

Minnesota Housing is currently accepting pre-applications, and beginning on January 11, 2022 will begin accepting full applications, for an award of 2022 4% housing tax credits (42M) for projects expected to be financed with tax-exempt volume limited bonding authority from Minnesota Management and Budget (MMB). Pre-applications and applications must be submitted using Minnesota Housing's online Multifamily Customer Portal (Portal).

### **2022 Qualified Allocation Plan**

Section 42 of the Internal Revenue Code (IRC) establishes that 4% housing tax credits (HTCs) may be available under certain circumstances for projects that receive an allocation of tax-exempt volume limited bonding authority. Minnesota Housing's Qualified Allocation Plan (QAP) is the agency's plan for the distribution of HTCs. The QAP and corresponding documents are published annually. The year in which tax-exempt bonds are issued for the project in an amount sufficient enough to meet the 50% test determines which year's QAP applies to the project.

The [2022-2023 QAP](#) contains the requirements and process Minnesota Housing uses to award 4% HTCs. These requirements were implemented to help ensure that 4% HTCs are awarded to projects that meet high priority affordable rental housing needs in the state of Minnesota. The requirements and process are highlighted below:

1. **Minimum Score** – The project must meet the 40 point minimum score requirement for 4% HTCs. Refer to the [2022-2023 Self-scoring Worksheet](#) for scoring information.
2. **Affordability** – All owners of projects qualifying for 4% HTCs are required to waive their right to utilize the Qualified Contract process for a minimum period of 30 years. Projects that agree to waive the Qualified Contract for longer terms can receive additional points toward the minimum score.
3. **Compliance with QAP** – In order to be eligible for 4% HTCs, a project must comply with the requirements of the applicable Minnesota Housing QAP in accordance with federal requirements.

### **Who Can Apply? Who Has to Apply?**

Developers anticipating 2022 tax-exempt bonding authority and seeking a preliminary predictive cost model determination and/or a preliminary scoring determination (through the pre-application process) **can** submit a pre-application to Minnesota Housing before the project receives an allocation of tax-exempt volume limited bonding authority from MMB. Developers of projects that receive an allocation of tax-exempt volume limited bonding authority from MMB and who are seeking a preliminary determination of eligibility for 2022 4% HTCs **must** submit a full application to Minnesota Housing at least 60 days prior to bond issuance.

## What is the Pre-application Process?

The pre-application process is to help developers identify next steps and the requirements associated with requesting an award of 4% HTC for projects that are expected to receive an allocation of tax-exempt volume limited bonding authority from MMB. With Minnesota Housing's optional pre-application process, applicants for 4% HTCs can receive the following information before an application for tax-exempt volume limited bonding authority is submitted to MMB:

1. Preliminary predictive cost model determination (to determine if total development costs are within the model's acceptable range as required by the QAP), and/or
2. Preliminary scoring determination (to determine if the project reaches the minimum score of 40 points on Minnesota Housing's Self-scoring Worksheet in order to move forward in the application process)

Developers are strongly encouraged to submit a pre-application to Minnesota Housing.

## Preliminary Predictive Cost Model Determination

In an effort to help ensure cost reasonableness, the total development costs of all projects requesting 4% HTCs are reviewed in comparison with Minnesota Housing's predictive cost model as required by the applicable QAP. Any project with costs exceeding the predictive cost model by more than 25 percent requires a waiver from Minnesota Housing's board.

Applicants should submit the preliminary predictive cost model determination document, which indicates to Minnesota Housing that a predictive cost model determination is desired. Applicants who choose this optional route **must submit all required pre-application documentation a minimum of 30 calendar days prior to submitting a 42M application** to allow sufficient time for review. Upon satisfactory review, Minnesota Housing will issue a Preliminary Predictive Model Determination Letter that will include a statement indicating Minnesota Housing's approval; the expiration date of the approval; the project's current percentage of the total development cost relative to the predictive cost model; a project cap, beyond which a Minnesota Housing board waiver for per unit costs will be required. This letter must be submitted with the full application for a preliminary determination of eligibility for 4% HTCs (42M). As long as the overall structure and development costs of the project have not changed substantially and the project does not exceed the original project cap, the development will not have to seek a board waiver.

## Preliminary Scoring Determination

In order to be considered for an award of 4% HTCs, the project must score a minimum of 40 points. A scoring determination can be pursued earlier than submission of the application for a preliminary determination of eligibility for 4% HTCs. Applicants who choose this optional route **must submit all required pre-application documentation a minimum of 30 calendar days prior to submitting a 42M application** to allow sufficient time for review. If a scoring determination

is granted, Minnesota Housing will generate a Preliminary Scoring Determination Letter, which must be submitted with the full application for preliminary determination of eligibility for 4% HTCs (42M) application. As long as the overall structure and development costs of the project do not substantially change, there will be no effect on the scoring determination.

### What is the 42M Application Process?

**Application for Preliminary Determination of Eligibility for 4% HTCs (42M)** – This is required for an issuance of the preliminary determination (42M) letter for 2022 4% HTCs. **A full and complete application must be submitted to Minnesota Housing at least 60 days prior to bond issuance.**

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

### Application Instructions

Pre-applications and applications for a preliminary determination of eligibility for 2022 4% HTCs (42M) must be submitted via the Multifamily Customer Portal. Hard copies will not be accepted.

The Portal allows customers to log in and custom build an application checklist based on the type of proposal that will be submitted. Using the Portal also allows customers to submit documents and collaborate with Minnesota Housing staff throughout the pre-application and application process.

There is a new Scoring Wizard for the Self-scoring Worksheet that applicants must use for scoring their applications. The scoring Wizard replaces the Excel Version of the Self-Scoring Worksheet and is a new tool within the Multifamily Customer Portal

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

### Questions

For 4% HTC related questions, visit [www.mnhousing.gov/taxcredits](http://www.mnhousing.gov/taxcredits) or contact William Price at [william.price@state.mn.us](mailto:william.price@state.mn.us) or 651.296.9440.