

HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SAINT PAUL, MINNESOTA

REPORT TO THE COMMISSIONERS

DATE: APRIL 28, 2021

REGARDING: REQUEST TO ENDORSE THE PROPOSED AMENDMENTS TO THE
MINNEAPOLIS/SAINT PAUL HOUSING FINANCE BOARD – LOW
INCOME HOUSING TAX CREDIT PROGRAM FOR 2022-2023, CITYWIDE

Requested Board Action

This report requests the HRA Board consideration of proposed changes to the Minneapolis/Saint Paul Housing Finance Board’s *Low-Income Housing Tax Credit Procedural Manual* (“Procedural Manual”) and its *Qualified Allocation Plan* (“QAP”) for 2022-2023 period. The proposed changes are specifically identified in the 2022-2023 Procedural Manual which is referenced in the attached Procedural Manual and the 2022-2023 QAP which is referenced in the attached Qualified Action Plan.

Background

The Federal Tax Reform Act of 1986 created the Low-Income Housing Tax Credits (“Credits”) for qualified residential properties to encourage the production of affordable low-income rental housing. Credits provide a reduction in federal tax liability to owners and investors of qualified low-income housing developments. The owners/investors may use Credits annually for ten years (“credit period”), but qualified low-income housing projects must comply with federally imposed rent and tenant income restrictions for 15 years with an extended use period of an additional 15 years (“compliance period”).

Under the law, to qualify for low-income housing tax credits (LIHTCs), rental properties must meet one of three set-aside tests:

- 1) At least 20 percent of the units had to be both rent restricted and occupied by households with incomes at or below 50 percent of area median income (AMI), or
- 2) At least 40 percent of the units had to be both rent restricted and occupied by households with incomes at or below 60 percent of AMI, or
- 3) The Average Income test as follows:
 - a. At least 40 percent of the units have to be both rent-restricted and occupied by individuals whose incomes do not exceed the imputed income limitation designated by the taxpayer (up to 80% AMI)
 - b. The average of the imputed income limitations designated cannot exceed 60 percent of AMI

Pursuant to MN State Statute, Section 462A.221-462A.225, as amended, Minnesota Housing Finance Agency (“MHFA”) is the State Credit Allocator for eligible statewide projects. The Minnesota Legislature also authorized the Minneapolis/Saint Paul Housing Finance Board (“Housing Finance Board”) as the Credit Suballocator for eligible projects located in cities of Saint Paul and Minneapolis. The Housing Finance Board must publish a Procedural Manual and QAP, which establish the timeline, process, and criteria by which the Housing Finance Board selects projects to receive Credits. The QAP must also identify the selection criteria to determine housing priorities of the housing credit agency which are appropriate to local conditions.

With the adoption of its 2022-2023 Procedural Manual and 2022-2023 QAP, the Housing Finance Board authorizes the HRA to administer the Credit Program for Saint Paul’s projects. Saint Paul’s estimated Credit Allocation for 2022 is \$799,764.

Summary of Changes to the Procedural Manual and Qualified Allocation Plan

As referenced in the Attachments, HRA staff recommends changes to the 2022-2023 Procedural Manual and the 2022-2023 Qualified Allocation Plan in order to reflect the priorities of the HRA Board. In summary, the proposed changes include the following:

2022-2023 Procedural Manual

- Throughout the document: Establish a two-year QAP (2022-2023), which sets the priorities and requirements for multifamily projects that will request funding in the 2021 and 2022 RFPs
- Section III – E: Changes to remove cost containment language to be consistent with MN Housing, and changes to expand Unacceptable Practices to include Displacement of Non-HUD-Assisted Units in Acquisition/Rehabilitation Projects.
- Section III – K: Add new language to clarify that Census tracts designating Qualified Census Tracts (QCTs) will change partway through the two-year QAP cycle
- Section III – M: Update language to reflect changes in minimum scoring threshold for Saint Paul projects seeking 4% HTCs, and remove language references to cost containment
- Section III – S: Update Average Income language
- Section III – T: Clarifies seeking a Qualified Contract waiver is not applicable to projects applying for HTC allocations after June 15, 2021 due to “Project Threshold Requirements” described in QAP
- Section IV – B: Clean up language to clarify new projects with qualifying rehab expenses are eligible for bonds and 4% HTCs
- Section IV – D: Clarify language on Minimum Set-Aside elections for project based rental assistance

- Section IV – G: Clarify language on Tenant Eligibility for HTC units
- Section IV – K: Update language to require owners seeking 4% HTCs to extend baseline commitment to 30 years. Add language to require owners seeking 9% HTCs who claim points for longer affordability periods to include election in Declaration
- Section IV – L: Clarify applicable financing entity for ineligible property types
- Section V – C: Update language to use ‘term of the Declaration’
- Section VII:
 - o Update guidance for how applicants should submit applications to staff.
 - o B-21: Clarification and strengthening Relocation Plan review process. This further supports anti-displacement efforts by requiring better due diligence of applicants on acquisition/rehabilitation projects
 - o B-25: Correct mislabeled HUD document
 - o D-20: Additional language to require collection of VAWA Certification
 - o E: Clarify appropriate roles to consider changes to HTC units AMI tiers

2022-2023 Qualified Allocation Plan

- Throughout the document: Establish a two-year QAP (2022-2023), which sets the priorities and requirements for multifamily projects that will request funding in the 2021 and 2022 RFPs
- Article III: Clarify that applications should be submitted in a manner described in the Procedural Manual
- Article VII-F: Update language to reflect extended baseline affordability term for 4% HTC
- Article VIII: Update language to reflect Saint Paul projects seeking 4% HTCs to score a minimum of 40 points

- Article IX – (2)(a)(i): Cleanup language to be consistent with MN Housing

Attachment 2 – Saint Paul Selection Priorities and Self-Scoring Worksheet – 9% Tax Credits

- Further prioritize increasing supply for those with the lowest incomes through the following changes:
 - o Increasing points for 30% AMI units
 - o Increasing points for 50% AMI units
 - o Increasing points for units serving homeless households
- Add new point category to penalize applicants who engage in any of the Unacceptable Practices described in the Procedural Manual
- Further prioritize innovative strategies by adding a new point category to incentivize affordability commitments that extend beyond the required 30 years.

Attachment 4 – Self- Scoring Worksheet 4% HTC. Saint Paul HRA

- Update language to increase minimum point threshold score to 40 points
- Add point category title “No Further Subsidy/Financing Committed” for clarity
- Further prioritize innovative strategies through long term affordability commitments by
 - o Extending the baseline affordability term to 30 years
 - o Adjusting point category to incentivize longer term affordability commitments
- Add point category title “Larger-sized Family Housing” for clarity
- Add point category title “Non-Profit Status” for clarity
- Further prioritize increasing supply for those with the lowest incomes through the following changes:
 - o Increasing points for 50% AMI units
 - o Increasing points for 30% AMI units

- Add new point category for units serving homeless households
- Remove “Cost Containment” point category
- Further prioritize wealth building by adding the “Future Tenant Ownership” and “Enhanced Services, Programming and Amenities” point categories
- Add new point category to penalize applicants who engage in any of the Unacceptable Practices described in the Procedural Manual

Attachment – Tenant Selection Plan

- Update Tenant Selection Plan to align with updated Minnesota Housing guidance

Future Action

Upon HRA Board consideration of the proposed 2022-2023 Procedural Manual and 2022-2023 QAP, the HRA staff will prepare final recommendations for HRA Board endorsement to the Minneapolis/Saint Paul Housing Finance Board which will hold a public hearing on June 15, 2021 for formal adoption of the 2022-2023 Procedural Manual and 2022-2023 QAP. The 2022-2023 Credit Applications will be due in late summer 2021. Staff will request HRA Board action to reserve 2022 Credits late 2021.

Green/Sustainable Development Projects that receive 2022 Credits must comply with the Minnesota Overlay developed in coordination with Green Communities as well as the *Saint Paul Sustainable Building Policy*.

Compliance

Qualified low-income housing developments that receive 2022 Credits must comply with applicable compliance requirements.

Public Purpose

Discussion of proposed changes to the 2022 Credit Program that will promote the construction or preservation of rental housing that is affordable to Saint Paul residents with incomes at or below 60% of area median income.

Recommendation

The Executive Director recommends that the HRA Board of Commissioner endorses the proposed changes to the 2022-2023 Low Income Housing Tax Credit Procedural Manual and endorse the proposed changes to the 2022-2023 Qualified Allocation Plan pursuant to the attached resolution.

Sponsored by: Commissioner Chris Tolbert

Staff: Kate Rodrigues 651-266-6695

Attachments

- Procedural Manual
- Qualified Allocation Plan
- Proposed Amendments to the 2021 Procedural Manual and 2021 Qualified Allocation Plan
- Tenant Selection Plan