

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

In Minnesota, Minnesota Management and Budget (MMB) is the primary allocating agency for tax-exempt volume limited bonding authority. Minnesota Housing and some local units of government receive a set-aside of tax-exempt volume limited bonding authority for issuance to qualified developments. For information on application dates and procedures for bonding authority from MMB, please contact MMB directly.

Who awards 4% Housing Tax Credits in Minnesota?

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

What is required to apply to Minnesota Housing for a Preliminary Determination of Eligibility of 4% Housing Tax Credits?

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

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

A full and complete application for a preliminary determination of eligibility for 4% housing tax credits (42M) must be submitted prior to bond issuance. Minnesota Housing's review may take up to six weeks or more from the time the full application package is submitted.

Which QAP do I use?

The developer must comply with the QAP that is in effect for the calendar year in which the tax-exempt volume limited bonds are first issued for a project. If the tax-exempt volume limited bonds were initially issued on a short-term basis, the year in which the tax-exempt bonds volume limited are refunded or

remarketed on a long-term basis may occur after the year in which the tax-exempt volume limited bonds were first issued. In this instance, the effective QAP will still always be the QAP for the year in which tax-exempt volume limited bonds were **first** issued for that project.

If, however, the principal amount of the tax-exempt volume limited bonds first issued is not sufficient to finance at least 50 percent of the aggregate basis of the building and the land it is located on, the project would not be eligible to apply for tax credits in connection with the initial bond issue. In that event, these requirements would apply when tax-exempt volume limited bonds are issued in a principal amount that, together with the first issuance of tax-exempt volume limited bonds, is sufficient to finance at least 50 percent of the aggregate basis of building and land.

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

What is the pre-application process?

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

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

Developers must also ensure that the project meets one of Minnesota Housing's Strategic Priority Thresholds (refer to the [2019 HTC 4% Self-scoring Worksheet](#) for more information).

Developers are strongly encouraged to submit a pre-application to Minnesota Housing and can learn more about [Minnesota Housing's 2019 4% Only Pre-application Process](#).

What is the predictive cost model?

The 2019 QAP provides that all applications to Minnesota Housing for housing tax credits will be evaluated for cost reasonableness. Minnesota Housing has developed a cost model that predicts the total development cost per unit based on the development's characteristics to aid in that determination. The predictive cost model uses data that incorporates characteristics of developments the agency has recently financed; it also includes an adjustment for inflation. Characteristics such as new construction, building type (elevator, townhome, walkup apartment), unit size, location, square footage, type of financing and special costs (historical preservation, environmental abatement, supportive housing) are incorporated in the model. Minnesota Housing policies require that a development's costs must not exceed 25 percent of the predictive cost model. If development costs exceed the 25 percent threshold, a waiver from the board is required.

To learn more about Minnesota Housing's cost containment efforts, refer to the annual Cost Containment Report at www.mnhousing.gov.

What is the scoring process?

Minnesota Housing staff review and score the pre-application submission items. Upon satisfactory review, Minnesota Housing will issue a preliminary scoring determination that should be submitted with the full application for a preliminary determination of eligibility for 4% Housing Tax Credits (42M).

What are the required pre-application submittals?

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

- Minnesota Housing Multifamily Workbook (this is Minnesota Housing's proforma)
- Self-scoring Worksheet using the correct version for the year in which bond issuance is anticipated.
 - The project must meet at least one Strategic Priority Policy Threshold
 - The project must meet a minimum score of 40 points
- Scoring documentation and narrative as outlined in the Self-scoring Worksheet

What is the deadline for the pre-application process?

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

Is the pre-application process required?

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

How do I submit my pre-application?

Developments will be able to apply for funding through Minnesota Housing's online system, the Multifamily Customer Portal (Portal). The 2019 HTC 4% funding round option is currently available in the Portal. All pre-application and application materials must be uploaded and submitted through the Portal. If submitting the optional pre-application, the applicant can choose either or both pre-application options (preliminary predictive cost model determination; preliminary scoring determination), upload the required documents and submit to Minnesota Housing. The Portal allows you to submit documents and collaborate with Minnesota Housing staff throughout the pre-application and application process.

How do I submit my full application for a preliminary determination of eligibility for 4% Housing Tax Credits (42M)?

Applicants must submit the full application for a preliminary determination of eligibility for 4% housing tax credits (42M) in the Portal. The Portal allows our customers to log in and build an application checklist based upon the type of proposal they will submit. All application materials must be uploaded through the Portal. The Portal allows for document submissions and collaboration with agency staff throughout the entire tax credit process, including application and 8609 submittals.

NOTE: If you are “parking” your bonds, Minnesota Housing will do a preliminary review of the submitted application for completion and make sure that the development meets the required minimum point threshold. Once the development is closer to closing of the permanent financing, the owner will submit additional updated documentation in the 42M resubmittal phase using the checklist that you build in the Portal.

How do I access the Portal?

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