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Low Income Housing Tax Credit Program – Qualified Allocation Plan Recommendations

Funding Resources for Affordable Housing Projects

- Low Income Housing Tax Credits (LIHTC) & Tax Exempt Bonds
- Pass-through grants (Met Council, DEED)
- Community Development Block Grants (CDBG)
- Tax Increment Financing
- HOME Federal Funds
- Local Afforable Housing Aid (LAHA) (state sales tax)
- MHFA Consolidated RFP
- Ramsey County and others

LIHTC Program Background

- LIHTC program created by Congress in 1986 to encourage the production of affordable housing units for low-income tenants
- Program provides tax incentives to affordable housing investors
- States receive housing tax credit allocations from the IRS
- Minnesota has sub-allocators
- Minneapolis St. Paul Finance Board (Joint Board) is the sub-allocator for LIHTC projects in St Paul and Minneapolis
- Per IRS rules, the Joint Board must approve a Qualified Allocation Plan (QAP) that sets the priorities for tax credit allocation
- The HRA Board must define its priorities

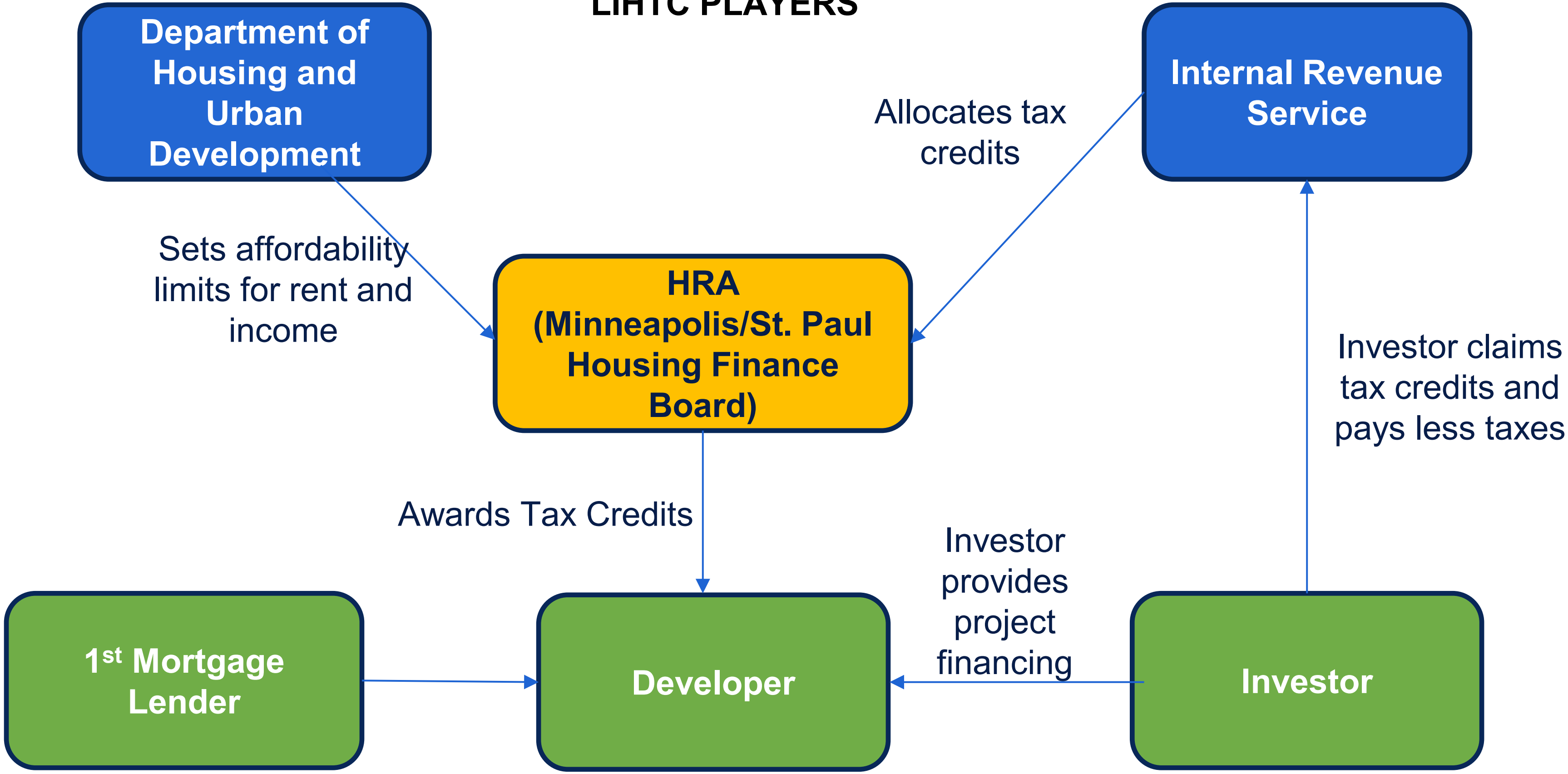
Qualified Allocation Plan (QAP) and Procedural Manual

- The **QAP** explains what the Low-Income Housing Tax Credit program is and specifically sets the HRA Board housing priorities

- The **Procedural Manual** explains how we manage the program in terms of process and compliance requirements.

- These materials can be updated annually or less frequently but must be adopted by the Finance Board to participate in the program

LIHTC PLAYERS



Two Types of Low-Income Housing Tax Credits

Tax Credits (LIHTC) & Tax Exempt Bonds

HRA (Minneapolis/ Saint Paul Housing Finance Board)

Joint Board awards Tax Credits

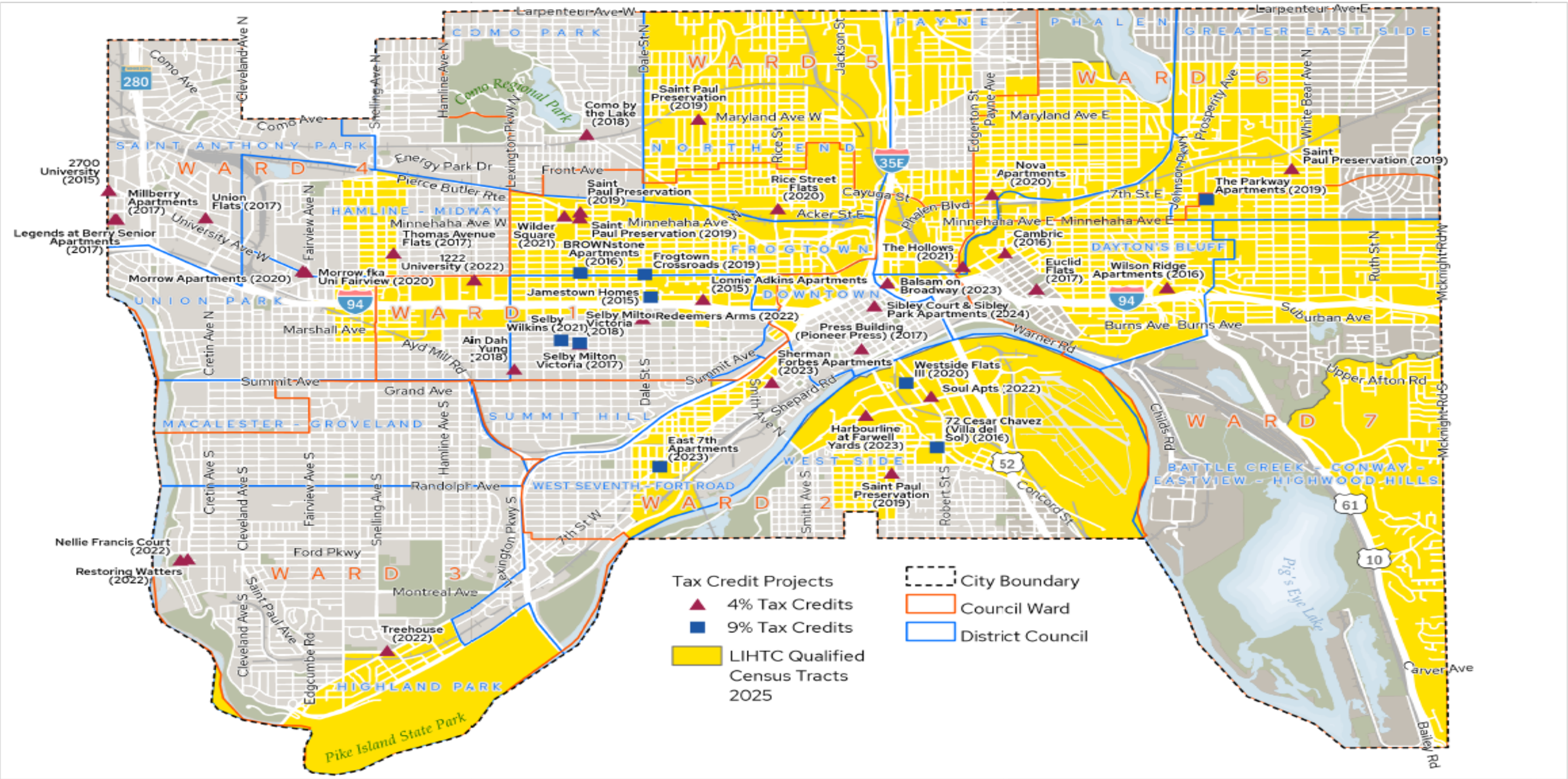
9% Credits: Annual Competitive RFP 2026 Allocation estimated at about $1,000,000

4% Credits: Automatically awarded in conjunction with Tax Exempt Bonds

Developer

Low-Income Housing Tax Credit (LIHTC) Projects, 2015-2025

April 2025



Data: Housing team staff spreadsheet, HUD LIHTC QCT ArcGIS Service, St. Paul Enterprise GIS; Parcel Polygons: current Ramsey County data via Minnesota Geospatial Commons; Road and Building Polygons: 2017 impervious surface dataset, Ramsey County; Water bodies via Minnesota DNR. This document was prepared by the Saint Paul Planning and Economic Development Department and is intended to be used for reference and illustrative purposes only. This drawing is not a legally recorded plan, survey, official tax map or engineering schematic and is not intended to be used as such.

SAINT PAUL
PLANNING & ECONOMIC DEVELOPMENT

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2025-2026 QAP
Proposed Scorecard Changes

SAINT PAUL
MINNESOTA

2025-2026 QAP Proposed Changes

Added language consistent with new State requirement

I. Projects selected for an allocation or award on or after January 1, 2025 must comply with State prevailing wage law and must use the higher of ~~and or~~ state prevailing wages per Minnesota Statute 116J.871 and any other applicable federal or local wage that applies to any other funding source for the project.

2025-2026 QAP Proposed Changes

Reduction of points to make proposal more financially viable in the long term

Scoresheet: HOMELESSNESS: Up to ~~25~~ 15 points will be awarded to new construction or substantial renovation projects that provide affordable housing with supportive services for occupancy by ~~homeless households~~ households experiencing homelessness.*

All projects claiming points must meet the following threshold requirements:

i. Minimum of four (4) units set aside for households experiencing homelessness to be referred exclusively through Ramsey Coordinated Entry System

ii. Designated homeless units must be rent and income restricted at 30% AMI (with allowable project-based rent subsidy rents)

iii. The applicant must provide satisfactory evidence in writing of a commitment from an appropriate social service agency to provide support services.

a. 4-9 homeless units ~~(12 points)~~ (5 points)

b. 10-19 homeless units ~~(18 points)~~ (10 points)

c. 20 homeless units or more ~~(25 points)~~ (15 Points)

*Note: ~~Homeless households~~ Households experiencing homelessness shall be defined as homeless individuals, homeless Veterans, homeless families or unaccompanied youth living in a shelter, on the streets, our doubled-up in housing not their own, and current 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. 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.

Rational for the proposed change: As we encourage projects to include units for homeless individuals and households, we also want to consider the financial cost for operating these projects and we want to make sure that homeless units alone are not the main deciding factor for deciding which project get funded.

2025-2026 QAP Proposed Changes

Prioritizing new construction projects in non-QCT areas and preservation projects in QCT areas

CREATION AND PRESERVATION:
The project ensures that the federal housing subsidy and low-income housing restrictions remain in place, preserving long-term affordability, or creating new affordable units through new construction

New Construction: Points will be awarded to new construction projects of affordable housing that is located Outside of a QCT (5 Points)

Substantial Renovation: The project is a substantial renovation that preserves long-term affordability in projects with existing federal or local funds, in order to (1) prevent conversion to market-rate use; or (2) remedy physical deterioration of the project if deterioration would result in loss of affordable housing or risk of loss within 5 years.

a. Located inside a Qualified Census Tract ~~(20 points)~~ (5 points)

~~Located outside a Qualified Census Tract (20 points)~~

Rational for the proposed change: Encourage the construction of new units in areas of opportunities while preserving current affordable units in other areas

2025-2026 QAP Proposed Changes

Removing the NOAH criteria as current market conditions have not promoted NOAH projects

~~NATURALLY OCCURING AFFORDABLE HOUSING (NOAH) PROJECTS~~

~~Up to 15 points will be awarded to unsubsidized projects with the risk of rents going market rate and needing capital improvements may apply for funding if:~~

~~a. At least 50% units remain affordable to tenants with income at 60% AMI or below (5 points)~~

~~100% units remain affordable to tenants with income at 60% AMI or below (15 points)~~

Rational for the proposed change: In the past 2 years, we did not see much interest from developers on NOAH projects. The reason may be that the current market conditions with high interest rates are not favorable for NOAH investors. In addition, the St. Paul Rent Stabilization Ordinance (RSO) already restricts to a certain level the increase of rents.

2025-2026 QAP Proposed Changes

Expand transit buffer to be consistent with Metro Transit assumption and providing more points to mixed use projects on transit corridors

TRANSIT

Points will be awarded to new construction or substantial rehabilitation projects.

a. Located within ~~0.25~~ 0.50 miles of a completed or planned* light rail train ("LRT") station and bus rapid transit ("BRT") or other fixed transitways stops. (3 points)

b. Located within 0.25 miles of a high service Metro Transit bus route (defined as a bus running at least every 30 minutes) (2 points)

*Note: Includes planned stations on future transitways that are in advanced design or under construction. To be considered in advanced design, transitways need to meet the following criteria: issuance of a draft EIS, station area planning underway, and adoption by the Metropolitan Council Transportation Policy Plan.

Applicant can only claim 3 or 2 points, not both.

Additional points awarded for projects that claimed transit points and will include mixed-use development (3 points)

Rational for the proposed change: Expand transit buffer area to be consistent with Metro Transit assumptions.

Other Changes

- Included childcare centers and multi-language services in the list of enhanced services, programming, and amenities that can earn points.
- Expanded the “Equity and Cultural Integration” section to better clarify to developers what specific and measurable actions must be taken to earn points.
    - Projects must now address needs of a “Community Most Impacted” by working with a “Qualified Stakeholder Group” to engage in meaningful participation from that community.
    - Section update uses language used by MN Housing.

Next Steps

- HRA Board to issue a resolution endorsing the changes May 14, 2025
- Joint Board to approve the changes for the 2026-2027 Cycle June 11, 2025
- RFP for the 9% LIHTC to be released June 15 (6 weeks)
- Fall 2025: Presentation of the applications and recommendation of the awarded project to the HRA for allocation of the 9% LIHTC

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