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| | **Updates to 2019 Manual** | The Minneapolis/Saint Paul Housing Finance Board retained special legal counsel to update and consolidate its Low Income Housing Tax Credit Manual and its Qualified Allocation Plan. An update of Procedural Manual and Qualified Allocation Plan was long-overdue. Additionally, these updates/amendments were reflective of changes to IRS Regulations, and updates to Procedural Manual referenced the 2019 dates, 2019 Credit Reservation amounts, formatting changes, and page reformatting. Throughout the documents, Low Income Housing Tax Credits is referenced as "HTC".<br><br>Additionally, when appropriate, Procedural Manual and Qualified Allocation Plan were amended to distinguish between the 15-year compliance period which is applicable to the project and the 10-year credit period which is applicable to requirements for the equity investor. | Procedural changes throughout the manual | |
| **P.4** | **Transfer of Ownership** | The Board strongly discourages the transfer of ownership in projects that have been awarded ~~LIHTC. The Board feels that for the long term viability of the project and management teams making the decisions in developing the LIHTC project should also own and operate the project during the 15-year compliance period~~ HTC. Any transfer of title of a project or transfer of more than 50% of the ownership interest of a general partner or change in a nonprofit partner after placement in service and through the fifth year of the ~~10~~15-year ~~credit~~ compliance period will be considered a material change in the project ("Transfer") and will be subject to the review and approval of the Board. | Transfer of more than 50% ownership during the 15 year compliance period requires Board approval.<br><br>. | |

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| P. 10<br>P. 11 | SECTION III.<br><br>POLICIES AND PROCEDURES<br><br>K. Tax Exempt Projects and 4% HTC | For projects located in Saint Paul. An applicant for 4% HTC must demonstrate that the project is eligible for no less than 35 points under the 4% HTC Selection Criteria of the QAP.<br><br>Pre-application is strongly encouraged prior to requesting an allocation of private activity bond authority.<br><br>**Process for Pre-Application:** All projects must be reviewed and determined to be consistent with City/ HRA plans, Saint Paul Comprehensive Plan, or Small Area Plans. All projects must comply with cost containment thresholds established by the HRA. Projects with unique urban redevelopment conditions may request a cost containment adjustment, subject to HRA approval.<br><br>During September 1st to November 1st, an applicant may submit a pre-application letter of Intent to apply, which shall include the standard Workbook, a written description of the project, and completed scoring worksheet. There is no fee required in connection with the pre-application process. This information will assist HRA staff in determining whether the project meets the minimum 35 point requirement under the QAP.<br><br>Starting in January of each year, the HRA will accept HTC applications for projects seeking an allocation of private activity bond cap. See: Article 6 of this Procedural Manual for specific HTC application and fee requirements. 4% HTC Allocation Fee (See Section VIII) is required at time of closing.<br><br>Projects that do not score a minimum of 35 points under the 4% Tax Credit Selection Criteria of the QAP are not eligible for a private activity bond allocation award. If the private activity bond allocation for HRA is over-subscribed, the HRA, at its discretion, will prioritize projects based upon total project points received pursuant to the QAP, whether the project is on City/HRA-owned land, the readiness of the project to proceed, the amount and term of the private activity bond allocation requested, and the overall feasibility of the project.<br><br>Upon final approval of the project by the HRA, the developer/owner will be required to close on the project by no later than 180 days from the date of the preliminary City Council Bond Approval. If the project does not close within the time allotted, the HRA will in its sole discretion make a determination whether or not to grant a one-time extension of up to 180 days or require that the developer/owner relinquish the bond allocation. | New procedure for 4% Credit projects.<br><br>Pre-Application letter is encouraged to determine project eligibility.<br><br>4% Credit Projects must score at least 35 points under the 4% HTC selection criteria.<br><br>When bond allocations are over-subscribed, HRA may prioritize projects based upon factors such as total project points, projects on HRA land, project readiness, bond amount, and project feasibility.<br><br>Projects must close with 180 days of preliminary City Council Bond Approval. n. | |

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| P. 17<br>P. 18 | IV. HTC Program Requirements<br><br>B. Applicable Percentage | *New Buildings and Qualifying Rehabilitation Expenditures Which are Financed with Tax Exempt Bonds and Existing Buildings:* With respect to new buildings and substantial rehabilitation which are financed with tax exempt bonds, and with respect to the acquisition of existing buildings that are substantially rehabilitated, the applicable percentage is an amount which results in aggregate HTC having a present value of 30 percent of qualified basis. Traditionally, this has resulted in a credit percentage of approximately four-percent<br><br>*Qualifying ~~Substantial~~ Rehabilitation:* Rehabilitation expenditures qualify for the HTC if the expenditures:<br><br>~~1. Are able to be allocated to one or more low income units or substantially benefit low income units; and~~<br><br>~~2. Equal to the greater of:~~<br><br>(a) ~~$6,700~~ an average qualified basis amount per low income unit for a building which meets the inflation adjusted amount published by the IRS annually in accordance with Section 42(e)(3)(D); or<br><br>(b) an amount that is not less than 20 percent of the adjusted basis of the building, as determined pursuant to Section 42(e)(3) of the Code.<br><br>In addition to the Code Section 42(e) requirements, Section 462A.221, Subdivision 5 of the Act requires rehabilitation expenditures of at least an average of $5,000 per unit. | Inflation Cost Adjustments for qualified rehabilitation expenditures to comply with IRS regulations. | |

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| **P. 24** | **Housing Tax Credit Program Requirements** | **N. Volume Limits:** Each state is limited to the amount of HTC it may allocate annually. The 2019 volume limits for the Cities to be allocated by the Board are as follows:<br>Minneapolis - $1,554,622<br>**Saint Paul - $972,775**<br><br>Projects with tax-exempt bond financing, which are subject to a separate volume limitation, are not counted against the state 9% HTC amount. See the QAP for further details. | Due to recent change in Tax Code, Saint Paul received an additional $192,555 of 2018 Credits which were allocated to the 2019 Credit Program. | |
| **P. 24** | **Housing Tax Credit Program Requirements** | **O. Market Review:** The applicant must submit a comprehensive market review of the housing needs of low-income individuals in the area served by the project. The review must be conducted before the HTC allocation is made and at the developer's expense by ~~a disinterested party who is approved by the Board~~ <u>an unrelated third party acceptable to HRA or CPED.</u> | IRS regulations require a rental market study. This amendment clarifies that HRA can approved the market study vendor. | |
| **P. 26** | **DEVELOPMENT STANDARDS**<br><br>**Developer Fee Limits** | **New construction:** No greater than 15% of the ~~Eligible basis~~ <u>total development costs</u>, excluding the developer fee, construction consulting fee<u>, and capitalized reserves</u> for the first 50 units, and no more than 8% of the ~~Eligible Basis~~ <u>total development costs</u>, excluding the developer fee, construction consulting fee<u>,</u> and capitalized reserves, for 51 units and over.<br><br>**Acquisition/Rehabilitation or Adaptive Reuse Projects:** No greater than 15% of ~~the Eligible Basis~~ <u>total development costs</u>, excluding the developer fee, construction consulting fee, <u>capitalized reserves</u> and acquisition costs. | For clarity, this amendment references total development costs instead of eligible basis.<br><br>Additionally, these amendments identify specific expenditures as exclusions to the developer fee. | |

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| **P. 38** | **VII. SUBMISSION REQUIREMENTS** | **B. Submission Requirements for Projects Financed with Tax-Exempt Bonds**<br><br>1. A check for the appropriate ~~application~~ fee <u>Allocation Fee</u> (See Section VIII<u>) is required at the time of closing.</u> | A 1.5% of Credit Reservation will be charged as an application fee for 4% Credit projects. This new fee is proposed in recognition of administrative review performed by HRA staff. | |