

Page	Section Title	PROPOSED AMENDMENTS TO SAINT PAUL HRA 2018 LOW INCOME HOUSING TAX CREDIT PROCEDURAL MANUAL	Comment	Accept Yes/No
	Updates to 2018 Manual	Annual Updates to Procedural Manual (reflecting the 2018 dates, 2018 amounts, page reformatting, etc.)	Procedural changes	
P. 4.	Policies and Procedures. Transfer of Ownership	The Board strongly discourages the transfer of ownership in projects that have been awarded tax credits. The Board feels that for the long term viability of quality housing, the development and management teams making the decisions in developing the tax credit housing need to also own and operate the development for the long term. Any transfer of title of a selected project or transfer of more than 50% in the composition of general partner interests or change in nonprofit partner prior to a date <u>5 2</u>-years after the project has been placed in service will be considered a material change in the project and will be subject to the approval of the Board. Sponsors wishing to change or transfer ownership must subject to the approval of the Board. Sponsors wishing to change or transfer ownership must submit a revised application along with a Completed and executed Transfer of Interest Form (LIHC-27 Exhibit N) and a transfer of interest fee (Section VIII) to CPED or HRA and any other documentation that the Board deems necessary. Any change or transfer of ownership prior to the two years after the placed in service date will have an Effect on all individuals/entities that wish to submit application in future LIHC competitions. Each and every Member of the project and management team on each side of the transfer will be penalized as follows: At the application stage for the year the transfer took place and one year after. First Transfer (10 points on each submittal) Two or more transfers (25 points on each submittal) If the Board becomes aware of an individual's/entity's transfer of ownership without proper notification and approval by the Board, the Board will ban all parties involved in the transfer from the Board's LIHC Program for a period of ten (10) years.	LIHTC regulations favor long term commitment to ownership & operations for affordable housing. Proposed change expands the duration of ownership from 2 year to 5 years.	

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P.5.	Section E Unacceptable Practices Policies and Procedures Displacement of Section 8 tenants	E. Unacceptable Practices: (New Section) <u>Displacement of Section 8 tenants (new section)</u> <u>Saint Paul HRA will not accept applications that have displaced (or will displace) Section 8 tenants in a housing project because rents will be increased above the Section 8 Payment Standard Rent limit. Rehabilitation projects that have existing Section 8 tenants may not increase those rents (in Section 8 units only) above HUD's Payment Standard Rents after completion of rehabilitation.</u> <u>Saint Paul HRA has agreed to partner with the local HUD area office to determine if tenants of rehabilitation projects:</u> <u>Were displaced prior to application</u> <u>Are displaced after rehabilitation has been completed</u> <u>If Saint Paul HRA and the local HUD area office agree that intentional displacement of Section 8 tenants occurred, with exception given to lease violations by the tenant, Saint Paul HRA may reserve the right to reduce or rescind the reservation/allocation of the tax credits to the project prior to issuance of the 8609.</u>	New regulation protecting existing Section 8 tenants who live in a LIHTC preservation project. Proposed new rents for existing Section 8 tenants cannot be increased above the HUD's Payment Standard Rents	
P.6.	Section E Unacceptable Practices Material Changes to the Project	Unacceptable Practices: (New Section) Changes to Project The award of tax credits is based upon information provided in the application and preliminary plans submitted with the application. Until the property is placed in service, any material change to the project or building design as submitted in the application require written notification to and approval from CPED or HRA, as applicable, and the Board. <u>Upon notice of any material change without proper notification and HRA approval, the HRA reserves the right to determine that all parties involved with the project material changes will not be eligible for participation in the Low Income Housing Tax Credit program for Saint Paul projects for a period up to five years.</u>	Changes to the Project must be approved by HRA. Changes without HRA approval may result in ineligible status to apply for Credits for Saint Paul projects.	

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P.6	Section E Unacceptable Practices Compliance with Fair Housing	E. Unacceptable Practices: (New Section) <u>Repeated Non-Compliance with St. Paul HRA's Fair Housing Policies, Procedures, and/or Requirements.</u> <u>For Saint Paul projects: At all times, all projects must affirmatively further fair housing by complying with federal, state, and local laws, rules, and regulations, including Section 183 of the Saint Paul Legislative Code. Upon notice of repeated non-compliance of fair housing laws and regulations, the HRA, acting on behalf of the Minneapolis/Saint Paul Housing Finance Board, reserves the right to determine that all parties involved in the ownership and/or management of the project that repeatedly is found in non-compliance of fair housing laws and regulations will not be eligible for participation in the Low Income Housing Tax Credit Program for Saint Paul projects for a period up to five years.</u>	This amendment supports the City's efforts to affirmatively further fair housing.	
P.9	Section K Tax Exempt Bond Projects Seeking Tax Credits General Info	<u>K. Tax-Exempt Bond Projects Seeking Tax Credits (New Section) - General</u> <u>A . Section 42 of the Internal Revenue Code establishes a separate set of procedures to obtain housing tax credits through the issuance of tax exempt bonds. Although the tax credits are not counted in the tax credit cap for the City of Saint Paul, developers of projects should be aware of the information contained in Article X of the Minneapolis/St. Paul Housing Finance Board Tax Credit Qualified Allocation Plan.</u> <u>The project must comply with the QAP that is in effect for the calendar year in which the tax exempt bonds are first issued. If the tax exempt bonds are initially issued on a short term basis, the year the tax exempt bonds are issued on a long term basis may occur any time after the year the tax exempt bonds were first issued, and the effective QAP will always be the QAP for the year in which the short term tax exempt bonds were first issued.</u> <u>Developers should also be aware of the requirements of MINN. Stat. § 474A.047, including subdivision 1, which requires the extension of existing U.S. Department of Housing and Urban Development (HUD) Housing Assistance Payment (HAP) contracts to the full extent available.</u>	Tax-exempt projects must comply with QAP.	

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P.19	Federal Requirements Section B Applicable Percentages establishing 9% Credit – as the minimum credit rate	IV. FEDERAL PROGRAM REQUIREMENTS: B. Applicable Percentages Section 42(b)(2)(A) and (B) of the Internal Revenue Code establishes a temporary 9% minimum credit rate for non-federally subsidized buildings. Those preparing an application for tax credits are strongly cautioned to carefully evaluate the Applicable Percentage anticipated for the proposed project and the date on which its building are expected to be placed in service. As stated above, Section 42(b)(2) of the Internal Revenue Code, established a temporary 9 percent minimum credit rate for certain non-federally subsidized new buildings placed in service BEFORE December 21, 2013. Depending upon the Applicable Percentage assumptions you choose to use in your project's application, and the Applicable Percentage elections you may make at a time of credit reservation, placing a building in service on or after December 31, 2013, may have very significant impacts upon the financial viability of your project. A 9 percent Applicable Percentage may not be available to a building if it is placed in service on or after December 21, 2013.	Permanent IRS change establishing 9% Credit as minimum credit rate	

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P 18.	Federal Requirements Section K	F. Affordable Rents: The rent restrictions for the units are governed by Section 42 and regulations, rulings and other announcements by the IRS. The following summary is not intended to be comprehensive. A violation of the tenant income or rental restrictions in Section 42 may result in project ineligibility, a reduction in basis, or recapture of tax credits. Rent Restriction: For a unit to count as a low-income unit, the gross rent may not exceed 30 percent of the imputed tenant income limitation. The imputed income limitation applicable to a unit equals the permissible income limitation that would apply if the number of individuals occupying the unit were: - One individual in the case of a studio apartment; and 1.5 individuals per bedroom in the case of a unit with one or more separate bedrooms. <i>Therefore, the rent restriction applicable to a low-income unit is determined by which test is elected and how many bedrooms are contained in the unit. Current income limits, as published by HUD, for the Board are attached as Exhibit O.</i> "Gross rent" means all payments by the tenant, including payments to the owner for utilities other than telephone. If the tenant pays utilities directly, the maximum rent that can be paid to the landlord is reduced by a utility allowance determined in accordance with rules under Section 8 of the U.S. Housing Act of 1937 ("Section 8"). For a building that is not assisted by HUD the building owner may use either the applicable Public Housing Authority (PHA) utility allowance or the owner may obtain a letter from the local utility company providing the estimated cost of that utility for each unit of similar size, construction, and geographic area. See Notice 94-60 and §1.142-10 of the Treasury Regulations attached as Exhibit G for more detailed information. Federal, state and local rental assistance payments (such as Section 8 payments) made on behalf of the tenant are not included in gross rent. <u>During the term of the lease, the rental rate may be altered downward but not upward, due to annual changes in maximum income and rent limits set for Credit projects by the Minneapolis/Saint Paul Housing Finance Board on behalf of the Saint Paul HRA or due to changes in Utility Allowances which are governed by the U.S. Department of Housing and Urban Development.</u>	New language states that rents cannot be increased during lease period.	

P23.	Federal Requirements Section K Declaration of Land Use Restrictive Covenants (“LURA”) Affordability requirements for 4% Credit projects.	IV. FEDERAL PROGRAM REQUIREMENTS K. Declaration of Land Use Restrictive Covenants Prior to an allocation of Section 42 Credits, a building must be subject to a Declaration of Land Use Restrictive Covenants (Declaration) between the owner and the Board, through which the owner commits the building to low income uses for a period of at least 15 years after the conclusion of the 15 year compliance period (a total of 30 years). During the extended use period, the Declaration terminates only upon foreclosure <u>of the building. For a period of three years after termination of the Declaration, the owner may not evict low income tenants (other than for good cause) and may not increase the gross rent above the maximum allowed under Code with respect to such low income unit. Beginning with the 2018 tax credit program, owners who have financed their developments with tax exempt bonds and are receiving 4% credits (non-competitive, 4 percent) allocated in association with issuance of Tax-Exempt Bonds, owners must make a minimum commitment</u> to Section 42 income and rent restrictions for a period of 20 years beginning with the first day of the compliance period in which the building is part of a qualified low-income housing project <u>and must agree to waive the provisions with respect to Section 42(h)(6)(E)(i)(II) and 42(h)(6)(F) of the Code in the Declaration.</u>	or the 2018 Credit Program, affordability period for 4% Credit Projects with tax exempt bonds will be 20 years (plus 3 years).	
P. 24	Federal Requirements Section N Volume Limits	IV. FEDERAL PROGRAM REQUIREMENTS N. Volume Limits The 2018 volume limits for Cities to be allocated by the Board are as follows: Minneapolis \$1,230,513 Saint Paul \$760,022 (an increase of \$4180 Credits)	2018 Credit Allocation	
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P. 25 P. 26	Federal Requirements Section R Fair Housing Policy	IV. FEDERAL PROGRAM REQUIREMENTS R. Fair Housing Policy It is the policy of the Board to ensure fair housing opportunity in al Board programs and to administer its housing programs affirmatively, so that all Board residents of similar income levels have equal access to Board programs regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, or familial status. All Board programs are required to market affirmatively using specific steps for each program. These steps include: 1. Conduct public Information and outreach programs geared to inform and encourage protected groups to participate. 2. Marketing strategies that reach protected groups using conventional methods, such as newspapers and other media, as well as personal contact, mailings, and use of consultants. 3. Review federal and state fair housing guidelines periodically to ensure all steps are non-discriminatory. (See: next page)		
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P.25 P.26	Federal Requirements Section R Fair Housing Policy	Federal Requirement R. Fair Housing Policy <u>Participants in the Low Income Housing Tax Credit Program will be required to use affirmative fair housing marketing practices in soliciting renters, determining eligibility, and concluding all transactions as addressed in Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, as well as the fair housing protections provided by the Minnesota Human Rights Act, which adds creed, marital status, status with regard to public housing, and sexual orientation, and any applicable Saint Paul City Civil Rights ordinances. In part, regarding rental housing issues, Title VIII, the Human Rights Act, and applicable City Civil Rights ordinances make it unlawful to: (i) discriminate in the selection/acceptance of applicants in the rental of housing units; (ii) discriminate in terms, conditions or privileges of the rental of a dwelling unit; (iii) engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit; (iv) make or publish (or have anyone else make or publish) advertisements that indicate preferences or limitations based on race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, or sexual orientation.; (v) tell a person that because of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, or sexual orientation, a dwelling unit is not available when it is; and (vi) deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation.</u> <u>Owners will be required to market affirmatively, using specific steps geared to the particular program. These steps include:</u> <u>1. Outreach to all groups protected by the Civil Rights Act of 1968, as amended in 1988, and those protected by the Minnesota Human Rights Act and applicable City of Saint Paul Civil Rights ordinances</u> <u>2. Affirmative marketing strategy that reaches protected groups</u> <u>3. Self-analysis to make sure all steps are non-discriminatory</u> <u>4. Upon request by HRA staff or PED staff, the submission of marketing plans, reports and documents that confirm the owner's fair housing efforts</u> Failure to comply with the forgoing requirements will prompt Board staff to prepare a full report to the Executive Director of the Board or to the Executive Director of Saint Paul HRA. Noncompliance could result in appropriate actions by the Board or HRA, including expulsion from the Board or HRA programs.	This policy supports the City's Fair Housing policies. New Fair Housing language, including the ability for HRA staff to request the submission of marketing plans and documents that confirm owner's fair housing efforts.	
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P. 40	Section VIII Fees Monitoring Fees	Section VIII F. Monitoring Fee: The Board or its designee will charge an initial set-up fee of \$1.50 per unit and an annual monitoring fee of \$60 55 per unit, based on the total number of units, with a minimum of \$500. This fee may be increased depending upon the requirements of the U.S. Treasury, IRS, or increased costs of the Board. The fee will be due in a manner and time as prescribed by the Agency. Failure to pay the fee will result in the Board notifying the IRS that the project is out of compliance. Additional regulations require periodic physical inspections of LIHC units – there is a \$100 project cost and \$60 55 physical inspection fee per tax credit unit with a minimum fee of \$900 750 due for every three years.	Monitoring fees have increased from \$55 to \$60. Monitoring Fees are paid by owner.	
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