



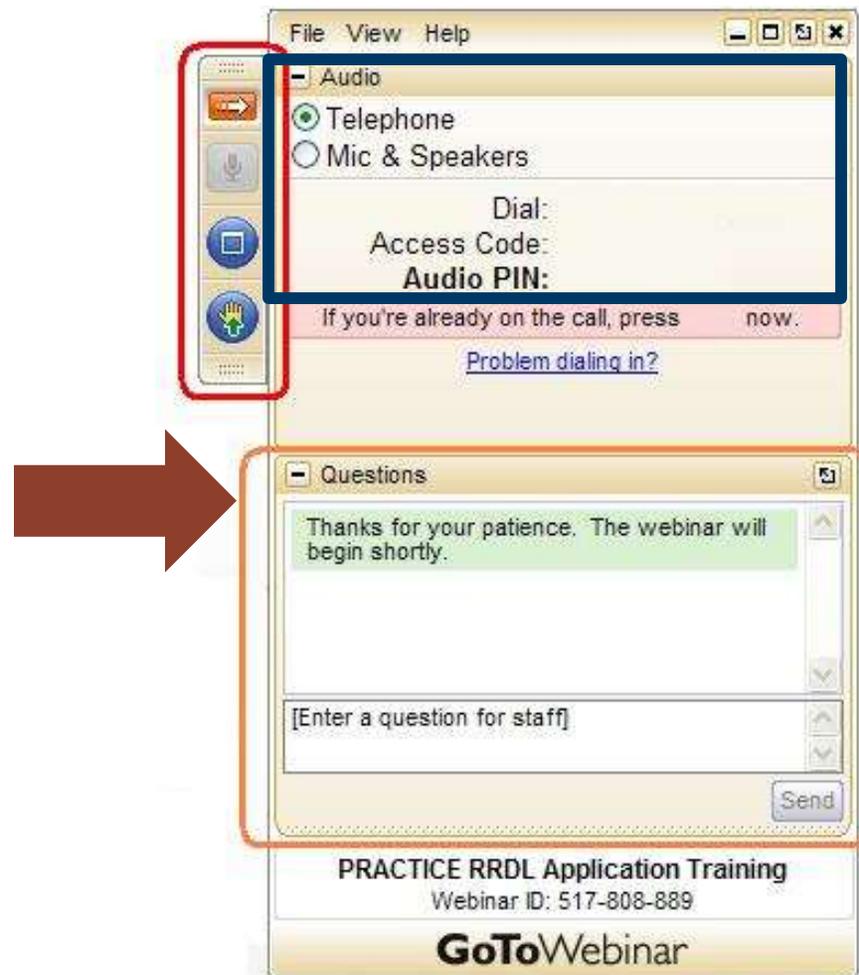
4% Housing Tax Credits with Minnesota Management and Budget Bond Allocations

November 29, 2021

Our Mission

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

GoTo Toolbar



Agenda

- How to receive a 4% Only housing tax credit award after allocation for bonds issued pursuant to an allocation of state volume cap by MMB?
- Discuss Minnesota Housing's:
 - Timeline and Process
 - 2022 QAP Requirements
 - Tenant Selection Plan Guidance and Fair Housing
 - Compliance Monitoring Requirements
 - Applicable Building/Construction Standards

4% Only Requirements

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

4% Only Requirements

- Projects must comply with the QAP in effect for the calendar year when an amount of bonds sufficient to meet the 50% test are **issued**.
 - Bonds issued in the 2022 calendar year will utilize the 2022 QAP
- 50% test
 - Required by Section 42 of the IRS Code
 - In order to be eligible for 4% housing tax credits, the principal amount of bonds must be at least 50% of the aggregate basis of the building plus land

4% Only Annual Timeline

1 **Optional**
October
(30 calendar days prior to 42M
application submission)

Developer initiates optional pre-application process with Minnesota Housing for 1) initial scoring determination, and/or 2) preliminary predictive model determination to help ensure cost reasonableness

2 **Required**
(Year round starting in
early January)

Developer applies to Minnesota Management and Budget (MMB) for a bond allocation

3 **Required**
(Year round starting
in January)

MMB bond allocation determination; 180-day clock starts

4 **Within 4 weeks**
of Allocation

Minnesota Housing communicates with bond allocation recipients to provide information on the 4% housing tax credit (HTC) process (42M). Minnesota Housing may schedule a light launch meeting with the developer to review 4% Only HTC requirements, process and timeline.

4% Only Annual Timeline

Application Submittal

42M applications must be submitted at least 60 days prior to bond issuance but should be submitted as early as possible after bond allocation from MMB.

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Developer submits 42M application to Minnesota Housing at least 60 days prior to bond issuance:

1. Preliminary Determination letter from bond issuer; Minnesota Housing requires 42(m)(2)(D) be submitted prior to 42(m)(1)(D) is submitted
2. 50% test verification letter from a certified public accountant (CPA)
3. Preliminary predictive cost model determination (if applicable)
4. Preliminary scoring determination (if applicable)
5. Requirements:
 - a. Application fee \$800
 - b. Preliminary determination fee 3.5% of the HTC award
 - c. Evidence of bond allocation for MMB issued bonds
 - d. HTC dollar amount and project costs
6. Workbook and other items required in the HTC 4% Only Application checklist in the Portal

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Development Closes

Optional Pre-application Process

- Allows developers who seek 4% housing tax credits through Minnesota Housing to:
 - Receive preliminary predictive model determination
 - Receive preliminary scoring determination
 - Review other program requirements, including design standards
- Pre-application timing
 - If pursuing pre-application, provide submit application in Multifamily Portal at least 30 days prior to 42M submission
 - Minnesota Housing issues a pre-application determination letter(s)
 - owner submits with the 42M application

Optional Pre-application Submittals

- Preliminary predictive cost model determination
 - Request form
- Preliminary scoring determination
 - Workbook
 - Self-generated 2022 HTC Self-scoring worksheet in PDF or Excel form
 - Scoring documentation

Bond Allocation Acknowledgement & Light Launch Meeting

- After bonds are allocated by MMB, Minnesota Housing staff will provide a letter acknowledging bonding allocation and *may* schedule a light launch meeting to review:
 - Scoring and underwriting
 - Design requirements
 - 42M application requirements

42M Application Requirements

- **Full application must be received at least 60 days prior to bond issuance/closing.**
- **Scoring Wizard**
 - For the full application, developers will use the new Scoring Wizard to score their application.
 - The Scoring Wizard is a new tool within the Multifamily Customer Portal.
 - New User Experience: Developer Enters Project Data -> Points Awarded/Claimed -> Wizard Conducts Scoring Validation -> Scoring Submission -> MN Housing Review
 - Scoring Wizard Training:
<https://www.youtube.com/watch?v=QCrCH0uCy8o>

Key 2022 QAP Requirements

- 40-point minimum threshold
- 30-year minimum affordability term with points available for extending the term of the LURA and waiving the right to Qualified Contract to 40 and 50 years.
- Deeper Rent Targeting Minimum Threshold
 - At least 2% of total units with rents at or below the county 30% MTSP limit, **and**
 - At least 3% of the total units with rents below the local Housing Assistance Payment (HAP) standard

Roadmap to 40 Points Example

New Construction, Workforce, Suburban

	2022 LIHTC Max	Points
Greatest Need Tenant Targeting		
Large Family Housing	15	12
Senior Housing	7	N/A
Permanent Supportive Housing	32	0
People with Disabilities	10	0
Serves Lowest Income for Long Durations		
Preservation	40	N/A
Rental Assistance	26	7
Serves Lowest Income Tenants/Rent Reduction	20	0
Long-term Affordability	9	8
Increasing Geographic Choice		
Need for More Affordable Housing	10	0
Workforce Housing Communities	6	6
Transit and Walkability	9	5
Supporting Community and Economic Development		
Community Development Initiative	3	3
Equitable Development	3	0
Rural/Tribal	4	N/A
QCT/Community Revitalization, Tribal Equivalent Areas and Opportunity Zones	3	3
Multifamily Award History	4	0
Black, Indigenous, and People of Color-owned/Women-owned Business Enterprise	7	4
Efficient Use of Resources and Leverage		
Financial Readiness to Proceed/Leveraged Funds	16	10
Other Contributions	10	0
Intermediary Costs	6	3
Building Characteristics		
Universal Design	3	3
Smoke Free Buildings	1	1
Enhanced Sustainability	5	0
TOTAL		65

Project Details

- 80 Units
- Bloomington, MN
- Rents at 60% MTSP
- TIF Funding Commitment
- Qualified Census Tract
- Four units project-based vouchers

Preservation Project Requirements

MN Statute 474A.047 Compliance

- Owner must extend the contract or agreement for rental assistance for the maximum term possible
 - Contract extension at closing or continuing renewals
- Project capital reserves at the time of bond issuance must be maintained at:
 - The lesser of: 1) the greater of 40% of the outstanding first mortgage or \$5,000 per unit or 2) the amount of reserves at the time of bond issuance
- Funds must be available at bond issuance to complete immediate repairs
- Three documents provided to owner after bond allocation:
 - Owner statement of compliance with the statute
 - Agreement between owner and Minnesota Housing on reserves and the extension of the rental assistance contract
 - Certification by Minnesota Housing that the transaction will comply with the statute



Fair Housing and Tenant Selection Plan Guidance

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Fair Housing

- Required for submission:
 - Affirmative Fair Housing Marketing Plan (AFHMP), or HUD Form 935.2A
 - Minnesota Housing AFHMP Addendum
- Forms are accessible via the Quick Link in the Portal

Tenant Selection Plan(TSP) Guidance

- New TSP Guidelines adopted December 2020
<https://www.mnhousing.gov/sites/multifamily/tenantselectionplan>
- General Considerations apply to all existing properties
- New Screening Criteria applies to all developments applying for a program or funding after March 31, 2021

TSP General Considerations

- Written tenant selection plan:
 - Readable and accessible to applicants
 - Clear information on eligibility criteria including criteria that will be used to evaluate applications
 - Evaluation criteria must take into consideration barriers faced by the population development is funded to serve
 - Describe waiting list process
- Requirement to provide information to rejected applicant
- Must provide notice of denial
- Must offer an appeals process

TSP General Considerations

- Domestic Violence – Fair Housing and VAWA
- Must have a written reasonable accommodations policy
- Cannot discriminate against voucher holders
- Highlights points from HUD's guidance on criminal history screening
- Supportive Housing considerations
- Best Practices – records retention

Tenant Screening Criteria – All Housing Units

- Must allow tenants to provide “supplemental evidence”
 - Must be reviewed **before** a final determination of acceptance or denial
- Cannot reject for:
 - Credit score, by itself or Insufficient credit history
- Rental History
 - An eviction action that was dismissed or was in favor of the applicant or was 3 or more years prior to the application
 - Insufficient rental history
- Income to rent ratio – cannot exceed 2 ½ times the rent



Tenant Screening Criteria – Supportive Housing

- Cannot be screened out based on housing history
- Cannot be screened out based on credit history
- No income to rent ratio allowed
- Limitations on criminal history screening

TSP Review Checklist

- <https://www.mnhousing.gov/sites/multifamily/tenantselectionplan>



Tenant Selection Plan Checklist

Property Management Company:

Property Name:

Person Submitting TSP:

MHFA Reviewer:

Instructions: In row 6, check which program(s) this property is subject to (Column A - Agency Guidelines; Column B - Section 8/811 PRA; Column C - HOME/NHTF). Read through and complete all of the blue cells (Property Management Company; Property Name; Name of Person Submitting this TSP; columns F and G). Click the cell and type your answer after each applicable question. Submit this checklist along with your draft TSP by uploading both documents to the Portal.

Indicate which programs this property is subject to:			For Minnesota Housing Use					
Agency Guidelines Section 8/811 PRA HOME/NHTF	TSP Section	TSP Requirement	Where is this in the TSP? (page #)	If not included, please indicate why.	Topic in Compliance		Comments or Corrections Needed	
					Yes	No		
1. Project Eligibility Requirements								
X	X	X	1.01 Project-specific Requirements	Does the TSP list the project type?				
	X			Are the appropriate definitions of elderly/disabled listed?				
X			1.02 Intended Population	Does the TSP list the intended population for supportive housing (SH) units, including referral source?				
X			1.03 Referrals for HPH/SH units	Does the TSP list the process for referrals for supportive housing (SH) units?				
X				Does the TSP list coordinated entry (CE) as the referral source for the high priority homeless (HPH) units?				



4% Only Compliance Monitoring Requirements

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Compliance Monitoring

- A Compliance Officer will be assigned after 42m letter is issued
 - Annual owner certification and occupancy reporting
 - Periodic inspections (physical, file and administrative records)
 - Annual monitoring fee
- Property Online Reporting Tool (PORT)

Inspections

- Uniform Physical Condition Standards
- Generally, 20% of units and tenant files inspected
 - IRS has caps for projects over 100 units
- Administrative records
 - Affirmative Fair Housing Marketing Plan
 - Tenant Selection Plan, House Rules & Other Occupancy Policies
 - Lease & Addenda
 - Utility Allowance and Source Documentation
 - Inspection certificates (boiler, fire, elevator)

Compliance Resources

- www.mnhousing.gov/sites/multifamily/compliance
 - Housing Tax Credit Compliance Guide
 - IRS Guide for Completing form 8823
 - Occupancy and other forms
 - PORT User Guide
- www.mnhousing.gov/sites/multifamily/limits



2021 Building Standards Applies to 2022 HTC 2021 MN Overlay to the 2020 EGCC

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2021 Building Standards Major Changes

- All Major Changes summarized in the April 21, 2021 Building Standards eNews
 - Refer to mnhousing.gov website: Multifamily Rental Partners/Building Standards/eNews Archive
 - 2021 Multifamily Rental Housing Design and Construction Standards- summary of changes
 - 2021 MN Overlay to the 2020 Enterprise Green Communities- summary of changes

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11/30/2021

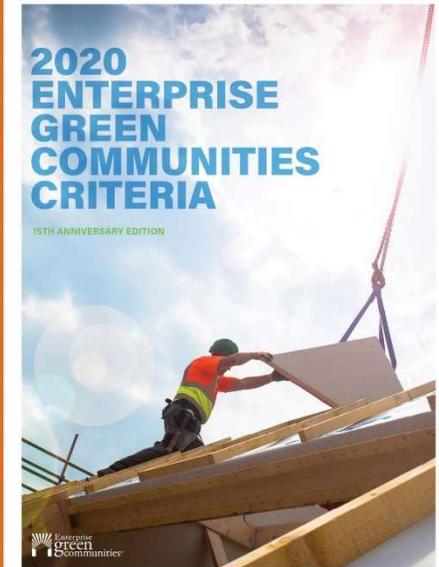
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2020 version of Enterprise Green Communities Criteria

- 2020 Enterprise Green Communities Criteria (EGCC)
 - Enterprise released in January of 2020, replaces 2015 version
 - MN Housing adopted April 2021. This delayed adoption allowed stakeholder review and input.



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11/30/2021

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2021 MN Overlay to the 2020 EGCC

ENERGY STAR Multifamily New Construction (ES MFNC) Program

- After July 1, 2021 ENERGY STAR MFNC requires:
 - Insulation at underground garage ceilings
 - Continuous Insulation at envelope
 - 3 story or less exception
 - Functional Testing, Field Verification, etc.
- Consult with your HERS Rater/Energy Consultant early in the process.



4% Housing Tax Credit Only

- Chapter 5 of Multifamily Rental Housing Design & Construction Standards- Details HTC Only Requirements
 - Review Table 5.03- HTC Submittal Requirements- indicates requirements from Application through Construction.

APRIL 2021 - MINNESOTA HOUSING MULTIFAMILY RENTAL HOUSING DESIGN/CONSTRUCTION STANDARDS

Table 5.03 – HTC Submittal Requirements

Submittal Phase	9% HTC Only	4% HTC Only
<ul style="list-style-type: none"> ▪ Initial Application ▪ (42M initial application 4% HTCs) 	<ul style="list-style-type: none"> ▪ Preliminary Architectural Requirements. <ul style="list-style-type: none"> ○ Concept/schematic design (site plan, building plans, typical Dwelling Unit (DU) plans, building elevations, and building section), if new construction ○ Proposed work scope if 	<ul style="list-style-type: none"> ▪ Design – 90% Contract Documents ▪ (CNA or PNA) and 20YCE, if rehab or adaptive reuse. ▪ HTC Design Standards Certification ▪ Multifamily Intended Methods Worksheet (IMW) ▪ Construction Cost Estimate ▪ Applicant Cert of Environmental

ea

Cost Certification- Identity of Interest

- If there is an Identity of Interest between the Owner and the General Contractor a Contractor's Certificate of Actual Cost HUD Form 92330A will be required.

Contractor's Certificate of Actual Cost

U.S. Department of Housing and
Urban Development
Office of Housing
Federal Housing Commissioner

Public reporting burden for this collection of information is average 8 hours per response, including the time for review, maintaining the data needed, and completing and reviewing the collection of information. This information is required unless it displays a currently valid OMB Control Number.

Section 227 of the National Housing Act (Section 126 of the Housing Act of 1954, Public Law 560, 12 U.S.C. 1715r), required for a general contractor when an identity of interest exists between the general contract and the mortgagor has been used. The information is required from the contractor to convey its actual construction cost in a standardized format. **Privacy Act Notice.** The United States Department of Housing and Urban Development, Federal Housing Administration, is required by virtue of Title 12, United States Code, Section 1701 et seq., and regulations promulgated thereunder at Title 12, Code of Federal Regulations, Part 200.10, to disclose to respondents, HUD generally discloses this data only in response to a Freedom of Information request.

Project Number	Building Number	Mortgagor
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Questions?

For More Information

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