



2026 – 2027 Qualified Allocation Plan

June 18, 2024



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Meeting Logistics


- This session is being recorded and will be posted on the Minnesota Housing website.
- We will leave time at the end for questions.
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Our Mission




Housing is foundational to a full life and a thriving state, so we equitably collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.

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Agenda

- Assistant Commissioner James Lehnhoff
- Qualified Allocation Plan Overview – Tim Sullivan
- 2026-2027 QAP - Summer Jefferson
- Proposed Changes – Summer Jefferson and Nicola Viana
- Next Steps and Public Comment Period
- Questions and Feedback from Participants



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Handouts and Resources

- Handouts:
 - 2026-2027 Qualified Allocation Plan Summary of Proposed Changes
 - Qualified Allocation Plan
 - Self-Scoring Worksheet
 - Methodology Guide
- Website: [https://www.mnhousing.gov/rental-housing/housing-development-and-capital-programs/housing-tax-credits/qualified-allocation-plan-\(qap\).html](https://www.mnhousing.gov/rental-housing/housing-development-and-capital-programs/housing-tax-credits/qualified-allocation-plan-(qap).html)

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Welcome – Assistant Commissioner Lehnhoff

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Qualified Allocation Plan Overview

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What are Housing Tax Credits?

- Low Income Housing Tax Credits (HTC) are a federal resource
 - Reduces investor’s federal tax liability for 10 years
 - In exchange, investor buys HTCs and agrees to 30 years (or longer) of affordability
 - Proceeds from sale of credits used for affordable housing
- Outlined in Internal Revenue Code (IRC) Section 42 and Internal Revenue Service (IRS) guidance

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QAP Purpose and Process

- IRS requirement
- Qualified Allocation Plan and Self-scoring Worksheet(s)
 - Geographic distribution and funding set-asides
 - Funding rounds, rules and procedures
 - Funding priorities
 - Applicable for two years:
 - 2025 Multifamily Consolidated RFP/2026 HTC Rounds
 - 2026 Multifamily Consolidated RFP/2027 HTC Rounds

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Self-Scoring Worksheet Selection Categories

1. Greatest Need Tenant Targeting
2. Serves Lowest Income for Long Durations
3. Increasing Housing Choice (formerly named Increasing Geographic Choice)
4. Supporting Community and Economic Development
5. Efficient Use of Scarce Resources & Leverage
6. Building Characteristics

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QAP Development Process

- Review the previous QAP’s scoring, selections and policies
 - Are we achieving our funding and strategic priorities?
 - Are clarifications necessary?
 - Are we creating adverse/unintended consequences?
- Emerging needs
- Community feedback and engagement

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Initial Feedback

- Prioritize Climate Resiliency and Enhanced Sustainability
- Adjust Innovation Construction Techniques
- Adjust Senior Housing to allow for units designated for people with disabilities
- Consider changes to geographic criteria to help smaller, rural Greater Minnesota communities to be more competitive
- Consider a policy to limit annual rent increases for HTC developments.

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Proposed Changes

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Greatest Need Tenant Targeting

Four Selection Criteria

- **Large Family Housing - Change**
- **Senior Housing - Change**
- **Permanent Supportive Housing for High Priority Homeless (HPH)**
- **People with Disabilities (PWD)**
 - Tier 1
 - **Tier 2 – HUD Section 811 Project-based Rental Assistance (PRA) - Change**

May 2023

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Greatest Need Tenant Targeting Large Family and Senior

- **Large Family Housing**
 - Change to total units instead of assisted units.
- **Senior Housing**
 - **NEW** - Tiered approach to allow different points based on percentages of initial occupancy requirements of 80%, 90% and 100%.
 - Change to total units instead of assisted units.

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Greatest Need Tenant Targeting People with Disabilities (PWD) Tier 2

- **People with Disabilities (PWD) Tier 2 – For PWD units that will use HUD Section 811 Project-based Rental Assistance (PRA)**
 - Change the minimum number of units required for points for PWD Tier 2
 - Incentivize the use of HUD Section 811 PRA and increase the number of projects that move forward with a HUD Section 811 PRA award.

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Serves Lowest Income for Long Durations

Four Selection Criteria

- **Preservation – Change**
- **Rental Assistance – Change**
- Serves Lowest Income Tenants/Rent Reduction
- Long-Term Affordability

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Serves Lowest Income for Long Durations Preservation


Thresholds:

1. Risk of Loss Due to Market Conversion
2. Risk of Loss Due to Critical Physical Needs
3. Risk of Loss Due to Ownership Capacity/Program Commitment

Criteria:

- Tier 1 - Existing Federal Assistance – projects with existing project based rental assistance
- Tier 2 - Other Existing Federal Assistance and Critical Affordable Units – Tier 2





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Serves Lowest Income for Long Durations Rental Assistance

- Revise the language to make the requirements clearer.
- Remove privately funded project-based rental assistance as an option
- Modify Further Restricting Rental Assistance (FRR) from 10 years to 15 years to be consistent with the 15 years currently required under the Rental Assistance selection criteria
- Update the Relief Provisions in the QAP

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Increasing Housing Choice

Three Scoring Criteria

- **Access to More Affordable Housing – NEW name and change**
- **Workforce Housing Communities - change**
- Transit and Walkability - Metro area and Greater MN
 - Refer to the Methodology Guide

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Increasing Housing Choice Access to More Affordable Housing

Projects located in communities where there is a low share of affordable rental housing compared to all housing options in a community or a large share of renters that are cost burdened by their rent.

- Add a new tier to create a three-tiered pointing structure, giving more communities opportunities for points.
- Remove the minimum 500-households threshold for Greater Minnesota
- Greater Minnesota large urban communities (Duluth, Rochester, St. Cloud, Moorhead) will be evaluated among all Greater Minnesota communities and no longer at the Census tract level to help with geographic funding balance.
- 7-County Metro will remain Census tract based, and all tracts will receive points.

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Increasing Housing Choice Workforce Housing Communities

Projects located in or near a city or township needing workforce housing.

- Remove the hold harmless provision that was created due to the impacts of COVID-19.
- Change how Top Job Centers and Job Growth Communities are evaluated.
- Adjust the Net Five Year Job Growth Community definition to be more flexible in Greater Minnesota
 - Positive job growth in the last five years instead of a net job growth of at least 100 jobs.
 - The 7-County Metro job growth definition remains the same.

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Supporting Community and Economic Development

Six Selection Criteria

- Community Development Initiative
- **Equitable Development - Changes**
- **Rural/Tribal - Changes**
- **QCT/Community Revitalization, Tribal Equivalent Areas, and Opportunity Zones - Changes**
- Multifamily Award History
- **Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprises – Changes**

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Supporting Community and Economic Development Equitable Development

The project will address the needs of a Community Most Impacted (CMI) by housing disparities.

- 1.a. **Housing Disparity** Addressed by the project.
- 1.b. **Meaningful Participation** of Communities Most Impacted (CMI)
- 1.c. **Meaningful Engagement** with the identified CMI through the Qualified Stakeholder Group
- 1.d. **Significant Involvement** of the Qualified Stakeholder Group
- 1.e. **Signed letter** from Qualified Stakeholder Group

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Supporting Community and Economic Development Equitable Development

- Add: Tribes or Tribally-designated housing entities developing on Tribal Reservations or Tribal trust lands meet the definition of a QSG and are not required to be an independent body separate and apart from the proposed project owner, sponsor, developer, development team, service provider and management agent of record for the project due to the Tribal ownership structure.
- Clarify requirements for Meaningful Engagement with the CMI through the QSG
 - Applicants are expected to conduct, at minimum, two meetings with the same QSG prior to the application submission.

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Supporting Community and Economic Development Continued

Rural/Tribal

- Add two new tiers to create a four-tiered pointing structure.

QCT/Community Revitalization, Tribal Equivalent Area, and Opportunity Zones

- Remove Opportunity Zones as an option in this selection criterion since the program expires in 2026

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Supporting Community and Economic Development Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprises

- Clarify the terms in each tier and what circumstances are eligible for points under Ownership/Sponsorship and Development Team.
- Change the name to Capacity Building Partnership to clarify and emphasize that the intention of the partnership component is to help build capacity for eligible entities.
- Capacity Building Partnership - The project sponsor, developer, general contractor, architect, or management agent partners with a Black-, Indigenous-, or People of Color-owned or Women-owned Business Enterprise entity with the goal of building the entity's capacity to develop, manage, construct, design, or own affordable housing in the future.
- Modify requirements to allow applicants to select more than one tier, which could result in additional points under this criterion.

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Efficient Use of Scarce Resources and Leverage

Three Selection Criteria

- **Financial Readiness to Proceed/Leveraged Funds - Changes**
- **Other Contributions - Changes**
- **Intermediary Costs - Changes**

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Efficient Use of Scarce Resources and Leverage Financial Readiness to Proceed/Leveraged Funds

- Modify the commitment contingency language to account for typical conditions that funders require for selected projects.
- Exclude funder commitments to modify existing debt as a commitment type.
- Clarify the language for Payments in Lieu of Taxes (PILOT) to clarify that PILOT is only available for entities that are units of local government.
- Clarify the examples for General Partner (GP) commitments, such as GP cash, seller loans, interim income and purchased reserves.
- Add commitment types such as Interim Income and State Housing Tax Credit.

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Efficient Use of Scarce Resources and Leverage Other Contributions and Intermediary Costs

- **Other Contributions**
 - Modify the commitment contingency language to account for typical conditions that funders require for selected projects.
 - Exclude funder commitments to modify existing debt as a commitment type.
 - Clarify the language for Land Donation and PILOT.
 - Reduce percentage requirements in each tier to increase the incentive for projects to pursue additional non-capital contributions.
- **Intermediary Costs**
 - Decrease the points for the highest pointing tier to align better with the other points in the criteria.

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Building Characteristics

Three Selection Criteria

- **Innovative Construction Techniques – ICT - NEW**
- Universal Design
- **Enhanced Sustainability - Change**
- ~~Smoke-free buildings~~

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Building Characteristics

- **NEW: Innovative Construction Techniques (ICT)** – Selection criterion to prioritize projects that:
 - Reduce total construction cost by at least 10%; and/or
 - Reduce the time a project is under for construction by at least 20%.
- **Enhanced Sustainability** – Increase points for Tiers 1-4 in Selection Criterion
- **Climate Resiliency** – incorporated into Design Standards
- **Smoke Free Buildings** – Eliminate the Smoke Free Buildings selection criterion from the Self-Scoring Worksheet.

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QAP Changes

- **NEW: Right of First Refusal**
- **Market Study Requirement**
- **Rural Development/Small Project Increase**
 - \$500,000 in 2026
 - \$525,000 in 2027
- **Development Limits Increase**
 - \$1,850,000 in 2026
 - \$1,950,000 in 2027
- **Tenant Notice of Rent Increase**
 - Require a 120 days' notice when a tenant's rent will be increasing by more than 5%



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Next Steps: Public Comment Period

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Public Comments Requested

- **Public comments requested through Wednesday, July 3, 5 P.M**
 - Qualified Allocation Plan
 - Self-scoring Worksheet
 - Methodology Guide
- **Public Hearing**
 - Thursday, June 27, 10-11 A.M.
 - GoTo Webinar

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Public Comments Requested

- Written Comments
 - Email HTC.MHFA@state.mn.us
 - Mail to:

Minnesota Housing, Attn: Tamara Wilson
400 Wabasha Street North, Suite 400,
St. Paul, MN, 55102
- Comments by Phone
 - Kelly Winter at 651.297.5142

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QAP Timeline

Date	Activity
Thursday, June 27, 2024 10:00 a.m. – 11:00 a.m. CT	Public Hearing, via Go to Webinar
Wednesday, July 3, 2024	First public comment period closes
Late September 2024	Second draft of proposed changes released for public comment
Late September – Early October 2024	Second public comment period
October 2024	Second public hearing, via Go to Webinar
Thursday, November 21, 2024	Minnesota Housing board meeting: final action
December 2024	Submit QAP to the governor’s office for final approval

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Quick Links

- 4 Percent HTC for Use with Projects Financed by Tax Exempt Volume Limited Bonds >
- Carryover Allocation of Housing Tax Credits >
- Final Housing Tax Credit Allocation or Award Certification - Form 8609 >
- Qualified Allocation Plan (QAP) >**
- Development Team Qualification Forms >
- Multifamily Customer Portal Resources >
- Rent and Income Limits >
- MH Consolidated Request for Proposals & Housing Tax Credits Funding Selections >
- Preservation Resources >

Apply for Housing Tax Credits

Applications of the 2024 Multifamily Consolidated RFP/HTC Round 2 are due Thursday, July 11 at noon Central time. To receive application updates and reminders via email, sign up for our [eNews](#).

4% HTCs are available year-round. Minnesota Housing is currently accepting pre-applications and full applications for an award of 2024 4% HTCs (4% Only) for projects anticipated to be financed with tax-exempt volume limited bonding authority from Minnesota Management and Budget (MMB). [Learn more about the 4% Housing Tax Credit \(4% Only\) program.](#)

Applicants must apply for HTCs using the [Multifamily Customer Portal](#). Some of the resources and documents are listed for reference below and on the [Application Resources webpage](#).

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Contact Information

QAP Feedback: HTC.MHFA@state.mn.us

HTC Questions: Tim Sullivan, tim.sullivan@state.mn.us or 651.296.8149

QAP Questions: Minnesota Housing staff or Nicola Viana, Nicola.viana@state.mn.us

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Questions and Feedback

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