

Minnesota has different allocating agencies for the distribution of tax-exempt volume limited bonding authority and 4% housing tax credits (HTC). The primary allocating agency for tax-exempt volume limited bonding authority is Minnesota Management and Budget (MMB). The primary housing credit agency for 4% HTC is Minnesota Housing. Projects expected to be financed with tax-exempt volume limited bonds seeking a preliminary determination regarding eligibility for an award of 4% housing tax credits (42M) must submit an application to the proper housing credit agency. Refer to the [4% Housing Tax Credits FAQs](#) for information on which housing credit agency to apply to.

Section 42 of the Internal Revenue Code establishes that 4% HTC 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 Low - Income Housing Tax Credits. The QAP and corresponding documents are published annually. The year in which tax-exempt bonds are first issued for the project determines which year's QAP applies to the project.

2019 QAP

The [2019 QAP](#) and the [2019 HTC Program Procedural Manual](#) contain the requirements and process Minnesota Housing uses to award 4% housing tax credits. These requirements were implemented to ensure that 4% housing tax credits 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% housing tax credits. See Refer to the [2019 Self-Scoring Worksheet](#) for scoring information.
2. **Meeting Minnesota's Affordable Housing Needs** – A 4% housing tax credit project must meet at least one Strategic Priority Policy Threshold as outlined in the QAP. For more information on the strategic priorities (listed below), refer to the [2019 4% Self-Scoring Worksheet](#).
 - Planned Community Development (which can include senior housing)
 - Economic Integration
 - Preservation
 - Supportive Housing
 - Greater Minnesota Workforce Housing
 - Access to Transit
 - Tribal Developments
3. **Affordability** – All owners of projects qualifying for 4% housing tax credits are required to waive their right to utilize the Qualified Contract process for a period of 20 years. Projects that agree to waive Qualified Contract for longer terms can receive additional points toward the minimum score.
4. **Compliance with QAP** -- In order to be eligible for 4% housing tax credits, a project must comply with the requirements of the Agency's QAP in accordance with federal requirements.

Pre-application Process

Minnesota Housing has implemented a pre-application process to help developers identify the next steps and the requirements associated with requesting an award of 4% housing tax credits 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% housing tax credits 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
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 ensure cost reasonableness, the total development costs of all projects requesting 4% HTC are reviewed in comparison with Minnesota Housing's predictive cost model as required by the QAP. Any project with costs exceeding the predictive model by more than 25 percent requires a waiver from Minnesota Housing's board.

Predictive model analyses and board approval can be pursued earlier than the submission of the application for a preliminary determination of eligibility for 4% Housing Tax Credits (42M). Applicants should submit the predictive model determination document, which indicates to Minnesota Housing that a predictive model determination is desired. 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% Housing Tax Credits (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% housing tax credits, 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% Housing Tax Credits. 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% Housing Tax Credits (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.

For more information regarding 4% housing tax credits, refer to our [4% Housing Tax Credits FAQs](#).

Questions?

If you have questions about the pre-application process, 4% housing tax credits, or the Housing Tax Credit Program, visit www.mnhousing.gov or contact William Price at william.price@state.mn.us or 651.296.9440.