

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

REPORT TO THE COMMISSIONERS

DATE: MAY 14, 2025

REGARDING: RESOLUTION ENDORSING PROPOSED CHANGES TO THE
MINNEAPOLIS/SAINT PAUL HOUSING FINANCE BOARD'S 2026-2027
LOW-INCOME HOUSING TAX CREDIT PROCEDURAL MANUAL AND
ITS 2026-2027 QUALIFIED ALLOCATION PLAN; 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 the 2026-2027 cycle. The proposed changes are specifically identified in the attached 2026-2027 **Procedural Manual** and the attached 2026-2027 **QAP**.

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 projects. The owners and 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 must 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 must 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 must 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

Federal law also gives preference to selected properties which serve the lowest income qualified tenants for the longest period, and projects which are in qualified census tracts for community revitalization.

Pursuant to Minnesota Statute, Sections 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 annually publish a Procedural Manual and a 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 2026-2027 Procedural Manual and 2026-2027 QAP, the Housing Finance Board authorizes the HRA to administer the Credit Program for Saint Paul’s projects. Saint Paul’s Credit Allocation is estimated to be \$1,008,553.00 for 2026 and \$931,711 for 2027.

Changes to the Procedural Manual and Qualified Allocation Plan

As referenced in the Attachments, HRA staff recommends changes to the 2026-2027 Procedural Manual and the 2026-2027 Qualified Allocation Plan to reflect the priorities of the HRA Board.

The proposed changes to the 2026-2027 Procedural Manual are included in the attached **Chart – 2026-2027 Procedural Manual Proposed Changes**

The proposed changes to the 2024-2025 Qualified Allocation Plan are included in the attached **Chart – 2026-2027 QAP Proposed Changes**, which also includes the selection priorities for both the 9% and the 4% HTC scorecards.

Future Action

Upon HRA Board endorsement of the proposed 2026-2027 Procedural Manual and 2026-2027 QAP, the Minneapolis/Saint Paul Housing Finance Board will hold a public hearing on June 11, 2025, for formal adoption of the 2026-2027 Procedural Manual and 2026-2027 QAP. The 2026 9% Credit Applications will be due in late July 2023. Staff will request HRA Board action to reserve 2026 Credits in October 2025.

PED Credit Committee Review

N/A

Compliance

Qualified low-income housing developments that receive 2026-2027 Credits must comply with applicable compliance requirements.

Green/Sustainable Development

Projects that receive 2026-2027 Credits must comply with the Minnesota Overlay developed in coordination with Green Communities as well as the *Saint Paul Sustainable Building Policy*.

Public Purpose/Comprehensive Plan Conformance:

The Low-Income Housing Tax Credit program helps achieve Saint Paul's commitment outlined in the 2040 Comprehensive Plan to create:

- Decent, safe and healthy housing for all Saint Paul residents.
- Well-designed, energy-efficient buildings and sites constructed with quality materials.
- Fair and equitable access to housing for all city residents.
- A supportive environment for homeownership.
- Stable rental housing.
- Improved access to affordable housing.
- Strong neighborhoods that support lifelong housing needs

Recommendation:

The Executive Director recommends that the HRA Board of Commissioners endorses the proposed changes to the 2026-2027 Low Income Housing Tax Credit Procedural Manual and endorses the proposed changes to the 2026-2027 Qualified Allocation Plan pursuant to the attached resolution.

Sponsored by: Chair Cheniqua Johnson

Staff: Jules Atangana, 266-6660

Attachments

- 1. 2026-2027 Procedural Manual**
- 2. 2026-2027 Qualified Allocation Plan**
- 3. Chart – 2026-2027 Procedural Manual Proposed Changes**
- 4. Chart – 2026-2027 QAP Proposed Changes**