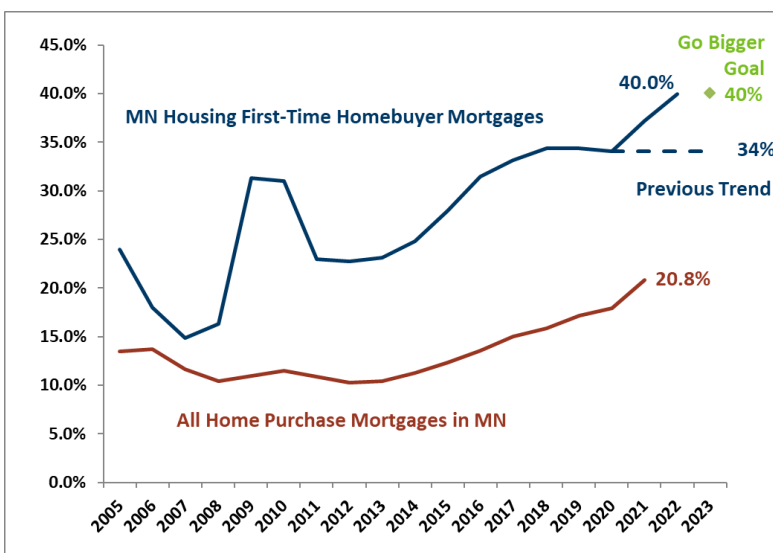
Overall, we had a successful year, achieving two key strategic goals a year ahead of time and reaching several of our forecasts for assisting households and housing units. We exceeded expectations in several areas but fell short in some others.

Fourth Quarter 2022 Progress Report

- In program year 2022, 40.0% of our first-time homebuyer mortgages went to Black, Indigenous and households of color, reaching our 40% goal for 2023 a year ahead of time.
- With 50% of the new rental units selected for funding in January 2022 being deeply affordable, we reached our 45% goal for 2023 a year ahead of time.
- We reached 95% of our 2022 year-end forecast of households and housing units to assist through our core programs.
 - Home mortgage lending started out very strong but tapered off from expected levels later in the year as interest rates rose. In the end, we reach 103% of our year-end forecast, assisting over 5,000 homebuyers.
 - We did not reach our forecasted levels of home improvement lending. Supply and contractor shortages along with high construction costs likely limited program activity. Also, we probably set our expectations too high with significant improvement in activity levels during the previous year.
 - We surpassed our expected level of new rental construction activity by nearly 50%.
- We also assisted nearly 55,000 households through our emergency COVID housing programs.
- Overall, we allocated funds in program year 2022 that are expected to assist nearly 110,000 households and housing units.

Strategic Goals

1. Share of First-Time Homebuyer Mortgages Going to Black, Indigenous and Households of Color

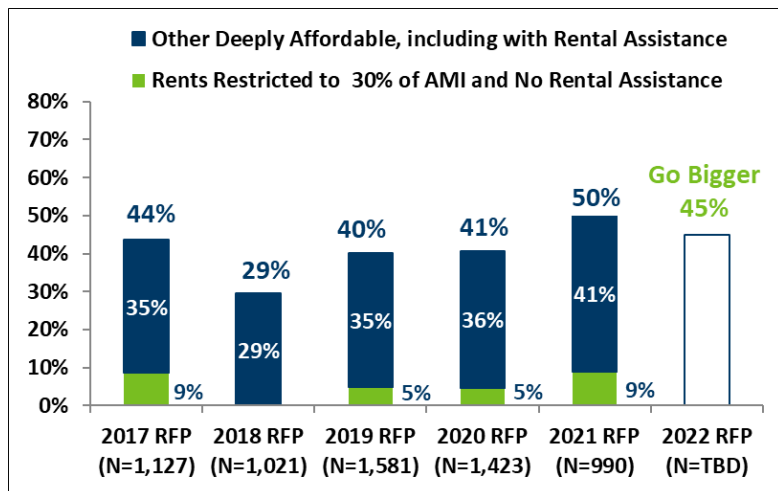


2023 Go Bigger Goal 40.0%

2022 Quarter 4 YTD Actual 40.0%

For a few years in a row, 34% of our first-time homebuyer mortgages went to Black, Indigenous and households of color, which is significantly higher than the overall mortgage industry in Minnesota (21%) but not the upward trajectory that we wanted. We decided to be ambitious and shoot for 40% by 2023. In 2021, we broke through the 34% level and reached 37%. In 2022, we reached our 40% goal a year of ahead of time.

2. Share of New Rental Units that Will be Deeply Affordable*



2023 (2022 RFP) Go Bigger Goal 45%

2022 (2021 RFP) Actual 50%

* The graph includes new construction and adaptive-reuse units: (1) with contract rents that are affordable to households with incomes at or below 30% of the area median income (AMI), (2) with rental assistance, including Housing Support, and/or (3) that are permanent supportive housing.

With the selections approved in January under the 2021 RFP, 50% of the new construction and adaptive-reuse units are expected to be deeply affordable. We reached our 45% goal a year ahead of time. Our ability to continue meeting this goal depends on the availability of Housing Infrastructure Bonds and rental assistance, including the Department of Human Services' Housing Support. With the 2021 RFP, we also increased the incentive in our selection criteria for developments to have deeply affordable units. Because deeply affordable units require more subsidy, there is a tradeoff between the total number of units developed and the number of deeply affordable units.

Forecast of Households and Housing Units to Be Assisted

The following table tracks our progress in reaching our 2022 activity forecasts by program area. For context and a comparison, it also provides the level we reached in 2021.

Progress in Reaching Our Forecast of Households and Housing Units to be Assisted in 2022

		2022 Year-End Forecast	2022 Final	Share of 2022 Forecast Reached	2021 Final
1	Home Mortgage Lending	4,889	5,025	103%	5,676
2	Homebuyer/owner Education and Coaching	8,294	6,885	83%	8,262
3	Home Improvement Lending	1,961	1,117	57%	1,410
4	Owner-Occupied Housing Development & Support	1,477	1,609	109%	653
5	Rental New Construction & Adaptive Re-use	1,180	1,682	143%	1,920
6	Rental Rehabilitation	788	512	65%	735
7	Rental Refinance Only	91	107	118%	35
8	Rental Assistance and Operating Subsidies	3,467	3,248	94%	3,062
9	Section 8 Contract Administration	29,700	29,763	100%	29,553
10	Homelessness Prevention and Other Supports	5,428	4,681	86%	3,698
11	Total for Core Programs	57,275	54,629	95%	55,004
12	COVID-19 Housing Recovery	29,200	54,757	188%	25,510
Note: These numbers reflect households or housing units to be assisted based on housing developments that have been selected for funding, the commitment of home mortgage and home improvement loans (net of cancellations), and the distribution of funds for rental assistance, operating subsidies, homebuyer education/coaching and homelessness prevention.					

NOTES:

Lines 1: Activity in the home mortgage programs started very strong but slowed from expected levels as the homebuying market cooled with higher interest rates. We ended up the year just above our original forecast.

Lines 2: With the slowdown in homebuying, we did not reach our expected level of activity in homebuyer education, counseling, and training, reaching 83% of the year-end forecast.

Line 3: Home improvement lending was substantially slower than expected. Last year, we experienced a substantial increase in program activity after we made program changes, and we hoped the strong upward trajectory would continue; however, we are now facing headwinds. Contractor and supply shortages along with high construction costs is very likely limiting program activity.

Line 4: With respect to single-family development and rehabilitation programs (including manufactured home communities), we have surpassed our year-end forecast, reach 109% of the forecast.

Line 5: With respect to selections for rental new construction, we significantly exceeded our year-end forecast. While higher than expected construction costs have limited the number units that we can fund, we awarded a larger share of the available funding to new construction than originally expected.

Line 6: In contrast, we did not reach the level of rental rehabilitation that we originally forecasted. Higher than expected construction costs have limited the number of rental units that we could fund with

available resources. We also held off issuing the RFP for the Rental Rehabilitation Deferred Loan Program (RRDL) until program year 2023.

Line 7: We exceeded our year-end forecast for refinancing rental developments. These funds are available year-round, and activity is demand driven, which can lead to uneven activity over the course of a year and from year-to-year.

Line 8: Activity in our state-funded rental assistance and operating subsidy programs is slightly behind expectations. With the tight rental market and low vacancy rates, it can be hard for voucher holders to find apartments to rent, which limits full utilization of the vouchers.

Line 9: The rental units receiving Project-Based Section 8 assistance came in right at the expect levels. The number of households assisted is stable, with little change over time.

Line 10: With respect to the number of households receiving homelessness prevention assistance and other supports, we are behind expectation. The assistance is being provided, but the amount of assistance needed per household is higher than expected, which is limiting the number of households assisted with the available resources.

Line 11: Across all of the Agency's core programs, activity is generally in line with expectations, with some programs ahead of schedule and others behind. We reached 95% of our overall forecast of households and housing units to be assisted.

Line 12: In 2022, we administered two COVID-19 housing recovery programs – RentHelpMN and HomeHelpMN. For program year 2022, we assisted nearly 54,000 renter households through the RentHelpMN program, which is above our year-end forecast for both RentHelpMN and HomeHelpMN combined. When we developed the year-end forecasts in the summer of 2021, it was still unclear how activity under these two programs would unfold. At that time, we forecasted that we would assist roughly 58,000 households (50,000 through RentHelpMN and 8,000 HomeHelpMN) over the two years of 2022 and 2023. Given the timing uncertainty, we made the simplifying assumption that the assistance would be split evenly between the two years (29,000 households for the two programs combined in each year); however, we acknowledged that program activity would most likely be higher in 2022 than 2023. The need for RentHelpMN ended up being very strong, and we stopped taking new applications in late January of 2022. HomeHelpMN launched on May 17, and we assisted nearly 800 households by September 30, with the program ramping up operations.



Board Agenda Item: 9.A
Date: 11/17/2022

Item: 2022 Cost Containment Report

Staff Contact(s):

John Patterson, 651.296.0763, john.patterson@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input checked="" type="checkbox"/> Information |

Summary of Request:

Staff is providing for your review the 2022 Cost Containment Report, which provides data and information on the cost of developing and rehabilitating housing and the Agency's efforts to contain costs. This report provides important context when you review the projects that staff are recommending for funding through the Consolidated RFPs next month.

Fiscal Impact:

None.

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☒ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):

- 2022 Cost Containment Report

Cost Containment Report

2022

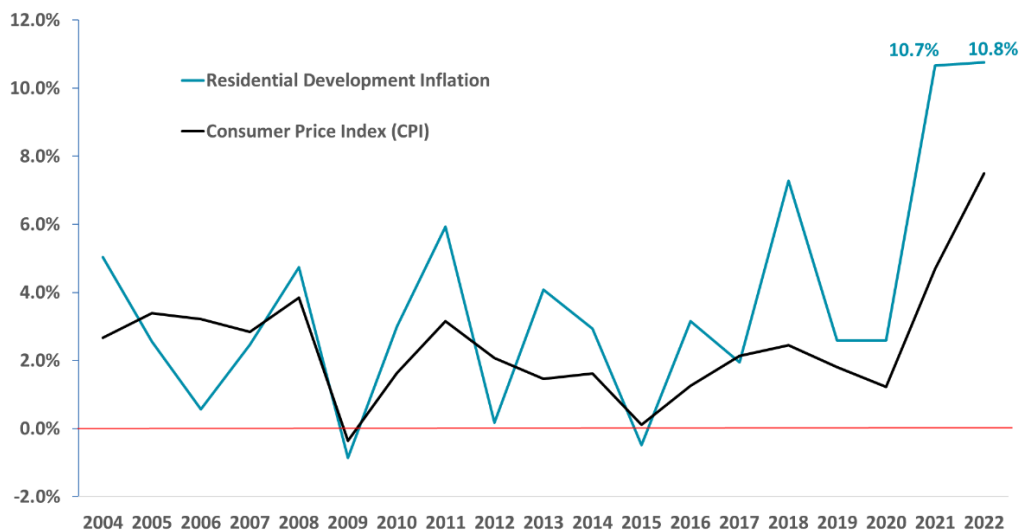


OVERVIEW AND CONTEXT

Containing the cost of housing development is a critical issue in Minnesota. In 2021, about 591,000 Minnesota households were cost burdened by spending more than 30 percent of their income on housing.¹ To address the shortage of housing that is affordable, we need to build and preserve more affordable homes across the state, especially for households with lower incomes, which is challenging.

- Current development resources for affordable housing are not scaled to meet the need. Currently, about 5% of new rental construction is underwritten to be affordable to households with incomes at or below 50% of the area median income, while the share needs to be 49% if the rents of new units are to match the incomes of renters.²
- Housing development costs have risen rapidly, over 10% each of the last two years.³ See Figure 1.

Figure 1: Inflation 2004 to 2022



In addition, effective cost containment is nuanced and involves policy tradeoffs. For example:

¹ Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2021, 1-year sample).

² Minnesota Housing analysis based on data from the Metropolitan Council (2016-2020 construction) and of HUD's 2015-19 CHAS (Comprehensive Housing Affordability Strategy) data.

³ Minnesota Housing analysis based on data from the Bureau of Labor Statistics' Producer Price Index for residential construction goods, the Minnesota Department of Employment and Economic Development's weekly wage data for the multifamily housing construction sector, and CoStar data about acquisition costs in Minnesota.

- Using lower-quality materials and less efficient systems will reduce upfront costs, but they can also increase ongoing maintenance, repair and utility costs, which may not be cost-effective in the long run.
- Using lower-quality materials and more basic designs for a building's exterior will also reduce costs, but they will also make it more challenging to fit affordable housing in the surrounding neighborhood, particularly higher-income communities, which can lead to community opposition and increase costs related to delays, re-design and projects not moving forward.
- Siting developments in less expensive locations can save money, but it can also reduce tenants' access to jobs, services, amenities, safe neighborhoods, public transportation, good schools and other benefits.

We based our 2020-2023 Strategic Plan on the principle that housing is the foundation for success, providing individuals, families and communities the opportunity to thrive. To achieve this outcome for as many lower-income households as possible, our goal is to finance high-quality, durable, location-efficient housing that provides access to jobs, transit and other amenities and is built at reasonable costs. We are balancing the goal of cost containment with other policy objectives.

Overall, as the following assessment shows, for projects financed by the agency, there has been relatively consistent total development costs (TDC) even when we have focused on policy objectives that can increase development costs, including supportive housing for people experiencing homelessness and people with disabilities, energy-efficient and healthy homes, and locations that provide access to jobs, transit and other amenities. As cost pressures escalate and are exacerbated by supply chain issues, we will continue to identify and pursue additional strategies to contain and reduce costs, including encouraging different types of construction methods.

This report is broken into two sections – the first addresses multifamily costs, and the second addresses single family costs.

MULTIFAMILY COSTS

In a typical year, we distribute \$150 million to \$200 million for multifamily development.⁴ We work to allocate these funds efficiently and effectively to address the significant shortage of rental housing that is affordable, particularly for those with the lowest incomes. The first part of

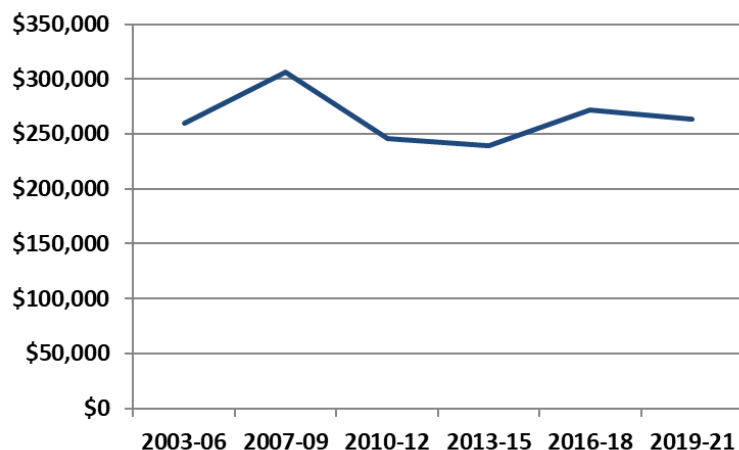
⁴ This includes syndication proceeds from 9% housing tax credits.

this Multifamily section provides an overview of our results, and the second part outlines our strategies for achieving those results and pursuing additional cost containment.

Overview of Multifamily Costs

Overall, the average TDC per unit for the housing we have financed has been around \$265,000 (in 2022 dollars) for the last decade and a half, after adjusting for inflation in residential development. The data in Figure 2 applies to all types of developments, including new construction, rehabilitation, metro area, Greater Minnesota, tax credit, non-tax credit, workforce housing and supportive housing. The trend line is influenced not only by the underlying cost trends but also by the mix of projects in a given year.⁵ For example, a larger share of resources going to new construction with tax credits in the metro area will increase average costs, while a larger share going to rehabilitation without tax credits in Greater Minnesota will decrease average costs.

**Figure 2: Average TDC per Unit 2003 to 2022 – All Types of Developments
(Adjusted for Residential Development Inflation, 2022 Dollars)**



To control for the mix of projects in the trend line, Figure 3 shows average TDC per unit just for new construction projects with tax credits in the metro area. Again, average costs are relatively constant, but at a slightly higher level, around \$340,000.

⁵ To increase the comparability of the data, we excluded developments with a TDC per unit that were less than \$40,000, which took out rehabilitation projects with a more limited scope of work and added consistency to the level of rehabilitation being assessed. We also excluded developments with an overall acquisition cost of less than \$10,000, which excludes projects with no acquisition or heavily subsidized acquisition.

Figure 3: TDC per Unit 2003 to 2021 – New Construction with Tax Credits in the Metro Area (Adjusted for Residential Development Inflation, 2022 Dollars)

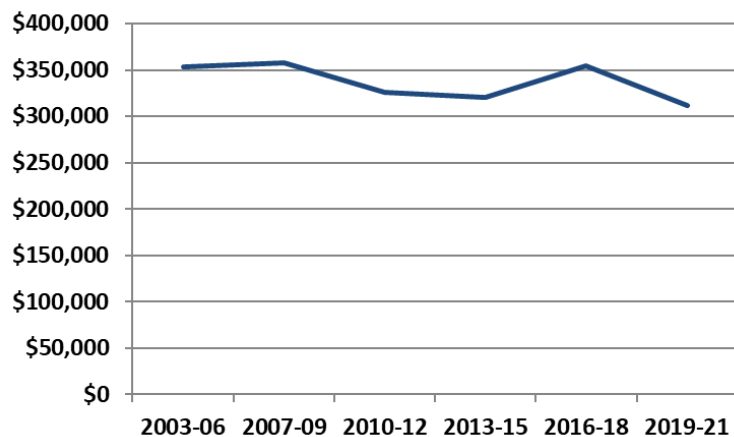
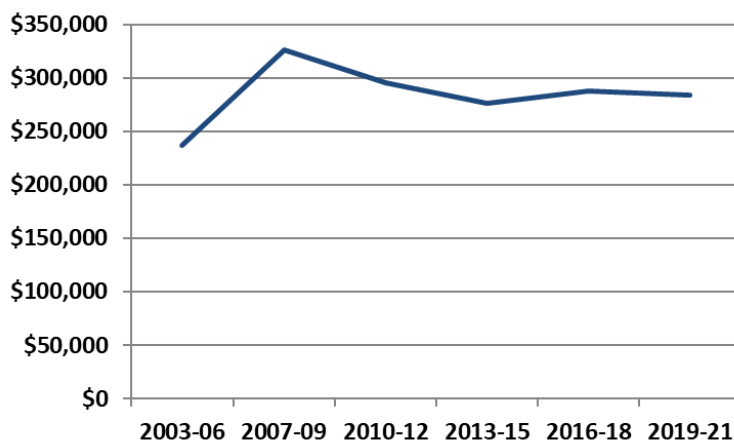


Figure 4 shows the equivalent graph for Greater Minnesota, with lower costs (\$275,000) but similar cost containment.

Figure 4: TDC per Unit 2003 to 2021 – New Construction with Tax Credits in Greater MN (Adjusted for Residential Development Inflation, 2022 Dollars)



Most importantly, we have contained costs while new policy objectives and policy changes have put upward pressure on costs.

- In 2003, we added a selection and funding priority for supportive housing for people experiencing homelessness, which is generally a more costly type of development.
- In 2007, we added our Green Communities Overlay, which requires our developments to have energy-efficient and healthy-home features.

- In the last several years, we strengthened our location efficiency priority by making it more geographically precise and increasing the points it receives in the selection process. Housing that is in a walkable neighborhood and near transit, jobs and other amenities can be more expensive.
- More projects are now requiring prevailing wages.

While these policy changes have occurred, we also added cost containment provisions.

- In 2006, we first developed and started using our predictive cost model, which compares a development's proposed costs with the costs that we would expect for that development based on the Agency's experience with similar projects and industry-wide standards. This process flags high-cost developments and helps maintain costs at a reasonable level.
- With the Qualified Allocation Plan (QAP) for the 2014 Low-Income Housing Tax Credits (LIHTC), we added a selection criterion to incentivize minimizing costs by giving a preference to the 50 percent of tax credit applications with the lowest TDC per unit, taking into account unit sizes, location and type of activity (new construction versus rehabilitation). With the 2022-2023 QAP, we removed this scoring criterion. We were concerned that the points were a disincentive to use innovative energy efficiency/conservation efforts, which can add to upfront development costs but provide long-term benefits and savings. The scoring also became complicated by the fact that some state requirements, such as prevailing wage, increase costs and apply to most tax credit developments but not all. Finally, the criterion did not appear to have a substantial impact on costs, which did not go down after it was put in place, and we were effectively containing costs prior to it being added. We will continue to monitor costs to see if removing this selection criterion has an impact on the costs going forward.
- In 2014, we also launched the Minnesota Challenge to Lower the Cost of Affordable Housing, which was initiated as an idea competition to identify and address system-level factors (such as land use policies or design standards) that increase costs for all developments. Since this initial competition, we have carried out several activities to address these systemic-cost drivers.
- In 2019 through 2021, we participated in and co-sponsored the Construction Revolution, which is an initiative to increase innovation in residential construction techniques with a focus on modular and offsite construction.

More information on these initiatives is provided in the report's next section.

To contain costs, it is important to understand the factors that drive costs. Table 1 provides a break-out of costs by project type, location and cost component.

- New construction with tax credits in the Twin Cities metro area is the most expensive type of project, while rehabilitation without tax credits in Greater Minnesota is the least expensive.
- Not surprisingly, construction accounts for the clear majority of costs in new construction projects, while construction and acquisition costs are both key cost drivers of rehabilitation projects. Addressing these costs will have the largest impact in reducing or containing TDCs.
- While soft costs (non-construction/non-acquisition costs) account for a smaller share of TDC (14 percent to 24 percent), they should be a focus of cost containment strategies. Reducing construction costs can affect the quality, durability and energy efficiency of the housing, and reducing acquisition costs can affect location efficiency. While soft costs are a necessary component of a housing development, eliminating inefficiencies in these costs will not affect the quality of the housing. The complexity of financing affordable housing adds to the soft costs.
- Low-Income Housing Tax Credits (LIHTC) appear to add about seven percentage points to the share of TDC attributable to soft costs, likely due to the added complexity and cost of putting together and financing a tax credit deal. For developments without tax credits, soft costs account for 14 to 17 percent of TDC. That percentage jumps to 21 to 24 percent for developments with tax credits.

Table 1: Share of TDC by Project and Credit Type and Location for Developments Completed between 2003 and 2021 (Adjusted for Residential Development Inflation, 2022 Dollars)

			Average TDC per Unit	Share of TDC			N
				Construc- tion	Acquisi- tion	Soft	
New Const.	LIHTC	Metro	\$339,000	69%	7%	24%	105
New Const.	No-LIHTC	Metro	\$276,000	73%	10%	17%	21
New Const.	LIHTC	Greater MN	\$276,000	74%	5%	21%	72
New Const.	No-LIHTC	Greater MN	\$245,000	78%	7%	15%	17
Rehab	LIHTC	Metro	\$274,000	36%	41%	23%	46
Rehab	No-LIHTC	Metro	\$175,000	39%	47%	14%	31
Rehab	LIHTC	Greater MN	\$167,000	42%	37%	21%	43
Rehab	No-LIHTC	Greater MN	\$123,000	43%	41%	17%	25

Strategies for Containing and Reducing Multifamily Costs

As mentioned earlier, we have taken a three-pronged approach to containing costs up to this point.

1. Assess Cost Reasonableness.
2. Incent Cost Containment and Reductions in the Selection of Projects for Housing Tax Credits, which was removed from the 2022-2023 QAP.
3. Address Systemic Cost Drivers.

Strategy 1: Assess Cost Reasonableness

Minnesota Housing assesses each development for cost reasonableness. An important tool for identifying high-cost developments is our predictive cost model. The model predicts a development's TDC per unit based on its characteristics. To develop the parameters for the model, we run a multivariate regression analysis on the inflation-adjusted costs and characteristics of the developments that the Agency financed between 2003 and 2021. The analysis uses the historical data to assess the effect that each of the following factors simultaneously has on TDC per unit:

- Activity Type:
 - New Construction
 - Extensive Rehabilitation⁶
 - More Limited Rehabilitation
 - Combination of New Construction and Rehabilitation
 - Conversion/Adaptive-Reuse
- Building Type:
 - Walkup
 - Elevator
 - Townhome
 - Single Family Home/Duplex
- Number of Stories
- Unit Size – based on average number of bedrooms per unit in the development
- Gross Square Footage
- Location:
 - Minneapolis or Saint Paul

⁶ This involves more extensive work on the interior, exterior, electrical and mechanical systems of a property. "Extensive" versus "more limited" is determined by staff using internal definitions.

- Suburbs in Twin Cities Seven-County Metro Area
- Greater Minnesota – Large City⁷
- Greater Minnesota – Regional Job Center⁸
- Greater Minnesota – Rural
- Year Built
- Underground Garage
- Acquisition:
 - Land
 - Structure
 - None
- Financing:
 - Tax Credits
 - Number of Funding Sources
- Special Costs:
 - Historic Preservation
 - Environmental Abatement
 - Supportive Housing
 - Prevailing Wages

We apply the model's cost parameters for these factors to a proposed development to predict its costs. The model is also benchmarked against industry-wide cost data to ensure that our costs are in line with the industry. With different development characteristics, the predicted total development costs for new construction can vary from \$220,000 to \$585,000 per unit (in 2024 dollars, when 2022 selections will most likely draw funds).

Overall, the model explains a sizable portion (57% to 74%) of the variation in the costs for developments that we financed between 2003 and 2021, which is a robust result.⁹ For comparison, Abt Associates (a national consulting firm) released in August 2018 a cost analysis of housing tax credit developments from across the county, and their regression models

⁷ The large cities are Duluth, Rochester, St. Cloud, Moorhead and Mankato, and include a five-mile commute shed around the cities.

⁸ There are 51 regional job centers, which are the top 15 percent of cities and townships in number of jobs. They include: Albert Lea, Albertville, Alexandria, Austin, Baxter, Bemidji, Brainerd, Buffalo, Cambridge, Cloquet, Cold Spring, Crookston, Detroit Lakes, Elk River, Fairmont, Faribault, Fergus Falls, Goodview, Grand Rapids, Hibbing, Hutchinson, International Falls, La Prairie, Little Falls, Marshall, Montevideo, Monticello, Morris, North Mankato, Northfield, Onamia, Owatonna, Park Rapids, Perham, Pipestone, Red Wing, Roseau, Saint Michael, Saint Peter, Sartell, Sauk Rapids, Thief Rivers Falls, Virginia, Waite Park, Waseca, Willmar, Windom, Worthington and Wyoming. These areas also include a five-mile commute shed around the cities.

⁹ The model explains about 73% of the variation in construction costs and about 56% of the variation in soft costs.

explained 52 to 54 percent of the variation in the national data.¹⁰ Similarly, the U.S. Government Accountability Office (GAO) released in September 2018 another cost analysis of tax credit developments, and their regression models explained 63 to 65 percent of the variation in their national data.¹¹ Besides the statistical rigor, the model has proven very effective over the last decade and a half in objectively and systematically flagging developments with high costs. Each year, we revise and enhance the model based on the previous year's results and staff feedback.

Over time, we have tested models that predict costs on a per-unit and a per-square-foot basis. Based on our testing, the per-unit models have explained a larger share of the variation. We believe this has occurred for two reasons. First, some costs are clearly tied to the unit and do not increase with the size of the units. For example, apartments regardless of unit size have one kitchen (unless single-room-occupancy). Second, and most importantly, the per-unit model that we use includes a cost factor that accounts for unit size. Developments with larger units and more bedrooms have higher predicted costs.

Under current practice, when staff recommend to the Board developments for funding, they identify the developments with a proposed cost that is more than 25 percent higher than the model's predicted cost, and the Board can decide to grant a waiver allowing the higher cost. For the higher-cost projects that staff recommends for funding, staff needs to explain why the proposed costs are reasonable even though they are above the 25 percent threshold. There are a wide range of valid reasons why the costs could be reasonable. For example, a housing development and site may be critical to meet a local housing need, but the site requires an unusually large amount of environmental remediation.

While the predictive cost model is a useful tool to identify high-cost developments, it is not the only way that Agency staff review cost reasonableness. The professional judgment and expertise of our underwriting and architectural staff also play a critical role in the assessment of cost reasonableness. Even if a project has costs that are within the 25 percent predictive cost model threshold, staff can still question costs if they seem high given the context of the development. Our staff has extensive experience reviewing funding applications and development costs. Each year, they typically evaluate 75 or more applications.

¹⁰ Abt Associates, *Variation in Development Costs for LIHTC Projects* (prepared for the National Council of State Housing Agencies, August 30, 2018). The adjusted R-Squared values shown in the appendix varied from 0.5222 to 0.5433.

¹¹ U.S. Government Accountability Office (GAO), *Low-Income Housing Tax Credit: Improved Data and Oversight Would Strengthen Cost Assessments and Fraud Risk*, (September 2018, GAO-18-637). The adjusted R-Squared values shown in Appendix II varied from 0.626 to 0.648.

Strategy 2: Incent Cost Containment and Reductions in the Selection of Projects for Low-Income Housing Tax Credits

For the Qualified Allocation Plans (QAPs) for 2014 through 2021 Low-Income Housing Tax Credits, we added a cost criterion for selecting developments that receive the credits. The 50 percent of tax credit applications with the lowest TDC per unit were eligible to receive six points in the selection process. We controlled for activity-type and location cost differences by dividing the applications into four groups.

1. New Construction in the Twin Cities metro area
2. New Construction in Greater Minnesota
3. Rehabilitation in the Twin Cities metro area
4. Rehabilitation in Greater Minnesota

Within each of the four groups, the applications with the lowest costs were eligible for the points. As a result, projects only competed with similar projects for the points. When comparing costs and awarding points, we also adjusted the costs to account for unit size differences. Projects with predominantly smaller units (efficiencies and one bedroom) had their costs adjusted upward when making comparisons; projects with predominantly large units (three or more bedrooms) had their costs adjusted downward.¹² This leveled the playing field when comparing costs.

As explained earlier, we eliminated these cost containment points with the 2022-2023 QAP.

Strategy 3: Address Systemic Cost Drivers

The first two strategies address costs that are specific to individual developments. Systemic cost drivers outside the control of developers are critical issues that also need to be addressed. These cost drivers range from local policies and regulations that increase the cost of housing (such as maximum densities), to the cash reserves that funders and investors may require for affordable housing developments, to the complexity of assembling the multiple sources of funding that make an affordable housing deal work.

In January 2014, Enterprise Community Partners and the Urban Land Institute's (ULI's) Terwilliger Center for Housing released a report on best practices from across the country to address these systemic cost drivers.¹³ Overall, the report finds that containing and reducing

¹² To be classified as a development with small units, 75 percent or more of the units have to be efficiencies or have one bedroom. To be classified as a development with large units, 50 percent or more of the units have to have three or more bedrooms.

¹³ Enterprise Community Partners and Urban Land Institute's Terwilliger Center for Housing, *Bending the Cost Curve on Affordable Rental Development: Understanding the Drivers of Costs* (January 2014).

costs in a prudent and effective way does not involve a single magic bullet. Rather, housing costs are driven by dozens of small inefficiencies. As one of the lead authors described it, “death by a thousand cuts.”¹⁴

To take on these cost drivers, we partnered with the McKnight Foundation, Enterprise, and ULI/Regional Conference of Mayors to create an initiative for Minnesota to implement these types of practices, which became the MN Challenge to Lower the Cost of Affordable Housing. It began in the winter of 2014 as an idea competition. We asked the development community to create cross-discipline teams (developers, funders, attorneys, local officials, housing advocates, etc.) and develop and submit ideas to address these systemic cost drivers. From the 12 submissions, we selected one to receive \$70,000 for implementation.¹⁵

The winning idea was submitted by the Center for Urban and Region Affairs at the University of Minnesota, the Housing Justice Center, and Becker Consulting. Their proposal addressed the issue of local practices and policies that add to the cost of affordable housing, including fees, land-use and zoning policies, approval processes, and others. These cost drivers have been identified and known for years. The value of this idea was identifying and implementing best practices to address them, which included providing technical assistance to communities to pursue the practices and encouraging regional organizations to incorporate the implementation strategies into their policies and guidelines, including the Metropolitan Council’s Planning Handbook and Housing Performance Scores and ULI’s Tool Box for local communities.

As part of our overall cost containment strategy, we have initiated several initiatives that address systemic cost drivers.

- **2014 – Minnesota Housing’s Multifamily Remodel Project.** We carried out a project for our Multifamily Division to redesign and streamline its application and funding processes – everything from proposal inception through application, selection, underwriting, closing, construction management and lease up. The purpose of the remodel is to reduce the time it takes a development to move from concept to occupancy. A key finding from the Enterprise/ULI report identified complexity, uncertainty and delays in the funding process as cost drivers. The project has achieved positive outcomes. For example, we created a customized online portal to receive funding applications for the multifamily consolidated RFP, eliminating paper applications.

¹⁴ Michael Spotts, Enterprise Community Partner, presentation to the Affordable Housing Investors Council (AHIC), Portland Oregon, October 9, 2014.

¹⁵ The initiative was jointly funded by the McKnight Foundation and Minnesota Housing.

- **2015 – MinnDocs – Consolidated Legal Documents.** Most affordable housing projects have multiple deferred loan funding sources, each with their own set of legal documents and attorneys, which add unnecessary costs. The Enterprise/ULI report highlighted Massachusetts’ practice that consolidates legal documents for all subordinate debt into a single set. The development community in Minnesota was intrigued, and we took initial steps to pursue the concept. The complexity of making this work turned out not to be worth the limited cost savings that would result.
- **2016 - Minnesota Housing’s Design and Construction Standards.** As part of our annual preparation for the consolidated RFP, we review these standards. During 2016, we specifically reviewed the standards with an emphasis on cost containment. We focused on reducing life-cycle costs (which includes ongoing maintenance, repair and utility costs), not just upfront development costs. Specifically, we surveyed architects, general contractors and developers who work on the developments that we finance about the standards and costs. We received 66 responses. Based on the feedback, we made several design changes that should reduce costs. For example, we clarified that a separate dining room is not required in units with two or more bedrooms but that a dining area (or eat-in kitchen) is sufficient. Each of the changes to the standards will unlikely result in significant savings, but they are more examples of small savings that can lead to larger savings when combined with each other over time.
- **2017 – Developer Fees.** These fees compensate developers for the time, compliance requirements and risks associated with developing affordable housing and can account for a substantial portion of a development’s soft costs. The maximum developer fee that Minnesota Housing allows is 15 percent of TDC for the first 50 units and 8 percent for additional units. In 2017, we assessed our fees and found that they are consistent with other states and that the average fee taken by our developers is 7 percent of TDC, well below our maximum. Given our overall cost containment incentives, it appears that developers are typically taking the minimum fee that still allows the deal to work for them. If developers take a higher fee, their applications will be less competitive in a highly competitive process, particularly for 9% tax credits. Based on this analysis, we decided not to adjust our developer fee structure at that time, but it is an area that we will continue to assess given the size of these costs.
- **2018 – Housing Task Force.** Minnesota Housing was a lead sponsor of Governor Dayton’s Task Force, providing much of the staff support. The cost of developing housing was a primary issue addressed by the Task Force, which made several cost-related recommendations, including:

- Position Minnesota as a national leader in the advancement of housing innovation and technology, which should increase the efficiency and productivity of developing housing and reduce the costs.
- Grow the pool of talent in Minnesota's building trades to enable the sector to meet current and future demand, which should address the current shortage of skilled labor.
- Create a statewide review panel to evaluate regulations related to building standards, land use and environmental stewardship for their impact on housing affordability.

While these actions are largely outside the scope of our work, they would directly impact the cost of the housing that we finance.

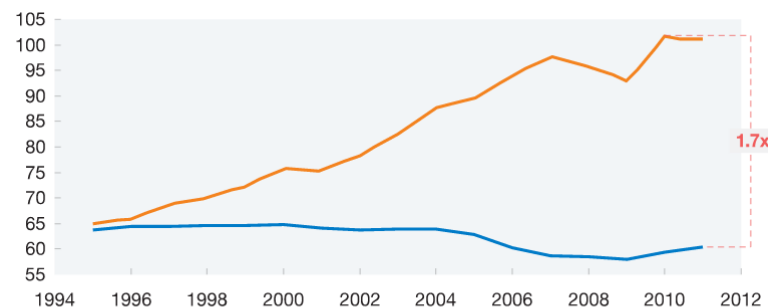
- **2019 through 2022 – Off-site Construction and Other Innovative Techniques.** In 2019, we helped organize and co-sponsor the Construction Revolution Summit, which pursued the innovation and technology recommendation from the Housing Task Force. The summit brought together construction industry leaders to discuss barriers and opportunities to advancing off-site construction (including modular and panelized). Housing construction is ripe for a major systemic change but has struggled to takeoff in the United States. Unlike other industries, construction has not experienced meaningful productivity increases over the last few decades. We are largely building homes the same way we did 50 years ago.

Productivity in manufacturing has nearly doubled, whereas in construction it has remained flat.

Overview of productivity improvement over time

Productivity (value added per worker), real, \$ 2005

\$ thousand per worker



Source: Expert interviews; IHS Global Insight (Belgium, France, Germany, Italy, Spain, United Kingdom, United States); World Input-Output Database

McKinsey&Company

Without productivity gains, reducing the cost of housing construction will remain elusive. Some estimates suggest that off-site construction could reduce costs by as much as 20%.

The action plan that came out of the Construction Revolution Summit called for, among other things: (1) establishing learning opportunities on how to develop housing using modular construction, and (2) having public funders finance some developments using off-site construction as a pilot.

- In the winter of 2021, the Construction Revolution team provided a course on using modular construction, bringing together developers, architects, general contractors, and others from the industry. One of Minnesota Housing's architects participated.
- In our scoring for the 2021 and 2022 consolidated RFPs, we have added a selection preference for developments that use innovative construction techniques (including off-site construction) and have the potential to reduce construction costs by at least 10% and construction time by at least 20%. It is too early to evaluate the success of this selection preference.

SINGLE-FAMILY COSTS

We typically distribute around \$10 million for single-family development through our Community Homeownership Impact Fund. The level of cost data that we collect is currently less than what we collect and analyze for multifamily developments, but evaluating costs and cost containment are a part of our selection process.

Overview of Single-Family Costs

The total development costs for the single-family projects that we have financed are reasonable and consistent with industry benchmarks for moderately-sized, average-class homes. Table 2 shows the median cost per home by location and activity for developments that we have financed over the last ten years.

**Table 2: Impact Fund – Median TDC by Location and Project Type,
Loans Closed from October 1, 2012 through March 30, 2022
(2024 dollars, which is when we expect 2022 selections to start construction)**

Location	New Construction	Acquisition/Rehab/ Resale
Greater Minnesota	\$259,000	\$218,000
Metro	\$443,000	\$348,000

Excludes projects by Habitat for Humanity and Community Land Trusts

The median costs in Table 2 are generally consistent with industry standards. Table 3 shows the industry-wide costs for building new, average-class homes of varying sizes in the Twin Cities metro area (derived from RSMeans data). The median cost of the homes that we finance in the metro area (\$443,000) is in line with industry cost benchmarks for a 1,600 to 2,100 square-foot home (\$386,000 to \$454,000).

**Table 3: Estimated Total Development Costs in Twin Cities Metro, Two Story Home,
Unfinished Basement, Average Class, Wood Siding, 2-Bathrooms, and Garage
(2024 dollars, which is when we expect 2022 selections to start construction)**

	1,100 Sqft	1,600 Sqft	2,100 Sqft	2,600 Sqft
Total Development Costs	\$319,000	\$386,000	\$454,000	\$522,000

Source: Minnesota Housing analysis based on construction cost data from RSMeans, *Residential Cost Data*, 2022. The estimates include construction, land and soft costs.

Strategies for Containing and Reducing Single-Family Costs

Since 2015, we have focused on becoming more systematic and objective in our assessment of single-family development costs. We initially compared a project's proposed costs with the median and the 80th percentile cost home that we have financed in the past. While this approach was valuable as an initial assessment, it has deficiencies. It does not account for cost differences resulting from home sizes, garages, number of bathrooms, varying land costs, and other factors. For the 2022 RFP selections, we have developed a predictive model for new construction projects, which is largely based on the RSMeans data, which will allow for a more nuanced assessment of the proposed costs.

CONCLUSION

For a decade and a half, we have worked to contain upfront development costs while adding new priorities that can increase costs. Given the shortage of affordable housing, limited resources, and the need to do more, cost containment will remain a critical issue. While many of the cost drivers are outside the direct control of the agency or driven by the market, we will continue to pursue multiple strategies in the affordable housing development process.



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Equal Opportunity Housing and Equal Opportunity Employment. This item can be made available in alternative formats by emailing mn.housing@state.mn.us.

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