TAX CREDITS

Low-Income Housing Tax Credit Program

Program Overview

The Low-Income Housing Tax Credit (LIHTC) program is the nation's oldest and most successful affordable housing production program. Since 1987, the LIHTC program has given states $10 billion in allocation authority, stimulating private equity investment toward the production of more than 2.78 million affordable homes nationwide. This federal income tax credit is awarded to owners and then sold to investors to generate capital for construction or acquisition with substantial rehabilitation of eligible rental housing.

Application Process

Applicants must meet the priorities and requirements of Minnesota Housing's Housing Tax Credit (HTC) Qualified Allocation Plan (QAP). Visit the Minnesota Housing website to view the QAP.

- Availability for 9% HTC: Applications accepted only through Minnesota Housing's annual Consolidated Request for Proposals (RFP) and supplemental Round 2.
- Availability for 4% HTC: Applications accepted during the annual Consolidated RFP, and throughout the year in conjunction with tax-exempt volume limited bonds.

Terms

Eligible Properties:

Acquisition with rehabilitation, rehabilitation, or new construction of eligible rental housing. 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 the following minimum tests:

- **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 50% of Multifamily Tax Subsidy Project (MTSP) limits (as established for different geographical areas and published by HUD), adjusted for family size.
- **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 60% MTSP limits, adjusted for family size.
- **Average Income Test**: A minimum of 40 percent of the units in the project are both rent restricted and occupied by individuals whose imputed income average at initial occupancy is at or below 60% MTSP limits. The set-aside allows projects to restrict a percentage of units at higher rent and income levels by agreeing to restrict a percentage of its units at lower rent and income levels. The allowable income and rent limit restrictions are 20%, 30%, 40%, 50%, 60%, 70% and 80% MTSP.

Purpose:	Leverage private capital and investor equity to support the development of new and rehabilitated affordable rental housing.
Term:	Fifteen year compliance period and an additional extended use period from 15 to 35 years.
Income and Rent Limits:	All HTC units in the project are income and rent restricted based on the elected set-aside. Additional restrictions may apply based on selections made in the application process.
Third Party Reports:	Third party reports may include reports such as an appraisal, environmental review, radon tests, a market study, and a physical needs assessment, as required.
Monitoring:	Owners must submit an owner's certification, and report occupancy data annually using Minnesota Housing's online reporting tool. Properties will be inspected periodically, including a review of tenant files and other administrative records.
Fees and Expenses:	• Application/determination fee: $800 • Reservation/42M preliminary determination fee: 3.5% of annual credit amount • Carryover fee: 3.5% of annual credit amount • Allocation/8609 fee: 3.5% of annual credit amount • Monitoring fee: $30 per unit per year

Questions

Tim Sullivan, Housing Tax Credit Program Manager, at 651.296.8149 or tim.sullivan@state.mn.us.