

Page	Section Title	PROPOSED AMENDMENTS TO SAINT PAUL HRA 2020 LOW INCOME HOUSING TAX CREDIT - QUALIFIED ALLOCATION PLAN ("QAP")	Comment	Accept Yes/No
	Updates to 2020 Qualified Allocation Plan ("QAP")	<p>The Minneapolis/Saint Paul Housing Finance Board annually updates its Low Income Housing Tax Credit Manual and its Qualified Allocation Plan. These updates/amendments were also reflective of changes to IRS Regulations. Other QAP changes are procedural in nature reflecting the 2020 dates, 2020 Credit Reservation amounts, formatting changes, and page reformatting, etc. Throughout documents, Low Income Housing Tax Credits is referenced as "HTC". The Qualified Allocation Plan also distinguishes between the 15-year compliance period (applicable to projects) and the 10-year credit period (required for equity investor).</p> <p>Compliance Requirements required by the IRS Code or Housing Finance Board are referenced in the Compliance Manual for Saint Paul HRA Credit projects.</p>	Procedural changes throughout the manual	
P. 2	ARTICLE III Definitions	<p>"Delegate" means an agent or other private contractor retained by CPED staff and PED staff to perform HTC compliance monitoring.</p>	HTC compliance monitoring requires detailed analysis. This definition recognizes that CPED & HRA may delegate compliance monitoring work to an outside vendor.	

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P. 2	ARTICLE III Definitions	<p>"Minimum Set-Aside Test" refers to the options available to meet the minimum set aside test required under Section 42 of the Code:</p> <ul style="list-style-type: none"> (a) 20/50 test (b) 40/60 test (c) <u>Income averaging test</u> <p>Background Information:</p> <p>IRS Section 42 (g) (1) (c) Average Income Test</p> <p>(i) In general. The project meets the minimum requirements of this subparagraph if 40 percent or more (25 percent or more in the case of a project described in section 142(d)(6)) of the residential units in such project are both rent restricted and occupied by individuals whose income does not exceed the imputed income limitation designated by the taxpayer with respect to the respective unit.</p> <p>(ii) Special rules relating to income limitation. For purposes of clause (i)—</p> <p>(I) Designation. The taxpayer shall designate the imputed income limitation of each unit taken into account under such clause.</p> <p>(II) Average test. The average of the imputed income limitations designated under subclause</p> <p>(I) shall not exceed 60 percent of area median gross income.</p> <p>(III) 10-percent increments. The designated imputed income limitation of any unit under subclause (I) shall be 20 percent, 30 percent, 40 percent, 50 percent, 60 percent, 70 percent, or 80 percent of area median gross income.</p>	<p>To promote more affordable housing, IRS regulations now recognizes "Income Averaging" as a method to establish the minimum number of units available for households at established area median incomes.</p> <p>With Income Averaging, a project may have units serving very low income households as well as units serving households at 80% of area median income – as long as the average income for all units does not exceed 60% AMI></p>	

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P.4	<p>ARTICLE V Amount of 9% HTC for 2020</p>	<p>The maximum amount of 9% HTC that may be allocated by the Board in any calendar year will be determined in accordance with Section 42 and the Act.</p> <p>For 2020, the Board is authorized to allocate approximately \$1,453,890 of 9% HTC for Minneapolis and \$901,241 of 9% HTC for Saint Paul.</p>	<p>The 2020 Credit Allocation of \$901,241 is \$81,518 less than the 2019 Credit Allocation of \$982,759 which included both the 2019 Allocation and an additional 2018 Credits of \$192,555 (allocated with the Tax Reform Act).</p>	
P.8	<p>ARTICLE IX Compliance Monitoring</p> <p>Record Keeping Art. IX B(1)(a) (vii)</p>	<p>Compliance Requirements required by the IRS Code or Housing Finance Board are referenced in the Compliance Manual for Saint Paul HRA Credit projects.</p> <p>Documentation to support each HTC tenant's income certification. (for example, a copy of the tenant's federal income tax return, Form W-2, or verifications of income from third parties such as employers or state agencies paying unemployment compensation.) <u>Such documentation shall be consistent with that required under Section 8 of the United States Housing Act of 1937 ("Section 8"), Chapter 5 of the HUD Occupancy Requirements of Subsidized Multifamily Housing Programs, related appendices, and the Suballocator Compliance Manual.</u> Tenant income shall be calculated in a manner consistent with the determination for annual income under Section 8 of the United States Housing Act of 1937 (Section 8) not in accordance with the determination of gross income for federal income tax liability. In the case of a tenant receiving housing assistance payments under Section 8, the documentation requirement of this paragraph is satisfied if the public housing authority provides a statement to the building owner declaring that the tenant's income does not exceed the applicable income limit under section 42(g);</p>	<p>Procedural Amendment:</p> <p>To determine tenant's income, this amendment includes references to Chapter 5 (Determining Income and Calculating Rent) of the HUD Occupancy Requirements of Subsidized Multifamily Housing Program as well as the Compliance Manual for Saint Paul Credit projects.</p>	

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P. 10	ARTICLE IX Compliance Monitoring Owner's Annual Certification	<p>The owner will be required to certify the following on an annual basis covering the preceding 12-month period</p> <p>Amendments to the existing owner's certification or new owner's certifications are as follows:</p> <ul style="list-style-type: none"> (i) The project met the requirements of the 20-50 test under Section 42(g)(1)(A), or the 40-60 test under Section 42(g)(1)(B) of the Code, <u>or Income Averaging under Section 42(g)(1)(c), whichever minimum set-aside test is applicable to the project, and the 15-40 test under Sections 42(g)(4) and 142(d)(4)(B) of the Code for "deep rent skewed", projects, if applicable to the project;</u> (ii) The owner has received an annual income certification from each HTC tenant. At initial occupancy the owner has received a Tenant Income Certification with supporting documentation and an Annual Student Certification from each HTC tenant. At annual recertification, owner has received an Annual Student Certification and, where applicable, a Tenant Income Certification with supporting documentation from each HTC tenant, except for projects that meet the requirements under Section 42(g)(8)(B), and documentation to support that certification or, in the case of a tenant receiving Section 8 housing assistance payments, the statement from a public housing authority described above in Section B.1.(a)(vii); (v) <u>No tenants in HTC units were evicted or had their tenancies terminated other than for good cause and no tenants had an increase in the gross rent with respect to a HTC unit not otherwise permitted under Section 42;</u> (vii) <u>No finding of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619, has occurred for the project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 42 U.S.C 3616a(a)(1), or an adverse judgment from a federal court;</u> 	<p>This amendment recognizes the IRS Income Averaging test.</p> <p>Procedural amendment.</p> <p>HTC evictions or tenancy terminations require "good cause", and there can be no gross rent increases that are not otherwise permitted under Section 42.</p> <p>Owner must certify that there have been no Fair Housing findings. A discrimination finding includes an adverse HUD decision or adverse federal court judgement.</p>	

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P. 11	ARTICLE IX (2)(a) Compliance Monitoring Owner's Annual Certification	<p>The owner will be required to certify the following on an annual basis covering the preceding 12-month period</p> <p>(xv) <u>If the owner received its HTC allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organizations" under Section 42(h)(5) of the Code and its non-profit entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code.</u></p>	This new amendment is procedural. Project owners with a MN Housing set-aside allocation must annually certify that project has a qualified non-profit organization that materially participates in development operations	
P. 12-13	ARTICLE IX (2)(b) Review	<p>CPED staff and PED staff (or Delegate) shall review the certifications and supporting reports and <u>documentation</u> submitted by the owner pursuant to Section IX(2)(a) above for compliance with the requirements of Section 42 of the Code. In addition, pursuant to the <u>Treasury Regulation §1.42-5(c)(2)(ii)(b) and the Procedural Manual on at least annual basis either; at least every three (3) years</u></p> <p>(i) CPED staff and PED staff (or Delegate) shall require the owners of at least 50% of all HTC projects in their respective jurisdictions to submit to the Authorized Delegate (as defined in Section 5 below) for review the tenant files, including but not limited to the annual income certification, the documentation the owner has received to support that certification, and the rent record for at least 20% of the HTC tenants in a project. For projects subject to their first review of tenant files where 100% of the units are low-income, 50% of tenant files will be subject to review each low income tenant in at least 20% of the HTC units in the projects; or</p> <p>(ii) CPED staff and PED staff (or Delegate) must physically shall inspect all buildings in a project, all common areas, and at least 20% of the HTC projects HTC units in the project each year and must inspect the low-income certification, the documentation the owner has receive to support that certification, and the rent record for each HCT in at least 20% of the HTC units in those projects; or</p> <p>(iii) The owners of all HTC projects must submit to the Authorized Delegate each year information on tenant income and rent for each HTC unit in the form and manner designated by CPED staff and PED staff and the owners of at least 20% of the projects must submit to the Authorized Delegate for review a copy of the annual income certifications, the documentation the owner has received to support that certification, and the rent record for each low income tenant in at least 20% of the HTC in their project.</p>	These amendments are procedural, for which PED may delegate such review duties. (Current Compliance Monitor is Affordable Housing Connections, Inc.)	

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P. 13	ARTICLE IX (3) Inspection Provision	<p>The Delegate and the Board shall have the right to inspect HTC projects <u>through the term of the Declaration at least through the end of the 15 year compliance period of the buildings in the project.</u> The inspection provisions of this Section 3 are required in addition to any inspections of low-income certifications and documentation under paragraph 2(b) of this Article IX</p>	<p>For property inspection purposes, the Declaration of Land Use Agreement (LURA) recorded against the property may be longer than the IRS 15 year compliance period.</p>	
P. 13	ARTICLE IX (4) Notification of Noncompliance Provisions	<p>Owner will have an opportunity to supply any missing certifications and bring the project into compliance with the provisions of Section 42 of the Code within a period specified in the notice to the owner. <u>The correction period will be no more than sixty days not to exceed 90 days</u> from the date of the notice to the owner described in paragraph (b) of this Section 4. CPED or PED staff (or <u>Delegate</u>) may extend the correction period for up to six (6) months <u>upon the written request of the owner</u>, but only if CPED or PED staff (or <u>Delegate</u>) determines that there is good cause for granting an extension. <u>The Delegate will submit any proposed extension denials to CPED or PED for final determination.</u> The Board may review and notify the IRS of corrective action taken by the owner if provided to the Board within 3 years of the Form 8823 filing.</p>	<p>This amendments requires the time period for compliance corrections.</p> <p>PED's delegate may also extend the compliance correction period.</p>	

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P. 23	<p>ATTACHMENT</p> <p>Saint Paul HRA Selection Priorities and Self-Scoring Worksheet</p> <p>9%</p>	<p>Projects located in Saint Paul for which an application is submitted will be rated by the Saint Paul HRA in accordance with the selection and preference priority point system below. Each applicant must fill out this worksheet and submit it along with other materials required by the Procedural Manual</p> <p><u>A. SAINT PAUL'S SELECTION PRIORITIES – Selection Criteria (9% Credits)</u></p> <p><u>7. Economic Integration.</u> Projects that promote economic housing integration will receive site selection priority points. Points will be awarded for the election of the following percentage of HTC units to the total units in the project. (1-10 points)</p> <table border="1" data-bbox="561 727 1475 1187"> <thead> <tr> <th><u>% of HTC Units/Total Units</u></th> <th><u>Inside Qualified Census Tract</u></th> <th><u>Outside Qualified</u></th> </tr> </thead> <tbody> <tr> <td><u>90%</u></td> <td><u>1</u></td> <td><u>10</u></td> </tr> <tr> <td><u>80 - 89.9%</u></td> <td><u>2</u></td> <td><u>8</u></td> </tr> <tr> <td><u>70 - 79.9%</u></td> <td><u>3</u></td> <td><u>6</u></td> </tr> <tr> <td><u>60 - 69.9%</u></td> <td><u>4</u></td> <td><u>4</u></td> </tr> <tr> <td><u>50 - 59.9%</u></td> <td><u>6</u></td> <td><u>3</u></td> </tr> <tr> <td><u>40 - 49.9%</u></td> <td><u>8</u></td> <td><u>2</u></td> </tr> <tr> <td><u>20 - 39.9%</u></td> <td><u>10</u></td> <td><u>1</u></td> </tr> </tbody> </table>	<u>% of HTC Units/Total Units</u>	<u>Inside Qualified Census Tract</u>	<u>Outside Qualified</u>	<u>90%</u>	<u>1</u>	<u>10</u>	<u>80 - 89.9%</u>	<u>2</u>	<u>8</u>	<u>70 - 79.9%</u>	<u>3</u>	<u>6</u>	<u>60 - 69.9%</u>	<u>4</u>	<u>4</u>	<u>50 - 59.9%</u>	<u>6</u>	<u>3</u>	<u>40 - 49.9%</u>	<u>8</u>	<u>2</u>	<u>20 - 39.9%</u>	<u>10</u>	<u>1</u>	<p>.</p> <p>This Economic Integration Selection Criteria has not effectively promoted economic housing integration due to various reasons.</p> <p>For on-going compliance reasons, many equity investors want 100% Credit projects to ensure that all housing units comply with IRS regulations.</p> <p>For 2020, the IRS regulation allowing Income Averaging may provide an alternative method to create economic integration by creating housing affordable for households with very low incomes, such as 30% AMI, as well as households at 80% AMI.</p>	
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P. 24	ATTACHMENT Saint Paul HRA Selection Priorities and Self-Scoring Worksheet	<p><u>A. SAINT PAUL'S SELECTION PRIORITIES – Selection Criteria (9%) Credits</u></p> <p><u>7. Percentage of housing units serving households at or below 50% Area Median Income.</u></p> <table border="1" data-bbox="647 500 1494 732"> <thead> <tr> <th><u>% of HTC Units/Total Units</u></th> <th></th> </tr> </thead> <tbody> <tr> <td><u>50% - 59.9% of units</u></td> <td><u>1 points</u></td> </tr> <tr> <td><u>60% - 74.9% of units</u></td> <td><u>2 points</u></td> </tr> <tr> <td><u>75% - 100% of units</u></td> <td><u>3 points</u></td> </tr> </tbody> </table>	<u>% of HTC Units/Total Units</u>		<u>50% - 59.9% of units</u>	<u>1 points</u>	<u>60% - 74.9% of units</u>	<u>2 points</u>	<u>75% - 100% of units</u>	<u>3 points</u>	This new site selection priority encourages affordable housing development that serve households at or below 50% AMI. .	
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P. 24	ATTACHMENT Saint Paul HRA Selection Priorities and Self-Scoring Worksheet	<p>9. Homelessness. Up to five (5) points will be awarded to new construction or substantial rehabilitation projects that provide affordable housing with supportive services for occupancy by homeless households.* (1-5 points)</p> <p>a. At least 10% of HTC units assist homeless residents (1 point)</p> <p>b. At least 20% of HTC units assist homeless residents (3 points)</p> <p>c. 100% of HTC units assist homeless residents (5 points)</p> <p>*Note: Homeless households shall be defined as homeless individuals, homeless veterans, homeless or unaccompanied youth living in a shelter, on the streets, or doubled-up in housing not their own, and current project residents who are participating in a supportive housing program while residing at the project site. The owner must provide satisfactory evidence in writing of a commitment from an appropriate social service agency to provide supportive services. <u>Applicants claiming points for providing units to house homeless households will be required to fill those units through Ramsey County Homeless Coordinated Entry system. Projects serving unaccompanied youth at risk of homelessness are exempt from the Coordinated Entry requirement.</u></p>	This procedural amendment states HUD requirements when assisting homeless residents.									

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P.30	<p>ATTACHMENT</p> <p>Saint Paul HRA Selection Priorities and Self-Scoring Worksheet</p> <p>(4% Credit Projects)</p>	<p><u>SAINT PAUL'S SELECTION PRIORITIES – Selection Criteria (4%) Credits</u></p> <p>No Gap Financing. Up to fifteen (15) points will be awarded to projects that require no gap financing, or has secured <u>permanent capital</u> funding commitments from more than one funding source other than the Saint Paul HRA sources at the time of application.</p> <p><u>Commitment documentation must be project-specific and include the amount, terms, and conditions in writing from the designated contributor. Words synonymous with "consider" or "may" award are not acceptable. Sources must be documented with the amount, terms and conditions in writing from the designated contributor. Words synonymous with "consider" or "may" award are not valid or acceptable. (up to 15 points)</u></p> <p><u>First mortgage financing may not be included. Syndications proceeds may only be included in the associated HTC were awarded in a prior funding round.</u></p> <p><u>Applicants may include anticipated utility rebates or sales tax exemptions as a funding source. A letter from the developer committing these funds as a capital contribution to the project must be submitted with the Application to consider the source as committed.</u></p> <p>(a) No gap financing or 15.1% or more of funding committed. (15 points)</p> <p>(b) 10.1-15% of funding committed. (7 points)</p> <p>(c) 5% -10% of funding committed. (3 points)</p>	<p>This proposed site selection priority scoring identifies the documentation that affirms permanent capital financing required for 4% Credit projects.</p>	

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P. 30	<p>ATTACHMENT</p> <p>Saint Paul HRA Selection Priorities and Self-Scoring Worksheet</p> <p>4% Credits</p>	<p><u>SAINT PAUL’S SELECTION PRIORITIES – Selection Criteria (4%) Credits</u></p> <p><u>2. Long Term Affordability</u></p> <p>Only Applications seeking 4% HTC for use in conjunction with tax exempt bonds are eligible to claim points through this priority.</p> <p>The owner agrees that the provisions of Section 42(h)(6)(E)(i)(ii) and Section 42(h)(6)(F) of the Code (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event the Saint Paul HRA does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project, and the owner also agrees the Section 42 income and rental restrictions must apply for a period of 30 years <u>the time period for which points were selected</u> beginning with the first day of the compliance period in which the building is a part of a qualified low income housing project.</p> <ul style="list-style-type: none"> (a) The owner agrees to extend the long-term affordability of the project and maintain the duration of low income use for a minimum of 30 years. (15 points) (b) The owner agrees to extend the long-term affordability of the project and maintain the duration of low income use for a minimum of 40 years. (17 points) (c) The owner agrees to extend the long-term affordability of the project and maintain the duration of low income use for a minimum of 45 years. (20 points) 	<p>This amendment requires that the long-term affordability period reflects the time period for which the owner had selected priority points for 4% Credit projects .</p>	

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P. 21	<p>ATTACHMENT</p> <p>Saint Paul HRA Selection Priorities and Self-Scoring Worksheet</p> <p>4% Credits</p>	<p>Intermediary Costs (soft costs): Points will be given to projects on a sliding scale of intermediary costs based on percentage of total project costs. For selected projects, this percentage will be enforced at issuance of IRS Form 8609 (1 or 15 points)</p> <table border="1" data-bbox="532 483 1542 824"> <thead> <tr> <th data-bbox="532 483 1096 540">% of Total Project Cost</th> <th data-bbox="1096 483 1542 540">Points</th> </tr> </thead> <tbody> <tr> <td data-bbox="532 540 1096 597">0 - 15%</td> <td data-bbox="1096 540 1542 597"><u>15</u></td> </tr> <tr> <td data-bbox="532 597 1096 654">15.1 - 20%</td> <td data-bbox="1096 597 1542 654"><u>10</u></td> </tr> <tr> <td data-bbox="532 654 1096 711"><u>20.1 - 25%</u></td> <td data-bbox="1096 654 1542 711"><u>5</u></td> </tr> <tr> <td data-bbox="532 711 1096 768"><u>25.1 - 30%</u></td> <td data-bbox="1096 711 1542 768"><u>3</u></td> </tr> <tr> <td data-bbox="532 768 1096 824"><u>30% +</u></td> <td data-bbox="1096 768 1542 824"><u>1</u></td> </tr> </tbody> </table>	% of Total Project Cost	Points	0 - 15%	<u>15</u>	15.1 - 20%	<u>10</u>	<u>20.1 - 25%</u>	<u>5</u>	<u>25.1 - 30%</u>	<u>3</u>	<u>30% +</u>	<u>1</u>	<p>Projects are awarded points for lower intermediary costs.</p> <p>This amendment is also consistent with Minneapolis scoring for intermediary costs for 4% Projects.</p>	
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