



**How Awards are Sized**

Request for Proposals and  
Housing Tax Credits

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HOUSING

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**Our Mission**

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.

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**Agenda**

- Overall Objective
- Steps to Sizing
- Results

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### Overall Objective

Minnesota Housing's goal is to fund as many developments and affordable units as possible each year



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### Step One – Rents and Operating Budget

- The proposed rents and operating budget are considered
- Rents and expenses may be adjusted up or down



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### Step One – Rents

Rents are reviewed to make sure:

- They are in compliance with:
  - The scoring categories selected in the Self-scoring Worksheet or Deferred Loan Priority Checklist
  - Potential funding sources
- They are appropriate for the market



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### Step One – Operating Budget

The operating budget is analyzed to make sure that the development can be sustainable long term, including reserves



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### Step Two – Sizing the Amortizing First Mortgage

- In order to size housing tax credits and deferred loans, an amortizing first mortgage will be assumed at the HIGHER of the proposed mortgage or an assumed mortgage based on Minnesota Housing LMIR terms
- Use the Multifamily Underwriting Standards for appropriate pro forma assumptions
- A consistent interest rate is estimated based on the LMIR rate being offered for the RFP



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### Step Three – Budget Adjustments

- The development budget may be adjusted
- Staff reviews the development budget to ensure it is appropriate without containing unnecessary cushion



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### Step Four – Housing Tax Credits

The amount of housing tax credits may be reduced if, based on previous adjustments, the original amount of housing tax credits is no longer supported



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### Step Five – Deferred Loan

The deferred loan amount will be determined based on all of the previous adjustments



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### Results

- For those applications that are not requesting a Minnesota Housing amortizing first mortgage, the original proposed terms and loan amount will be re-entered into the workbook
- Funding gaps that are created by this exercise could impact the development score; the ability to resolve the gap is considered part of the overall feasibility of the proposal
- In this manner, Minnesota Housing strives to appropriately and consistently size funding awards while balancing the goal of funding as many affordable units with the lowest amount of subsidy feasible

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# Thank you!

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