

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

REPORT TO THE COMMISSIONERS

DATE: MAY 13, 2015

**REGARDING: APPROVAL TO ENDORSE THE PROPOSED AMENDMENT TO THE
MINNEAPOLIS/SAINT PAUL HOUSING FINANCE BOARD - LOW INCOME
HOUSING TAX CREDIT PROGRAM FOR 2016, CITYWIDE**

Requested Board Action

Authorization to endorse the proposed amendment to the Minneapolis/Saint Paul Housing Finance Board for its *Low Income Housing Tax Credit Procedural Manual* (“Procedural Manual”) and its *Qualified Allocation Plan* (“QAP”) for 2016.

At this time, HRA staff propose one amendment to the 2016 Procedural Manual in order to establish the maximum fee guidelines for multi-unit rental projects using Tax Credit Financing pursuant to HRA Resolution 14-1038 as referenced in **Attachment B**. The HRA staff propose no change to the 2016 QAP in order to reflect the established priorities of the HRA Board.

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 owner/investors may use Credits annually for ten years, 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. At a minimum, 40% of the units must be affordable and rented to households at or below 60% of the area median income (AMI) or 20% of units must be affordable and rented to households at or below 50% of AMI for the duration of the restricted period. Federal law also gives preference to selected properties which serve the lowest income qualified tenants for the longest period, and projects which are located in qualified census tracts for community revitalization.

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.

Housing Finance Board must annually 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. By adopting its 2016 Procedural Manual and its 2016 QAP, the Housing Finance Board authorizes the HRA to administer the Credits for Saint Paul’s projects.

For 2016, Saint Paul’s Credit Allocation is \$1,063,867 which is slightly higher than the 2015 Credit allocation of \$1,056,694.

Proposed Changes to the 2016 Low Income Housing Tax Credit Program

Procedural Manual

The proposed amendment to the 2016 Procedural Manual establishes the maximum fee guidelines for multi-unit rental projects using tax credit financing in accordance with the HRA Board Resolution 14-1038 adopted by the HRA Board on June 11, 2014. See **Attachment B**.

Qualified Allocation Plan

There is no proposed change to the Qualified Allocation Plan.

Budget Action

N/A. Approval of the resolution to endorse the proposed amendments to the 2016 Credit Program does not require any additional budget actions.

Future Action

Upon HRA Board endorsement of the proposed amendment to the Procedural Manual, the Housing Finance Board will hold a public hearing on May 27, 2015 for the formal adoption of

2016 Procedural Manual and 2016 QAP. Applications for 2016 Credits will be due to HRA on July 9, 2015. HRA staff will request HRA Board action to reserve 2016 Credits during fall 2015.

Green/Sustainable Development

Projects that receive 2016 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 development that receives 2016 Credits must comply with applicable compliance requirements (Vendor Outreach, Affirmative Action, Davis Bacon, Section 3, etc.).

Historic Preservation

N/A

Environmental Impact Disclosure

N/A

Financing Structure

N/A

Public Purpose

Approval of a resolution that endorses the 2016 Credit Program promotes the creation 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 Commissioners endorse the proposed amendment to the 2016 Low Income Housing Tax Credit Procedural Manual and the HRA Board of Commissioner endorse no change to the 2016 Qualified Allocation Plan pursuant to the attached resolution.

Sponsored by: Commissioner Amy Brendmoen

Staff: Joe Collins, 651-266-6020

Attachments:

- Attachment B – Proposed Change to the Procedural Manual – Fees