


**4% Housing Tax Credits with Bond Allocations
2019 QAP**

Modified Recording of 2018 Webinar





4% Housing Tax Credits with Bond Allocations

January 18, 2018



4% Housing Tax Credits

- Minnesota Housing allocates housing tax credits in two ways:
 - Competitively through the annual RFP process
 - For bonds issued pursuant to an allocation of state volume cap by MMB (4% Only)
- Minnesota Housing's Qualified Allocation Plan (QAP) determines how housing tax credits are allocated
 - www.mnhousing.gov > Multifamily Rental Partners > Tax Credits > Procedural Manual and Documents (year)

QAP Requirements

- Minnesota Housing’s QAP applies where we allocate 4% housing tax credits for the state, **except in** sub-allocator areas:
 - Minneapolis
 - St. Paul
 - Washington county
 - Dakota county

QAP 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

QAP Requirements

- 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
- Timing of an application for an allocation of 4% housing tax credits (42M application)
 - If issuing bonds and parking, submit prior to issuance
 - If closing on the sale of the property, submit six weeks prior to closing

Annual Timeline	
1	<p>Optional November (4th calendar day prior to 42M application submission)</p> <p>Developer initiates optional pre-application process with Minnesota Housing for 1) initial scoring determination and 2) preliminary predictive model determination to ensure cost reasonableness</p>
2	<p>Required Early January</p> <p>Developer applies to MMB for a bond allocation</p>
3	<p>Required January</p> <p>MMB bond allocation determination; 120 day clock starts</p>
4	<p>Within 3 weeks End of January/early February</p> <p>Minnesota Housing communicates with bond allocation recipients to provide information on the 4% housing tax credit process (42M)</p>
5	<p>Within 6 weeks February/March</p> <p>Minnesota Housing schedules light launch meeting with the developer to review 4% Only housing tax credit requirements, process and timeline</p>

Annual Timeline	
6	<p>If closing on sale At least six weeks prior to closing (75 days from receipt of bond allocation)</p> <p>If issuing and parking 6 Weeks prior to bond issuance (120 days from receipt of bond allocation)</p> <p>Developer submits 42M application to Minnesota Housing:</p> <ol style="list-style-type: none"> 1. Preliminary Determination letter from bond issuer; Minnesota Housing requires 42(m)(2)(D) before 42(m)(1)(D) is submitted 2. 50% test verification letter from a CPA 3. Preliminary Predictive Cost Model Determination (if applicable) 4. Preliminary Scoring Determination (if applicable) 5. Requirements: <ol style="list-style-type: none"> a. Application fee \$800 b. Preliminary Determination Fee 3.5% of the HTC allocation c. Evidence of bond allocation d. Tax credit dollar amount and project costs 6. Workbook and other items required in the HTC 4% Only Application checklist in the Portal
7	<p>Development closes</p>
8	<p>Development that parked bonds is ready to close Resubmittal at least six weeks prior to closing</p> <p>Developer submits 42M resubmittal checklist items to Minnesota Housing:</p> <ol style="list-style-type: none"> 1. Preliminary Determination letter from bond issuer; Minnesota Housing requires 42(m)(2)(D) before the 42(m)(1)(D) is submitted 2. Multifamily Workbook 3. 50% test verification letter from a CPA 4. Additional items required in the 42M Resubmittal Checklist

Optional Pre-application Process	
<ul style="list-style-type: none"> • Allows developers who seek 4% housing tax credits through Minnesota Housing to: <ul style="list-style-type: none"> • Receive preliminary predictive model determination • Receive preliminary scoring determination • Review other program requirements, including strategic priority thresholds and design standards • Encourage developers to participate • Expect to open the process annually in November for MMB submissions in the following calendar year 	

Optional Pre-application Process

- Pre-application process
 - Receive determination prior to submitting an application to MMB
 - Preliminary predictive cost model determination
 - Preliminary scoring determination
 - If pursuing pre-application, provide information at least 30 days prior to 42M submission
 - Minnesota Housing issues a pre-application determination letter(s) – owner submits with the 42M application

Pre-application Submittals

- Preliminary predictive cost model determination
 - Request form
- Preliminary scoring determination
 - Workbook
 - Self-scoring worksheet (year in which bond issuance is anticipated)
 - Scoring documentation

Scoring Determination

- Strategic priority policy threshold
- Minimum of 40 points
- Roadmap to 40 examples:
 - 2018 QAP
 - Preservation, metro
 - New construction, workforce, Greater Minnesota
 - 2019 QAP
 - New construction, suburban, senior

Road Map to 40 Points: 2019 QAP

	Preservation, Metro		New Construction, Suburban, Senior		New Construction, Workforce, Greater MN	
	2019 LIHTC Max	Points	Points	Points	Points	Points
Greatest Need- Tenant and Affordability Targeting						
Household Targeting	15	0	0	0	10	
Permanent Supportive Housing	22	0	0	0	0	
People with Disabilities	10	0	0	0	0	
Serves Lowest Income Tenants	13	NA	0	0	0	
Rental Assistance	26	NA	2	0	0	
Long Term Affordability- 4% only	10	7	0	0	3	
Areas of Opportunity						
Economic Integration	9	0	9	0	NA	
Higher Performing Schools	4	0	NA	NA	NA	
Workforce Housing	6	6	6	6	6	
Location Efficiency	9	2	2	2	4	
Supporting Community and Economic Development						
Planned Community Development	3	0	0	0	0	
Eventual Tenant Ownership	1	0	0	0	0	
Rural/Tribal	10	NA	NA	NA	10	
Contributions	1	0	0	0	0	
OCT	3	0	0	0	0	
MBE/WBE	0	0	0	0	0	
Preservation	30	30	NA	NA	NA	
Efficient Use of Resources						
Financial Readiness	16	12	16	16	16	
Other Contributions	10	0	0	0	0	
Intermediary Costs	6	3	0	2	3	
Cost Containment	6	0	6	6	6	
Building Characteristics						
Universal Design	3	0	3	0	0	
Smoke Free	1	1	1	1	1	
Unacceptable Practices	-25	0	0	0	0	
		61		47		59

Economic Integration Example: 2019 QAP

	New Construction, Suburban, Senior	
	2019 LIHTC Max	Points
Greatest Need- Tenant and Affordability Targeting		
Household Targeting	15	0
Permanent Supportive Housing	22	0
People with Disabilities	10	0
Serves Lowest Income Tenants	13	0
Rental Assistance	26	2
Long Term Affordability- 4% only	10	0
Areas of Opportunity		
Economic Integration	9	9
Higher Performing Schools	4	NA
Workforce Housing	6	6
Location Efficiency	9	2
Supporting Community and Economic Development		
Planned Community Development	3	0
Eventual Tenant Ownership	1	0
Rural/Tribal	10	NA
Contributions	1	0
OCT	3	0
MBE/WBE	3	0
Preservation	30	NA
Efficient Use of Resources		
Financial Readiness	16	16
Other Contributions	10	0
Intermediary Costs	6	2
Cost Containment	6	6
Building Characteristics		
Universal Design	3	3
Smoke Free	1	1
Unacceptable Practices	-25	0
		47

Project Details

- 150 units
- 1 and 2 BRs for seniors
- Woodbury
- Rents at 60% of AMI
- TIF funding
- Deferred developer fee
- 4 units PBV

Strategic Priority

- Economic Integration

Light Launch Meeting

- After bonds are issued pursuant to an allocation of state volume cap by MMB, Minnesota Housing staff will schedule a light launch meeting to review:
 - Scoring determination
 - Design requirements
 - 42M application requirements

42M Submission Requirements

- For bonds issued pursuant to an allocation of state volume cap by MMB, provide:
 - Preliminary determination from bond issuer 42(m)(2)(D)
 - 50% test verification letter from a CPA
 - Predictive cost model determination (applicable if pre-application process is used)
 - Scoring determination (applicable if pre-application process is used)

42M Submission Requirements

- Application fee \$800
- Preliminary determination fee 3.5% of housing tax credit allocation
- Evidence from the issuer of bond allocation
- Housing tax credit amount and project costs
- Workbook, and other checklist items in the Portal
- If the bonds were initially "parked," the development must submit via the Portal all 42M resubmittal checklist items

Preservation Project Requirements Statute 474A.047 Compliance

- For **all** preservation projects in Minnesota with project-based rental assistance
- 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

**Preservation Project Requirements
Statute 474A.047 Compliance**

- Three elements:
 - Owner compliance statement and related documentation
 - 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
- Preservation contact anne.heitlinger@state.mn.us for details

For More Information

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