



4% Housing Tax Credits with Bond Allocations

December 3, 2019



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### Agenda

- How to receive a 4% Only housing tax credit award or allocation for bonds issued pursuant to an allocation of state volume cap by MMB?
- Discuss Minnesota Housing's:
  - Timeline
  - Process
  - Requirements
  - Q&A

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### 4% Housing Tax Credits

- Minnesota Housing awards or 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 awarded or allocated
  - [www.mnhousing.gov](http://www.mnhousing.gov) > Multifamily Rental Partners > Tax Credits > Procedural Manual and Documents (year)

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**QAP Requirements**

- For 4% only projects, Minnesota Housing’s QAP applies to the entire state, **except in** sub-allocator areas:
  - Minneapolis
  - St. Paul
  - Washington county
  - Dakota county

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**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
- 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

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**Application Timing**

- Timing of an application for an award of 4% housing tax credits (42M application)
  - A full and complete application must be received at least 30 days prior to the closing on of the property and bond issuance.
  - However, it is imperative that the full and complete application is submitted as soon as possible to ensure timely receipt of the 42M letter in order to issue bonds.

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### Annual Timeline

1	Optional November <small>(30 calendar days prior to 42M application submission)</small>	Developer initiates optional pre-application process with Minnesota Housing for 1) initial scoring determination and 2) preliminary predictive model determination to ensure cost reasonableness
2	Required Early January	Developer applies to MMB for a bond allocation
3	Required <small>(Year-round starting in January)</small>	MMB bond allocation determination; 180 day clock starts
4	Within 3 weeks of Allocation	Minnesota Housing communicates with bond allocation recipients to provide information on the 4% housing tax credit process (42M)
5	Within 6 weeks of Allocation	Minnesota Housing schedules first launch meeting with the developer to review 4% Only housing tax credit requirements, process and timeline

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### Annual Timeline

6	Application Submitted <small>42M application must be submitted at least 30 days prior to bond issuance</small> <b>Not eligible to be submitted as soon as possible unless bond allocation meeting occurs</b>	<p>Developer submits 42M application to Minnesota Housing:</p> <ol style="list-style-type: none"> <li>1. Preliminary Determination letter from bond issuer; Minnesota Housing requires 42(m)(2)(D) before 42(m)(1)(D) is submitted</li> <li>2. 50% test verification letter from a CPA</li> <li>3. Preliminary Predictive Cost Model Determination (if applicable)</li> <li>4. Preliminary Scoring Determination (if applicable)</li> <li>5. Requirements:             <ol style="list-style-type: none"> <li>a. Application fee: \$800</li> <li>b. Preliminary Determination Fee 3.5% of the HTC allocation</li> <li>c. Evidence of bond allocation</li> <li>d. Tax credit dollar amount and project costs</li> </ol> </li> <li>6. Workbooks and other items required in the HTC 4% Only Application checklist in the Portal</li> </ol>
7	Development closes	

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- ### Optional Pre-application Process
- Allows developers who seek 4% housing tax credits through Minnesota Housing to:
    - Receive preliminary predictive model determination
    - Receive preliminary scoring determination
    - Review other program requirements, including design standards
  - We encourage developers to participate

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### Optional Pre-application Process

- Pre-application process
  - 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

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### 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

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### Light Launch Meeting

- After bonds are allocated by MMB, Minnesota Housing staff will schedule a light launch meeting to review:
  - Scoring determination
  - Design requirements
  - 42M application requirements

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### 42M Submission Requirements

- Application fee - \$800
- Preliminary determination fee 3.5% of housing tax credit allocation
- Evidence from the issuer of bond allocation
- 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)
- Workbook, and other checklist items in the Portal

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### Scoring Determination

- Strategic priority policy threshold
- Minimum of 40 points
- Roadmap to 40 examples:
  - 2020 QAP
    - Preservation, metro
    - New construction, suburban, senior
    - New construction, workforce, Greater Minnesota

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### Preservation Example: 2020 QAP

Preservation, Metro		
<b>Unmet Need - Tenant Targeting</b>		
Large Family Housing	15	0
Permanent Supportive Housing	22	0
People with Disabilities	10	0
Serves Lowest Income Tenants	13	NA
Rental Assistance	26	NA
Further Restricting Units	7	0
Long-term Affordability - 4% Only	10	7
<b>Project Opportunity</b>		
Economic Integration	9	0
Higher Performing Schools	4	0
Workforce Housing	6	6
Location Efficiency	9	2
<b>Supporting Community and Economic Development</b>		
Planned Community Development	3	0
Eventual Tenant Ownership	1	0
Non-Profit	10	NA
Qualified Census Tract (QCT)	1	0
Minority/Women Owned Business (M/WBE)	3	3
<b>Performance</b>		
Efficient Use of Resources	10	12
Financial Readiness to Proceed	10	0
Other Contributions	6	3
Intermediary Costs	6	0
Cost Containment	6	0
<b>Building Characteristics</b>		
Universal Design	3	0
Smoke-free	1	1
<b>Disacceptable Practices</b>		
	25	0
		64

- Project Details**
- 100 units
  - 100% project-based Section 8
  - Brooklyn Center
  - Existing deferred loans
  - Deferred developer fee

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**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

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**Questions?**

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**For More Information**

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