

November 4, 2025

Transmitted by Email

City of Saint Paul Housing and Redevelopment Authority
City Hall and Court House
15 West Kellogg Boulevard
St. Paul, Minnesota 55102

Re: Resolution 25-1706 – Amendments to the Minneapolis/Saint Paul Housing
Finance Board's 2026-2027 Qualified Allocation Plan

Members of the City of Saint Paul Housing and Redevelopment Authority:

The affordable housing groups below submit this letter to highlight the concern with utilizing the Qualified Contract process in the Low Income Housing Tax Credit (LIHTC) program.

The LIHTC program is one of the most successful tools to spur private investment in the production and preservation of affordable rental housing across the country. When LIHTC is used to develop or preserve housing, owners are required by federal law to agree to keep LIHTC units affordable for a period of 30 years, which includes both a 15-year tax compliance period and an additional 15-year extended use period.

The Qualified Contract process emerged in the last decade as a problematic loophole. Under the Qualified Contract process, owners can ask the LIHTC allocating agency to find a qualified purchaser for the property after year 14. If the allocating agency can locate a qualified purchaser, that entity then purchases the LIHTC property and maintains it as affordable for the duration of the 30-year period.

The problem is that price at which the LIHTC allocating agency must offer the property is set by federal law and often significantly exceeds the market value of the property as affordable housing. As a result, it is rare for the Qualified Contract process to result in a sale and preservation of a LIHTC property.

Instead, the Qualified Contract process often functions as a way for owners to opt out of the LIHTC affordability provisions after just 15 years. At that point, the owner can sell the property at market value without any deed restrictions and can increase rents to market rate, subject only to a 3-year protection period for existing tenants, which can displace tenants and increase affordable housing needs in the area. This process has resulted in a loss of more than 120,000 deeply needed affordable LIHTC units nationwide.

For these reasons, the majority of tax credit allocating jurisdictions across the country have recognized the importance of closing this loophole and required or incentivized waivers of the Qualified Contract process in their Qualified Allocation Plan (QAP). Thirty-six (36) out of 50 Housing Finance Agencies require a waiver of Qualified Contract and an additional seven (7) allocating agencies incentivize a waiver.

We recognize the fundamental importance of LIHTC units to the affordable housing stock across the country and encourage tax credit allocating agencies to carefully consider the impacts before adopting QAP changes that would permit use of the Qualified Contract process.

Respectfully Submitted,

National Housing Trust

National Association of State and Local Equity Funds, NASLEF

Enterprise Community Partners

National Housing Law Project