



City of Saint Paul

City Hall and Court House
15 West Kellogg
Boulevard
Council Chambers - 3rd
Floor
651-266-8560

Meeting Agenda

Housing & Redevelopment Authority

Chair Cheniqua Johnson
Commissioner Anika Bowie
Commissioner Molly Coleman
Commissioner Saura Jost
Commissioner HwaJeong Kim
Commissioner Rebecca Noecker
Commissioner Nelsie Yang

Wednesday, November 5, 2025

2:00 PM

Council Chambers, City Hall

Roll Call

Approval of Minutes

- 1 [Min 25-45](#) Approval of the October 2025 HRA Meeting Minutes

Sponsors: Johnson

Attachments: [Oct. 1](#)

[Oct. 8](#)

[Oct. 15](#)

[Oct. 22](#)

Discussion

- 2 [RES
25-1706](#) Resolution Endorsing Amendments to the Minneapolis/Saint Paul Housing Finance Board's 2026-2027 Qualified Allocation Plan; Citywide.

Sponsors: Noecker

Attachments: [Board Report](#)

[01-Amended and Restated2026-2027 QAP Redline](#)

[02-Amended and Restated 2026-2027 HTC Procedural Manual Redline](#)

[03-St. Paul 4% SelfScoringWorksheet REDLINE](#)

[04-Map-Downtown LIHTC Exemption_rev](#)

[North Central States Regional Council of Carpenters Letter of Support](#)

[SPDA Letter of Support](#)

[SPAC Letter of Support](#)

[The Alliance Comments](#)

[HOME Line Opposition Ltr](#)

[Housing Justice Center Comments](#)

[HJC Comments 11.4.25](#)

[National Affordable Housing Organizations Ltr](#)

[Equity in Place Coalition Ltr](#)

[HJC Opposition Email](#)

- 3 [RES
25-1709](#) Authorization to Release the 4(d) Affordable Housing Incentive Program Covenant on 1048 Central Ave W, Saint Paul

Sponsors: Bowie

Attachments: [Board Report Removal of Covenant](#)

Staff Report

- 4 [SR 25-222](#) Introduction to Ramsey Hill Apartments, District 8, Ward 1

Sponsors: Bowie

Attachments: [Presentation Ramsey Hill CDBG Loan Extension 2025n](#)

Housing and Redevelopment Authority Board of Commissioners (HRA) meetings are open for in person attendance, but the public may also comment on public hearing items in writing or via voicemail. Any comments and materials submitted by 12:00 p.m. of the day before the meeting will be attached to the public record and available for review by the Board. Comments may be submitted as follows:

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HRA Meeting Information

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Cable

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Adjournment



City of Saint Paul

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Phone: 651-266-8560

Master

File Number: Min 25-45

File ID: Min 25-45

Type: Approval of Minutes

Status: Agenda Ready

Version: 1

Contact Number: 266-6092

In Control: Housing & Redevelopment Authority

File Created: 10/27/2025

File Name: October 2025 HRA Meeting Minutes

Final Action:

Title:

Notes:

Sponsors: Johnson

Enactment Date:

Attachments: Oct. 1, Oct. 8, Oct. 15, Oct. 22

Financials Included?:

Contact Name: Thea Gaither

Hearing Date:

Entered by: thea.gaither@ci.stpaul.mn.us

Ord Effective Date:

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
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Text of Legislative File Min 25-45



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Meeting Minutes - Final

Housing & Redevelopment Authority

Chair Cheniqua Johnson
Commissioner Anika Bowie
Councilmember Molly Coleman
Commissioner Saura Jost
Commissioner HwaJeong Kim
Commissioner Rebecca Noecker
Commissioner Nelsie Yang

Wednesday, October 1, 2025

2:00 PM

Council Chambers, City Hall

Roll Call

Chair Johnson called the meeting to order at 2:01 p.m.

Present 7 - Commissioner Rebecca Noecker, Commissioner Nelsie Yang, Commissioner Anika Bowie, Commissioner Cheniqua Johnson, Commissioner Saura Jost, Commissioner HwaJeong Kim, and Commissioner Molly Coleman

Approval of Minutes

- 1 [Min 25-42](#) Approval of the September 2025 HRA Meeting Minutes

Sponsors: Johnson

Attachments: [Sept. 3](#)
[Sept. 10](#)
[Sept. 17](#)
[Sept. 24](#)

Moved by Commissioner Yang, The Minutes are Approved

Yea: 7 - Commissioner Noecker, Commissioner Yang, Commissioner Bowie, Commissioner Johnson, Commissioner Jost, Commissioner Kim, and Commissioner Coleman

Nay: 0

Discussion

- 2 [RES 25-1484](#) Approving and Authorizing the Execution of Municipal Advisory Services Agreements with the Financial Service Firms of Baker Tilly, Ehlers, and PFM Financial Advisors LLC, Citywide.

Sponsors: Johnson

Attachments: [Board Report](#)

Interim Executive Director, Melanie McMahon gave background, and stated that there is a corresponding item on the City Council agenda. The recommendation is to enter into a joint contract for a new term of five years; 2026 - 2030.

Moved by Commissioner Jost, Resolution is Adopted

Yea: 7 - Commissioner Noecker, Commissioner Yang, Commissioner Bowie, Commissioner Johnson, Commissioner Jost, Commissioner Kim, and Commissioner Coleman

Nay: 0

Adjournment

The Meeting Adjourned at 2:04PM

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Commissioner Anika Bowie
Councilmember Molly Coleman
Commissioner Saura Jost
Commissioner HwaJeong Kim
Commissioner Rebecca Noecker
Commissioner Nelsie Yang

Wednesday, October 8, 2025

2:00 PM

Council Chambers, City Hall

Roll Call

Chair Johnson called the meeting to order at 2:00 p.m.

Present 6 - Commissioner Nelsie Yang, Commissioner Anika Bowie, Commissioner Cheniqua Johnson, Commissioner Saura Jost, Commissioner HwaJeong Kim, and Commissioner Molly Coleman

Absent 1 - Commissioner Rebecca Noecker

Staff Report

- 1 [SR 25-213](#) Reservation of Year 2026 Low-Income Tax Credits for The Aragon Development, located at 470 White Bear Avenue, District 1, Ward 7

Sponsors: Johnson

Attachments: [Presentation-2026 LIHTC Reservation](#)

Housing Director, Jules Atangana gave a presentation on Low-Income Tax Credit process and scoring, and answered questions from the Board.

Received and Filed

- 2 [SR 25-214](#) Introduction to Twin Cities German Immersion Conduit Bond Project

Sponsors: Kim

Attachments: [Intro to Conduit Bonds for Twin Cities German Immersion School](#)

Debt Administrator, Jenny Wolfe gave a presentation of the Conduit Bonds and invited Executive Director of the Twin Cities German Immersion School, Elizabeth Zehnpfennig to the podium.

Ms. Zehnpfennig gave an overview of the school and explained use of the funds for the school.

Commissioner Kim stated she will be out next week for the adoption of this item but expressed her support for the school.

Received and Filed

Adjournment

The meeting was adjourned at 2:30 p.m.

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Commissioner Molly Coleman
Commissioner Saura Jost
Commissioner HwaJeong Kim
Commissioner Rebecca Noecker
Commissioner Nelsie Yang

Wednesday, October 15, 2025

2:00 PM

Council Chambers, City Hall

Roll Call

Vice Chair Jost called the meeting to order at 2:02 p.m.

Commissioner Kim was Excused and Commissioner Noecker was Absent

Present 5 - Commissioner Nelsie Yang, Commissioner Anika Bowie, Commissioner Cheniqua Johnson, Commissioner Saura Jost, and Commissioner Molly Coleman

Absent 2 - Commissioner Rebecca Noecker, and Commissioner HwaJeong Kim

Discussion

- 1 [RES 25-1530](#) Reservation of year 2026 Low Income Housing Tax Credits for The Aragon Development, located at 470 White Bear Avenue, District 1, Ward 7

Sponsors: Johnson

Attachments: [Board Report](#)
[01-2026-2027 QAP Mpls StP Final](#)
[02-The Aragon Self Scoring Worksheet](#)
[03-Highland Bridge III SelfScoringWorksheet](#)
[04-Ramsey Hill SelfScoringWorksheet](#)
[05-Map_The Aragon](#)
[06-Public Purpose_The Aragon](#)
[07-District 1 Neighborhood Profile](#)

Comments were made by Commissioner Bowie and Chair Johnson.

Moved by Chair Johnson, Resolution is Adopted

Yea: 5 - Commissioner Yang, Commissioner Bowie, Commissioner Johnson, Commissioner Jost, and Commissioner Coleman

Nay: 0

Absent: 2 - Commissioner Noecker, and Commissioner Kim

Public Hearing

- 2 [RES PH 25-237](#) Resolution authorizing the issuance and sale of conduit charter school lease revenue refunding bonds, under Minnesota Statutes, Sections 469.152 through 469.1655, for the Twin Cities German Immersion School Project, 1031 Como Avenue and approving related documents; District 10, Ward 5

Sponsors: Kim

Attachments: [Board Report](#)
[Map](#)

Vice Chair Jost announced the Public Hearing. There being no testimony, Commissioner Coleman moved to close the public hearing.

Commissioner Yang explained her opposition.

Commissioner Bowie moved approval. The resolution was adopted

Moved by Commissioner Bowie, Resolution-Public Hearing is Adopted. The motion carried by the following vote:

Yea: 4 - Commissioner Bowie, Commissioner Johnson, Commissioner Jost, and Commissioner Coleman

Nay: 1 - Commissioner Yang

Absent: 2 - Commissioner Noecker, and Commissioner Kim

Staff Report

- 3 [SR 25-217](#) Highland Bridge Update from Ryan Companies and Weidner Apartment Homes

Sponsors: Johnson

Attachments: [Presentation](#)

Ryan Companies Development Manager, Sean Ryan and Weidner Apartment Homes Development Director, Nick Nowotarski gave a presentation of the development, and answer questions from the Board.

Received and Filed

Adjournment

The Meeting was Adjourned at 2:35 p.m.

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Housing & Redevelopment Authority

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Commissioner Molly Coleman
Commissioner Saura Jost
Commissioner HwaJeong Kim
Commissioner Rebecca Noecker
Commissioner Nelsie Yang

Wednesday, October 22, 2025

2:00 PM

Council Chambers, City Hall

Roll Call

Chair Johnson called the meeting to order at 2:01 p.m.

Commissioner Kim arrived at 2:34 p.m.

Present 7 - Commissioner Rebecca Noecker, Commissioner Nelsie Yang, Commissioner Anika Bowie, Commissioner Cheniqua Johnson, Commissioner Saura Jost, Commissioner HwaJeong Kim, and Commissioner Molly Coleman

Staff Report

- 1 [SR 25-223](#) Presentation on New Dwelling Toolkit: Adding a Housing Unit to Your Saint Paul Property
Sponsors: Johnson
Attachments: [Presentation New Dwelling Toolkit](#)
Senior City Planner, Emma Brown gave a presentation. Ms. Brown and Planning Director, Yasmine Robinson answered questions from the Board.
Received and Filed
- 2 [SR 25-226](#) Authorization to Release the 4(d) Affordable Housing Incentive Program Covenant on 1048 Central Ave W. Saint Paul, District 8, Ward 1
Sponsors: Bowie
Attachments: [Presentation 4d Request to Release Covenant](#)
Interim Executive Director, Melanie McMahon introduced the program.
Project Manager, Rachel Finazzo Doll gave a presentation and answered questions from the Board.
Received and Filed
- 3 [SR 25-227](#) Resolution Endorsing Amendments to the Minneapolis/Saint Paul

Housing Finance Board's 2026-2027 Qualified Allocation Plan; Citywide.

Sponsors: Noecker

Attachments: [Presentation QAP Amendment](#)
[SPAC Letter of Support](#)
[HOME Line Opposition Ltr](#)
[Housing Justice Center Comments](#)
[The Alliance Comments](#)

Interim Executive Director McMahon introduced the Qualified Allocation Plan.

Housing Director, Jules Atangana gave a presentation and answered questions from the Board.

Received and Filed

4 [SR 25-225](#) PED Budget Update - Transfers Detail

Sponsors: Johnson

Attachments: [Summary PED Budget Update Transfers](#)
[Presentation PED Budget Update -Transfers 2025](#)

Deputy Director and CFO, Nicole Green gave a presentation and answered questions from the Board.

Received and Filed

Adjournment

The meeting was adjourned at 3:27 p.m.

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Master

File Number: RES 25-1706

File ID: RES 25-1706

Type: Resolution

Status: Agenda Ready

Version: 1

Contact Number: 266-6660

In Control: Housing & Redevelopment Authority

File Created: 10/27/2025

File Name: Resolution Endorsing Amendments to the Minneapolis/Saint Paul Housing Finance Board's 2026-2027 Qualified Allocation Plan; Citywide.

Final Action:

Title:

Resolution Endorsing Amendments to the Minneapolis/Saint Paul Housing Finance Board's 2026-2027 Qualified Allocation Plan; Citywide.

Notes:

Sponsors: Noecker

Enactment Date:

Attachments: Board Report, 01-Amended and Restated 2026-2027 QAP_Redline, 02-Amended and Restated 2026-2027 HTC Procedural Manual_Redline, 03-St. Paul 4% SelfScoringWorksheet_REDLINE, 04-Map-Downtown LIHTC Exemption_rev, North Central States Regional Council of Carpenters Letter of Support, SPDA Letter of Support, SPAC Letter of Support, The Alliance Comments, HOME Line Opposition Ltr, Housing Justice Center Comments, HJC Comments 11.4.25, National Affordable Housing Organizations Ltr, Equity in Place Coalition Ltr, HJC Opposition Email

Financials Included?:

Contact Name: Jules Atangana

Hearing Date:

Entered by: thea.gaither@ci.stpaul.mn.us

Ord Effective Date:

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
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Text of Legislative File RES 25-1706

Resolution Endorsing Amendments to the Minneapolis/Saint Paul Housing Finance Board's 2026-2027 Qualified Allocation Plan; Citywide.

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 5, 2025

REGARDING: RESOLUTION ENDORSING AMENDMENTS TO THE
MINNEAPOLIS/SAINT PAUL HOUSING FINANCE BOARD'S 2026-2027
QUALIFIED ALLOCATION PLAN; CITYWIDE

Requested Board Action

This report requests the HRA Board consideration of proposed amendments to 2026-2027 *Qualified Allocation Plan* (“QAP”). The proposed changes are specifically identified in 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 (“Compliance Period”) with an extended use period of an additional 15 years (“Extended Use 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 the 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.

Through Resolution 25-733 on May 14, 2025, the HRA Board endorsed the attached 2026-2027 QAP that was approved by the Housing Finance Board on June 11, 2025.

This report provides the rationale for amending the 2026-2027 QAP with the goal of revitalizing our downtown as well as making the QAP consistent with the passage by Congress of H.R. 1 (OBBBA) on July 4, 2025, that reduced the amount of Tax-Exempt Bond Volume Cap required for projects using 4% Federal Housing Tax Credits from 50% to 25% of the project’s aggregate basis. Also, staff is proposing to formalize our tax-exempt bond policy by limiting the amount of volume cap issued to projects in order to take advantage of the expanded tax credit capacity provided by the passage of H.R. 1 (OBBBA).

According to the Tax Credit Procedural Manual, the QAP may be amended by the Housing Finance Board with the approval of both of the cities of Saint Paul and Minneapolis for substantive issues at any time following a public notice and a public hearing.

Qualified Allocation Plan

The Covid pandemic led to a significant decline in office occupancy in downtown because of the shift to remote work and the exodus of high-income earners. We however have the opportunity to reinvent our downtown as a mixed-use neighborhood. We need to be creative in finding resources to build more housing that will help create a more vibrant downtown.

As referenced in the attachment, HRA staff recommend changes to the 2026-2027 Qualified Allocation Plan as follows:

- **Qualified contract:** allows property owners of projects located downtown to exit their affordability commitment after the 15-year Compliance Period. The downtown boundaries are defined as the area bounded by I-35E and I-94 to the north, I-94 and Broadway Street to the east, Shepard Road to the south, and Kellogg Boulevard and Eagle Parkway to the west, as illustrated on the attached map. This change aims at attracting more resources and will provide additional financing tools to housing developers downtown. The opportunity to limit the affordability to only 15 years will be an incentive tool for investors in affordable housing downtown.
- **Reduction in Financed-By Test:** effective January 1, 2026, the new tax law reduces the percentage of the aggregate basis that is required to be financed by private activity bonds from 50% to 25%. By reducing the amount of volume cap required, we can issue fewer bonds per project, expanding capacity to allocate Credits for affordable projects. If approved, this change will take effect on January 1, 2026 and will align our QAP with the H.R. 1 (OBBBA) bill passed by Congress on July 4, 2025.
- **4% HTC Scorecard:** in order to affirm the priority that is given to downtown office to housing conversion projects and offset the requirement for long-term affordability for other projects outside of downtown, staff are proposing the following to help projects located downtown meet the 40-point threshold to receive volume cap allocation:
 - Addition of office to housing conversion in the Creation and Preservation priority

- recognition of office to housing conversion projects as catalysts to increase investments in downtown by awarding points to those projects.
- Changes to the 2026-2027 Procedural Manual: All proposed changes outlined in the attached Amended 2026-2027 HTC Procedural Manual are technical changes to align the language with proposed changes to the QAP.

Future Action

Upon HRA Board endorsement of the 2026-2027 QAP, the Minneapolis/Saint Paul Housing Finance Board will hold a public hearing at a meeting in November 2025, for formal adoption of the amended 2026-2027 QAP.

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 amendments to the 2026-2027 Qualified Allocation Plan pursuant to the attached resolution.

Sponsored by: Rebecca Noecker

Staff: Jules Atangana, 266-6660

Attachments

1. **2026-2027 Qualified Allocation Plan (redline)**
2. **Amended 2026-2027 HTC Procedural Manual (Redline)**
3. **4% HTC Scorecard (redline)**
4. **Map**

MINNEAPOLIS/SAINT PAUL HOUSING FINANCE BOARD

HOUSING TAX CREDIT

**2026-2027 AMENDED AND RESTATED QUALIFIED ALLOCATION
PLAN**

Adopted:

Table of Contents

I	Purpose.....	1
II	Authority.....	1
III	Definitions.....	2
IV	General Concepts.....	3
V	Amount of 9% HTC for 2024-2025	4
VI	Application Process – 9%.....	4
	A. Applicants.....	4
	B. HRA or CPED.....	4
	C. Special Tax Counsel.....	4
	D. Applicants submitting Applications for projects located in Minneapolis	5
	E. Applicants submitting Applications for projects located in Saint Paul.....	5
	F. The Mayor of the appropriate City.....	5
	G. The Minneapolis Council or the HRA Board of Commissioners	5
VII	Procedure for Selecting Projects; Project Threshold Requirements	5
VIII	HTC for Projects Financed with Tax-Exempt Housing Revenue Bonds.....	8
IX	Compliance Monitoring.....	8
	A. Statutory Requirements	8
	B. Monitoring Procedure	9

Attachment 1	Minneapolis Selection Priorities and Self-Scoring Worksheet
Attachment 2	Saint Paul Selection Priorities and Self-Scoring Worksheet
Attachment 3	Self-Scoring Worksheet-4% HTC - City of Minneapolis
Attachment 4	Self-Scoring Worksheet – 4% HTC – Saint Paul HRA

ARTICLE I Purpose

The Housing Tax Credit (the "HTC") is a federal tax credit provided for in Section 42 ("Section 42") of the Internal Revenue Code of 1986 (the "Code"), and is designed to assist in the development of affordable rental housing (the "HTC Program").

To allocate the HTC to owners of rental projects and administer the HTC Program, each state is required to designate a "housing credit agency". For the state of Minnesota, the Minnesota Housing Finance Agency ("Minnesota Housing") has been designated as the primary allocator of HTCs in Minnesota. Pursuant to Minnesota Statutes, Sections 462A.220 to 462A. 225 (the "Act"), certain local governmental entities are authorized to act as "housing credit agencies" for the purpose of allocating a portion of the available state 9% HTC (the "9% HTC"). In accordance with the Act, the City Councils of the cities of Minneapolis ("Minneapolis") and Saint Paul ("Saint Paul") have authorized the Minneapolis/Saint Paul Housing Finance Board (the "Board") to act as the housing credit agency for purposes of Section 42 of the Code with respect to the portion of the 9% HTC allocated by Minnesota Housing to each City, as well as with respect to the allocation of the HTC available in connection with the issuance of tax-exempt bonds (the "4% HTC") issued pursuant to Section 142 of the Code.

ARTICLE II Authority

[This Qualified Allocation Plan hereby amends and restates the 2026-2027 Qualified Allocation Plan adopted on June 11, 2025.](#)

Section 42(m) of the Code requires housing tax credit agencies, such as the Board, to develop and adopt a "qualified allocation plan". The Qualified Allocation Plan sets forth selection criteria to be used to determine housing priorities of the housing credit agency that are appropriate to local conditions. It also establishes certain priorities and preferences as a condition to allocating HTCs for rental housing projects. It has been determined to be in the best interest of the public health, safety and welfare of the residents of the Cities of Minneapolis and Saint Paul that an effective qualified allocation plan be adopted.

This Qualified Allocation Plan ("QAP"), which incorporates by reference the Procedural Manual and Compliance Manual (as described herein), adopted by the Board, shall be construed and governed pursuant to the laws of the State of Minnesota (including but not limited to the Act) and Section 42 of the Code and the regulations promulgated in connection with Section 42 (the "Treasury Regulations"). Allocations of HTCs by Minnesota Housing to Minneapolis and Saint Paul pursuant to the Act shall be allocated to specific project owners by the Board, as the designated housing tax credit agency for the Cities of Minneapolis and Saint Paul, in accordance with this QAP.

This QAP was prepared by the staff of the Community Planning & Economic Development Department ("CPED") of the City of Minneapolis and the Department of Planning and Economic Development of the City of Saint Paul ("PED"), as staff for the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota ("HRA"), in each case, on behalf and at the request of the Board in accordance with the procedures set forth in Section 42 of the Code.

This QAP may be amended from time to time as new guidelines and regulations are issued in connection with Section 42 of the Code, the Act or as the Board deems necessary or desirable to facilitate the public purposes of the Board's HTC Program.

ARTICLE III Definitions

"Application" means the application submitted by an applicant for HTCs pursuant to this QAP, which application shall be submitted as described in the Procedural Manual.

"Costs of Intermediaries" means those costs referred to as "costs of intermediaries" as that phrase is used in Section 42(m)(2)(B)(iii) of the Code and as may be defined in any regulations promulgated pursuant thereto. In the absence of federal regulations or rulings to the contrary, such costs shall be consistent with Minnesota Housing requirements.

"Declaration" means the Declaration of Land Use Restrictive Covenants entered into by the project owner in connection with agreements to comply with provisions of the Act and Section 42 of the Code.

"Delegate" means an agent or other private contractor retained by The Board to perform HTC compliance monitoring.

"Extended Use Period" means the time period set forth in the Declaration of Land Use Restrictive Covenants for which units within a project must comply with Section 42 of the Code.

"Minimum Set-Aside Test" refers to the options available to meet the minimum set aside test required under Section 42 of the Code:

- (a) 20/50 test
- (b) 40/60 test
- (c) Average Income test

"Qualified Census Tract" means any qualified census tract as defined in Section 42(d)(5)(C) of the Code.

"Substantial Rehabilitation" means a rehabilitation expenditure equal to the greater of:

- (a) an average qualified basis amount per HTC unit for a building which meets the inflation adjusted amount published by the IRS annually in accordance with Section 42(e)(3)(D); or
- (b) an amount that is not less than 20 percent of the adjusted basis of the building, as determined pursuant to Section 42(e)(3) of the Code.

In addition to the Code Section 42(e) requirements, Section 462A.221, Subdivision 5 of the Act requires rehabilitation expenditures of at least an average of \$5,000 per unit.

ARTICLE IV General Concepts

A. This QAP sets forth selection criteria that reflect the housing policies of the Board and will be used to determine the priorities for the allocation of HTC for rental housing developed within the Cities of Minneapolis and Saint Paul. This QAP incorporates the three (3) statutory preferences, as required by Section 42 of the Code, in allocating HTC to those projects:

- (1) for which the project owner agrees to serve the lowest income tenants;
- (2) for which the project owner agrees to serve qualified tenants for the longest periods; and
- (3) which are located in a Qualified Census Tract and contribute to a “concerted community revitalization plan.”

B. The following factors required pursuant to Section 42(m)(1)(C) of the Code have been incorporated into the selection criteria to be used to allocate HTCs:

- (1) project location;
- (2) housing needs characteristics;
- (3) project characteristics;
- (4) sponsor characteristics;
- (5) tenant populations with special housing needs;
- (6) public housing waiting lists;
- (7) tenant populations of individuals with children;
- (8) projects intended for eventual tenant ownership;
- (9) the energy efficiency of the project; and
- (10) the historic nature of the project.

C. This QAP provides for the financial feasibility review of each project and its viability as a qualified HTC project throughout the 10-year credit period as of the application date, the carryover allocation date and the placed in service date, all as required by Section 42(m)(2) of the Code.

D. This QAP provides procedures that the Board (or its agent(s), designees or private contractual parties) will follow in monitoring compliance with the provisions of Section 42 and in notifying the Internal Revenue Service (“IRS”) of any noncompliance of which the Board or such monitoring agent, authorized designee or contracting party becomes aware of.

ARTICLE V
Amount of 9% HTC for 2024-2025

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. The available amount of 9% HTC for each City will be announced as part of the RFP/NOFA.

ARTICLE VI Application Process – 9%

The application process for reserving and allocating 9% HTC pursuant to this QAP shall consist of the following steps:

- A. **Applicants** shall submit to CPED or HRA, as appropriate, the following:
- (1) a completed, signed and dated original Application, as described in Section VII of the Procedural Manual, and
 - (2) a completed Self-Scoring Worksheet (attached hereto as Attachment 1 or Attachment 2, as appropriate)
- B. **HRA or CPED**, as applicable, shall review and evaluate the Applications in accordance with this QAP and the Procedural Manual to:
- (1) determine whether the applicable minimum threshold requirements set forth in Article VII hereof have been satisfied;
 - (2) assign points to the project Application in accordance with the selection priorities set forth in Attachment 1 (Minneapolis projects) and Attachment 2 (Saint Paul projects), as applicable;
 - (3) determine the minimum amount of HTC necessary to make the project financially feasible and viable as a qualified low-income project throughout the 10-year credit period; and
 - (4) determine whether the applicant is current on the payment of compliance monitoring or other fees for projects for which the Board has allocated prior HTCs to the applicant.
- C. **Special Tax Counsel** (the “Special Tax Counsel”) appointed by The Board for Saint Paul projects and for Minneapolis projects will also review the Applications.
- D. **Applicants submitting Applications for projects located in Minneapolis** shall present the project to the applicable neighborhood group for review, comment and recommendations, which recommendations shall then be submitted as part of the Application to CPED.
- E. **Applicants submitting Applications for projects located in Saint Paul** shall present the project to the applicable Citizen Participation District Council for review, comment and recommendations, which recommendations shall then be submitted as part of the Application process to the HRA.

F. **The Mayor of the appropriate City** will be notified of the receipt of an Application for a project in their jurisdiction by the appropriate staff and provided with a reasonable opportunity to comment on the project.

G. The Minneapolis Council or the HRA Board of Commissioners, as applicable, upon recommendation from their respective staffs, shall make a determination to approve or deny a commitment for HTC for a project pursuant to Article VIII and the appropriate Attachment 1 or 2 of this QAP and the Procedural Manual. Such recommendations shall be binding upon the Board.

ARTICLE VII Procedure for Selecting Projects; Project Threshold Requirements

A. For each year in which 9% HTCs are to be allocated, there will be a funding round for 9% HTC ("Round 1"), which shall coincide with the "first round" allocation procedure established by Minnesota Housing pursuant to Minnesota Statutes § 462A.222, Subd. 3.

To participate in Round 1 for 2026-2027, all Applications (and required accompanying documentation) must be submitted on or before the deadline as posted in the RFP/NOFA. In order to participate in any subsequent competition rounds, Applications (and required accompanying documentation) must be submitted to CPED or PED by no later than the deadline established by the Executive Director of the Board following publication by Minnesota Housing of the dates for the various rounds of competition for the 9% HTC.

B. Those Applications for 9% HTC which the Board determines have satisfied the threshold requirements set forth in this Article will then be scored in accordance with the selection and preference priority point system set forth in Attachment 1 (Minneapolis projects) and Attachment 2 (Saint Paul projects), as attached to and made a part of this QAP.

C. As required by the Act, all 9% HTC Applications considered during Round 1 must meet one of the following threshold types:

(1) New construction or Substantial Rehabilitation in which, for the term of the extended use period (term of the Declaration), at least 75% of the total HTC units are single-room occupancy, efficiency, or one bedroom units with rents affordable to households whose income does not exceed 30% of the area median income ("AMI");

(2) New construction or Substantial Rehabilitation family projects that are not restricted to persons who are 55 years of age or older and in which, for the term of the extended use period (term of the Declaration), at least 75% of the total HTC units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms;

(3) Substantial Rehabilitation projects of existing housing in neighborhoods targeted by Minneapolis or Saint Paul for revitalization;

(4) Projects that are not restricted to persons of a particular age group and in which, for the term of the extended use period (term of the Declaration) a percentage of the units are set aside and rented to persons:

- (a) With a serious and persistent mental illness as defined in Minnesota Statutes 245.462, Subdivision 20, paragraph (c);
- (b) With a developmental disability as defined in United States Code, Title 42, Section 6001, paragraph 5;
- (c) Who have been assessed as drug dependent persons as defined in Minnesota Statutes 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes 254A.02, Subdivision 2;
- (d) With a brain injury as defined in Minnesota Statutes 256B.093, Subdivision 4, paragraph (a); or
- (e) With permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules Chapter 1341

(5) Projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the allocation of HTC is necessary to: (a) prevent conversion to market rate use, or (b) to remedy physical deterioration of the project, which would result in loss of existing federal subsidies.

D. To qualify for Round 1, a project must be financially feasible and viable as a qualified low-income project throughout the 15-year compliance period as documented by information in the Application which satisfies the underwriting standards used by CPED or PED, as appropriate, including sources and uses of funds, the total financing planned for the Project, any proceeds or receipts expected to be generated by reason of tax benefits, and the percentage of the housing credit dollar amount used for project costs other than Costs of Intermediaries. The information must show that, at a minimum (i) the applicant/sponsor is creditworthy, (ii) the applicant/sponsor has site control, (iii) the applicant/sponsor has the financial ability to undertake the project, including preliminary financing commitments, (iv) that the project can be completed in a timely manner, (v) the project is forecasted to have positive cash flow after required debt service, (vi) that the project demonstrates reasonable operating expenses when compared to projects for which the Board has awarded HTCs previously, and (vii) that when constructed or rehabilitated, the project will be in compliance with all applicable building, land use and zoning ordinances and requirements, (viii) the Costs of Intermediaries are not excessive for a project of that nature in that location, and (ix) the project conforms to the City of Minneapolis' Consolidated Plan, Comprehensive Plan, or any City adopted neighborhood plan document (if located in Minneapolis) or the City of Saint Paul's Consolidated Plan, Comprehensive Plan or Small Area Plans as approved by the Department of Housing and Urban Development (if located in Saint Paul).

E. The project owner must agree to enter into a Declaration as required by Section 42 of the Code in form and substance satisfactory to CPED or PED, as applicable.

F. The project owner must agree to waive its rights under Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) of the Code which, if applicable, would otherwise allow the project owner to, in some cases, terminate the Declaration after the end of the 15-year compliance period. Applicants applying for 9% and 4% HTC in conjunction with the issuance of tax-exempt bonds must agree to extend the long-term affordability of the project and maintain the duration of low-income/rent restricted housing use for a minimum of thirty (30) years.

(1) Exception for Saint Paul projects only: For office to housing conversion projects located in Downtown Saint Paul (bounded by I-35E and I-94 to the north, I-94 and Broadway Street to the east, Shepard Road to the south, and Kellogg Boulevard and

Eagle Parkway to the west) project owners are not required to waive the aforementioned rights.

G. The project owner must agree to utilize public housing waiting list(s) in marketing units to the public. The applicable public housing authority must agree with the project owner to provide referrals from its waiting list to which the owner will provide a notice of initial vacancies, including notices of open units.

H. The project must create housing that is durable, healthy, and efficient. Owners are required to incorporate sustainability elements consistent with the most current Enterprise Green Communities Criteria and Minnesota Overlay and Guide to the Enterprise Green Communities Criteria (as established by Minnesota Housing). Specifically for Saint Paul projects, all new construction projects must comply with Saint Paul Sustainable Building Policy.

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 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.

J. After reviewing the 9% HTC applications and recommendations of their respective staffs, the HRA Board of Commissioners/Minneapolis Council reserves the right not to award any HTCs. The HRA Board of Commissioners/Minneapolis Council further reserves the right not to give partial HTCs to a higher ranking application but to give the HTC to the next ranking Application that can use the balance of the HTC. The HRA Board/Minneapolis Council reserves the right to award HTCs to a project that received a prior HTC allocation from the HRA Board/Minneapolis Council or Minnesota Housing regardless of its current year ranking pursuant to Attachment 1 and 2. The HRA Board of Commissioners/Minneapolis Council further reserves the right to terminate any further award of HTCs after a portion of the total HTCs available have been awarded.

K. HRA Board/Minneapolis Council reserves the right in their sole discretion not to award HTCs to an applicant (including with significant parties who have serious and persistent compliance monitoring violations); or to an applicant with significant parties who have an adverse lending position due to any delinquencies, foreclosures, or nonperformance of contractual obligations.

L. For each of the Cities, Applications for 9% HTCs will be ranked from highest to lowest scores based on the points received as set forth in Attachment 1 or Attachment 2, as applicable.

For projects located in Minneapolis: In the event two or more Applications receive overall point totals which are within 10 points of one another, the Application which scores at least 10 points higher than the other based exclusively on the “Minneapolis Preference Priorities” set forth in Attachment 1, Section B shall be ranked higher. In the event neither project receives a score which exceeds the other by 10 or more points based upon the “Minneapolis Preference Priorities” points, the projects shall be deemed to be substantially equivalent and the Board will award HTCs to the project which best addresses the City’s current housing priorities.

For projects located in Saint Paul: In the event two or more projects have overall point totals which are within 2 points of one another, the projects shall be deemed to be

substantially equivalent, and the HRA Board will select the project which best addresses the City's housing priorities.

M. Projects selected and approved by the HRA Board of Commissioners or Minneapolis Council will be eligible to proceed toward a commitment and approval of allocation of 9% HTC.

N. Any 9% HTC not committed or allocated by the Board as of the last day of Round 1 will be returned to Minnesota Housing. If any commitment for 9% HTC is reduced or revoked, the amount of such reduction or revocation of 9% HTC may be reallocated by the Board before the end of the last day of Round 1 as provided in the Procedural Manual.

O. Participants in the HTC Program will be required to use affirmative fair housing marketing practices in soliciting renters, determining eligibility, and concluding all transactions addressed in Title VII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, as well as the fair housing protections provided by the Minnesota Human Rights Act, which adds creed, marital status with regard to public housing, and sexual orientation, and any applicable City Civil Rights ordinances.

ARTICLE VIII HTC for Projects Financed with Tax-Exempt Housing Revenue Bonds

Section 42(h)(4) of the Code provides that, under certain circumstances, owners of buildings or a portion thereof financed with private activity bonds issued by a governmental entity pursuant to Section 142 of the Code may qualify for the 4% HTC pursuant to Section 42 of the Code. In order to qualify for 4% HTCs, an applicant must submit an Application pursuant to this QAP, which Application must satisfy the requirements of this QAP.

Note: Bond volume cap will not be issued in an amount greater than 53% of basis as defined in tax-exempt bond rules.

To qualify for 4% HTC, the Application submitted by the applicant must demonstrate that the project is eligible for no less than 30 points for projects located in the City of Minneapolis or 40 points for projects located in the City of Saint Paul on the Self-Scoring Worksheet attached hereto as Attachment 3 or Attachment 4 for Minneapolis and Saint Paul, respectively.

In addition to the requirements of this QAP, HRA and CPED have set forth various procedures in the Procedural Manual (see Section VII(B), or supplements thereto), for reviewing Applications for the allocation of 4% HTCs in connection with the issuance of tax-exempt bonds pursuant to Section 142 of the Code. Refer to Section VII of the HTC Procedural Manual for Application requirements. The requirements set forth in Article VII C. of this QAP do not apply to such projects. The proposed project must comply with the QAP that is in effect at the time Tax-Exempt Housing Revenue Bonds are issued. On or after January 1, 2026, projects are eligible for allocation of 4% HTCs as long as at least 25% of the project's aggregate basis is financed with Tax-Exempt Housing Revenue Bonds.

ARTICLE IX Compliance Monitoring

A. Statutory Requirements

Pursuant to Section 42 of the Code, the Board, as an HTC allocating agency, is required to provide procedures for monitoring projects for compliance with the requirements of the HTC Program and for notifying the Internal Revenue Service (“IRS”) of any non-compliance. The Procedural Manual and Compliance Manual includes those provisions for monitoring compliance as are required by the Code or as are determined to be reasonably necessary by the Board’s compliance monitoring agent to enforce those provisions.

The Board will require that all Declarations include the following provisions:

B. Monitoring Procedure

(1) Recordkeeping and Retention

(a) Records Required

The owner for each year of the 15-year compliance period will be required to keep records for each qualified low income building in the project. Such records must show at a minimum:

(i) The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential unit);

(ii) The percentage of residential rental units in the building that are HTC units;

(iii) The rent charged on each residential rental unit in the building (including any utility allowances). Documentation including rent rolls, leases, and utility allowances per IRS Notice 94-60 issued June, 1994;

(iv) The HTC unit vacancies in the building and information that shows when, and to whom, the next available units were rented. Information on HTC unit vacancies must be retained and reported on annually to the City or Delegate;

(vi) For projects with market rate units, the annual income certification of each low-income tenant per unit on forms provided by the Board;

(vii) Documentation to support each HTC tenant’s income certification. 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, 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);

(viii) The eligible basis and qualified basis of the building at the end of the first year of the credit period; and

(ix) The character and use of the nonresidential portion of the building which is included in the building's eligible basis under Code Section 42(d) (e.g., tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the project).

(b) Retention Policy

The owner will be required to retain the records for each building in the project for at least six (6) years after the due date (with extensions) for filing the federal income tax return for that year. The records for the first year of the credit period, however, must be retained for at least six (6) years beyond the due date (with extensions) for filing the federal income tax return for the last year of the 15-year compliance period of the building.

(2) Certification and Review

(a) Certification

The owner will be required to certify the following on an annual basis covering the preceding 12-month period:

(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, or Average Income 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;

(ii) There was no change in the applicable fraction (as defined in Section 42(c)(1)(B) of the Code) of any building in the project, or that there was a change, and a description of the change;

(iii) At initial occupancy the owner has received a Tenant Income Certification with supporting documentation and an Annual Student Certification (if applicable) 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);

(iv) Each HTC unit in the project is rent-restricted under Section 42(g)(2) of the Code.

(v) 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;

(vi) All units in the project are for use by the general public and are used on a non-transient basis (except for transitional housing for the homeless provided pursuant to Section 42(i)(4)(B)(iii) of the Code).

(vii) 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;

(viii) Each building and HTC unit in the project is suitable for occupancy, taking into account local health, safety, and building codes and the State or local government unit responsible for making local health, safety or building code inspections did not issue a violation report for any building of HTC unit in the project;

(ix) There has been no change in the eligible basis (as defined in Section 42(d) of the Code) of any building in the project or that there has been a change, and the nature of the change;

(x) All tenant facilities included by the owner in the eligible basis pursuant to Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, and parking areas, are provided on a comparable basis without charge to all tenants in the building;

(xi) If a HTC unit in the project became vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income;

(xii) If the income of tenants of a HTC unit in the project increases above the limit allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in the project was or will be rented to tenants having a qualifying income; and

(xiv) A Declaration, which constitutes an extended HTC housing commitment as described in Section 42(h)(6) of the Code was in effect.

(xv) 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.

(b) Review

CPED staff and PED staff (or Delegate) shall review the certifications and supporting reports and documentation 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 Treasury Regulation §1.42-5(c)(2)(ii)(b) and the Procedural Manual at least every three (3) years;

(i) CPED staff and PED staff (or Delegate) shall 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;

(ii) CPED staff and PED staff (or Delegate) must physically inspect all buildings in a project, all common areas, and at least 20% of the HTC units in the project

If CPED staff and PED staff (or Delegate) provide in the Procedural Manual for the inspection of a reasonable number of projects pursuant to (ii) above, the HTC housing projects to be inspected shall be chosen in a manner that will not give owners of HTC housing projects advance notice that their records for a particular year will or will not be inspected. However, the Delegate may give an owner reasonable notice that an inspection will occur so that the owner may assemble records, for example, 30 days advance notice of inspection. In any event, CPED staff and PED staff (or Delegate) shall determine which tenants' records are to be inspected or submitted by the owners for review.

(3) Inspection Provision

The Delegate and the Board shall have the right to inspect HTC projects through the term of the Declaration. 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.

(4) Notification of Noncompliance Provisions

(a) General. CPED staff and PED staff (or Delegate) shall provide the notice described in paragraph (b) of this Section to the owner of a HTC project and the notice described in paragraph (c) of this Section to the IRS.

(b) Notice to Owner. CPED staff and PED staff (or Delegate) shall provide prompt written notice to the owner. If the Board does not receive the certification described in Section (2)(a) hereof or is not permitted to inspect the tenant income certifications, supporting documentation and rent records described in Section (2)(b) or (c) hereof or discovers by inspection or review, or in some other manner, that the project is not in compliance with the provisions of Section 42 of the Code.

(c) Notice to Internal Revenue Service. CPED staff and PED staff, on behalf of the Board shall file Form 8823 Low-Income Housing Credit Agencies Report of Noncompliance, with the IRS no later than 45 days after the end of the correction period (as described in paragraph (d) of this Section, including extensions permitted under that paragraph) and no earlier than the end of the correction period, whether or not the noncompliance or failure to certify is corrected. CPED staff and PED staff must explain on Form 8823 the nature of the noncompliance or failure to certify and indicate whether the owner has corrected the noncompliance or failure to certify. Any change in either the applicable fraction or eligible basis that results in a decrease in the qualified basis of a project under Code Section 42(c)(1)(A) is a noncompliance that must be reported to the IRS. If CPED staff and PED staff reports on Form 8823 that a building is entirely out of compliance and will not be back in compliance at any time in the future, the Board is not required to file Form 8823 in subsequent years to report that building's noncompliance.

(d) Correction Period. 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. The correction period will be no more than sixty days from the date of the notice to the owner described in paragraph (b) of this Section 4. CPED or PED staff (or Delegate) may extend the correction period for up to six (6) months upon the written request of the owner, but only if CPED or PED staff (or Delegate) determines that there is good cause for granting an extension. The Delegate will submit any proposed extension denials to CPED or PED for final determination. 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.

(e) Retention of Records. CPED staff and PED staff must retain records of noncompliance or failure to certify for six (6) years beyond the Board's filing of the respective Form 8823. In all other cases, CPED staff and PED staff must retain the certifications and records described in Section IX of this QAP for three (3) years from the end of the calendar year CPED staff and PED staff receives the certifications and records.

(f) Owners shall provide to CPED staff or PED staff (or Delegate), whichever is applicable, any evidence of noncompliance correction and correspondence to or received from the IRS with respect to any reported noncompliance.

(5) Delegation of Authority

(a) General. The Board may retain an agent or other private contractor (the "Delegate") to perform compliance monitoring. The Delegate must be unrelated to the owner of any building that the Authorized Delegate monitors. The Delegate may be delegated all of the functions of the Board to monitor compliance, except for the responsibility of notifying the IRS under Section (4) of this Section. For example, the Delegate may be delegated the responsibility of reviewing tenant certifications and documentation under Section (2)(b) hereof, the right of inspect buildings as described in Section (3) hereof, and the responsibility of notifying building owners of lack of certification of noncompliance under Section (4) hereof. The Delegate must notify the Board of any noncompliance or failure to certify.

(b) Limitations. In the event the Board delegates compliance monitoring to a Delegate, the Board shall use reasonable diligence to ensure that the Delegate properly performs the delegated monitoring functions. Delegation by the Board of Compliance monitoring functions to a Delegate shall not relieve the Board of its obligation to notify the IRS of any noncompliance of which the Board becomes aware of.

(c) Liability. Compliance with the requirements of Section 42 of the Code is the responsibility of the owner of the project for which the HTCs are allowable. The Board's obligation to monitor for compliance with the requirements of Section 42 of the Code does not make the Board liable for an owner's noncompliance.

(6) Fees.

The owner will be required to pay CPED or HRA or their Delegate a monitoring fee as set forth in the Compliance Manual.

(7) Owner Responsible for Compliance.

The owner is solely responsible for ensuring that a project is all times in compliance with Section 42 of the Code. The procedures established in this Article IX are solely for purposes of establishing the Board's compliance with Section 42(m)(1)(B)(iii) of the Code, and shall not be deemed in any way to be for the benefit of any owner, developer, any partner thereof or investor therein, and may not be relied upon or used in connection with any offering to any such person of interests in the equity ownership in the project.

MINNEAPOLIS/SAINT PAUL HOUSING FINANCE BOARD

**2026-2027 AMENDED AND RESTATED HOUSING
TAX CREDIT
PROCEDURAL MANUAL**

Published:

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. ROLE OF THE SUBALLOCATORS	2
III. POLICIES AND PROCEDURES	
A. Allocation Policies	2
B. Application Cycle	3
C. Multiple Buildings	4
D. Transfer of Ownership.....	4
E. Unacceptable Practices.....	4
F. Minimum Underwriting Standards	7
G. Identity of Interest.....	7
H. Disclosure of Interest	7
I. Determination of HTC Amount.....	8
J. Requests for Additional HTC Amounts	9
K. Qualified Census Tracts and Difficult Development Areas.....	9
L. Tax Exempt Projects and 4% HTC	10
M. Reservations – 9% HTCs.....	11
N. Administration Errors/Appeals Process.....	13
O. Allocation of Returned or Additional 9% HTC – Waiting List.....	14
P. Carryover Allocations	15
Q. Final Allocations.....	15
R. Monitoring for Compliance	16
S. Qualified Contract.....	17
T. Other Conditions.....	18
U. Revisions to Procedural Manual and QAP	18

IV. HTC PROGRAM REQUIREMENTS

A. Eligible Activities	19
B. Applicable Percentage.....	19
C. Federal Subsidy Layering Review	20
D. Minimum Set-Aside Elections	20
E. Rent Restrictions/Utility Allowances.....	22
F. Short Term Rentals (Minneapolis Projects Only).....	23
G. Tenant Eligibility	23
H. Eligible Basis.....	24
I. Qualified Basis/Applicable Fraction	25
J. Annual HTC Amount	26
K. Declaration of Land Use Restrictive Covenants.....	27
L. Ineligible Properties	27
M. Passive Loss Restrictions.....	28
N. Volume Limits:.....	28
O. Market Study.....	28
P. Tenant Ownership.....	28
Q. Recapture of HTC.....	28
R. Fair Housing Policy	28
S. Tenant Selection Plan.....	29

V. DEVELOPMENT STANDARDS

A. Project Cost Reasonableness.....30
B. Costs of Intermediaries.....30
C. Reserves/Contingencies.....31
D. Comparative Analyses.....31
E. Property Standard31

VI. PROJECT SELECTION

A. Threshold Requirements – 9% HTC.....32
B. Market Review32
C. Site Review33
D. Selection Priorities.....34
E. Management Review.....34
F. Contract Compliance Agreement (Saint Paul Projects Only)34

VII. SUBMISSION REQUIREMENTS

A. Application Requirements – 9% HTC.....35
B. Submission Requirements for Projects Financed with Tax-Exempt Bonds – 4% HTC.....37
C. Carryover Allocation Requirements40
D. Placed in Service – Final Allocation - 8609.....41
E. Changes to Projects Electing Average Income on Form 8609.....43

I. INTRODUCTION

The Housing Tax Credit (the "HTC") Program (the "HTC Program") was enacted as part of the federal Tax Reform Act of 1986. The HTC Program is governed by Section 42 ("Section 42") of the Internal Revenue Code of 1986 (the "Code") and the Treasury Regulations thereunder (the "Treasury Regulations"). The HTC offers a reduction in tax liability to owners of qualified low-income rental housing projects relating to the acquisition, construction or rehabilitation of low-income rental housing units.

Pursuant to Section 42 of the Code, each state is required to designate a "housing credit agency" to allocate the HTC and administer the HTC Program. The Minnesota Housing Finance Agency (the "Minnesota Housing") has been designated by the Minnesota Legislature as the primary allocator of HTC in Minnesota. In addition, pursuant to Minnesota Statutes, Sections 462A.220 to 462A.225 (the "Act") certain local governmental entities are authorized to act as housing credit agencies for the purpose of allocating a portion of the available state 9% HTC (the "9% HTC"). Pursuant to the Act, the City Councils of the Cities of Minneapolis ("Minneapolis") and Saint Paul ("Saint Paul") have authorized the Minneapolis/Saint Paul Housing Finance Board (the "Board") to act as the housing credit agency for purposes of Section 42 of the Code with respect to the portion of the 9% HTC allocated by Minnesota Housing for each city, as well as with respect to the allocation of the HTC available in connection with the issuance of tax-exempt bonds (the "4% HTC") issued pursuant to Section 142 of the Code.

This 2026-2027 Housing Tax Credit Procedural Manual ("Procedural Manual") governs both the allocation of the 9% HTC and the 4% HTC by the Board. This Procedural Manual constitutes a part of the Qualified Allocation Plan described in the following paragraph.

Section 42(m) of the Code requires tax credit allocating agencies, such as the Board, to develop a qualified allocation plan for the allocation of the 9% HTC and the 4% HTC within the jurisdiction of the allocating agency. The Qualified Allocation Plan ("QAP"), attached hereto as Exhibit A, sets forth those housing priorities and housing preferences required by Section 42 of the Code, together with housing priorities established by the Board. The QAP, together with this Procedural Manual, provide policies and procedures for the allocation of HTC by the Board. The QAP and this Procedural Manual may be amended from time to time as new guidelines and regulations are issued pursuant to the Code and/or the Act or as the Board deems necessary to meet the goals of the HTC Program.

Pursuant to Section 42 of the Code, the Board, as an HTC allocating agency, is required to provide procedures for monitoring projects for compliance with the requirements of the HTC Program and for notifying the Internal Revenue Service ("IRS") of any non-compliance. All applicants should review Treasury Regulation §1.42-5, Monitoring compliance with low-income housing requirements and Section 42, Housing Tax Credit Program Compliance Manual for Minneapolis – Saint Paul Housing Finance Board, which are a part of the QAP, and attached hereto as Exhibit Q.

The publication of this Procedural Manual is for convenience only and is to be used only as a supplement to existing laws and regulations. This Procedural Manual is not intended to be a comprehensive guide to the HTC Program and all of its requirements. This Procedural Manual was designed to assist owners and managers of HTC projects to better ensure that projects remain in compliance with Section 42 of the Code. Your use or reliance upon any of the provisions contained in this Procedural Manual does not,

expressly or impliedly, directly or indirectly, suggest, represent or warrant that the user will be in compliance with the requirements of Section 42 of the Code. The Board hereby disclaims any and all responsibility of liability which may be asserted or claimed arising from reliance upon the procedures and information in this Procedural Manual. Owners and managers are urged to consult with attorneys and/or accountants that specialize in the HTC Program in the administration of their HTC projects.

II. ROLE OF THE SUBALLOCATORS

The Board, as a Suballocator of 9% HTCs, is authorized to allocate 9% HTC to projects within the Board's jurisdiction pursuant to the QAP. The Board will also allocate the 4% HTC and will be assisted in the allocation of both the 9% HTC and the 4% HTC by the City of Minneapolis Department of the Community Planning & Economic Development ("CPED") for projects located in Minneapolis and by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota ("HRA") for projects located in Saint Paul.

In connection with a direct request to Minnesota Housing for HTCs, Minnesota Housing may request comments from the Board with respect to projects to be developed using HTCs that will be located in the Board's jurisdiction.

III. POLICIES AND PROCEDURES

A. Allocation Policies

- (1) The Board shall act as the designated housing credit agency on behalf of the Cities of Minneapolis and Saint Paul.
- (2) The Board's 9% HTC allocation will be divided between the Cities of Minneapolis and Saint Paul as follows:
 - (a) HRA and CPED shall each administer, reserve and allocate that portion of the Board's 9% HTC allocation equal to the Cities' 9% HTC apportionments pursuant to the formula established pursuant to the Act.
 - (b) Should a City not be able to use its portion of the 9% HTC apportionment, it may transfer its apportionment to the other City.
 - (c) The City of Minneapolis or HRA, on behalf of Saint Paul, as applicable, must approve a resolution validating the transfer of 9% HTC to the other City.
 - (d) Upon approval by the City Council of the City of Minneapolis (the "Minneapolis Council") or HRA as provided in the immediately preceding paragraph, the Board will consider the authorization of the transfer of HTCs between the Cities and shall maintain a record thereof.
- (e) Any 9% HTCs which are not allocated by the Board during a particular year funding round will be returned to Minnesota Housing for subsequent

allocation. Subsequent to a particular year funding round conducted by the Board, applicants of projects to be developed within the Board's jurisdiction may apply directly to Minnesota Housing for 9% HTCs.

B. Application Cycle

CPED and HRA conduct an annual RFP/NOFA for 9% HTCs in coordination with MN Housing's Round 1 funding cycle. Please refer to the current 9% RFP/NOFA or contact CPED or HRA HTC program staff for 9% HTC application deadlines. Applications for 4% HTC are accepted on a pipeline basis; see the QAP and Section VII – B of this Procedural Manual for more information on 4% HTC application requirements.

It is the applicant's responsibility to submit a complete Application. The City of Minneapolis and HRA will award 9% HTCs based upon the Applications received by the application due date.

If the Application and required exhibits are not legible and/or complete, the Application will be returned to the applicant, and the application fee will be forfeited. No Applications, exhibits, documentation or application fees will be accepted after the Application due date.

Applications are required to be submitted to:

City of Minneapolis – Department of
Community Planning & Economic Development
Attention: Residential Finance
505 4th Avenue South, Suite 320
Minneapolis, MN 55415

or

Saint Paul Housing and Redevelopment Authority
Low Income Housing Tax Credit Program
11th Floor, City Hall Annex
25 West Fourth Street
Saint Paul, MN 55102

Upon receipt of an Application, the Board will notify the Mayor of the local jurisdiction in which the proposed project is planned to be developed. This notification will include characteristics of the proposed HTC project and provide an opportunity for the local government to comment on the project.

C. Multiple Buildings

Projects may include "multiple buildings" having similarly constructed housing units, provided the buildings are located on the same tract of land, are owned by the same legal entity and are financed pursuant to a common plan of financing. Scattered site buildings not located on the same tract of land may also qualify for HTC if the project meets all of the other requirements and all units in the project are both income and rent restricted.

D. Transfer of Ownership

The Board strongly discourages the transfer of ownership in projects that have been awarded HTC. Any transfer of title of a selected project, transfer of more than 50% of the ownership interest of a general partner or managing member, or change in a nonprofit partner after placement in service and through the 5th year of the 15-year compliance period will be considered a material change in the project ("Transfer") and will be subject to the review and approval of the Board. To request a Transfer approval, a project owner must submit a revised Application along with a completed and executed Transfer of Interest Form (LIHC-27 Exhibit M) and pay the Transfer Fee set forth in Exhibit AF of this Procedural Manual to CPED or HRA, as applicable, together with any other documentation that the Board deems necessary.

E. Unacceptable Practices

Transfer of Ownership

- (1) Unapproved Transfer. Any unapproved change or transfer of ownership from the time of selection or preliminary determination letter through the term of the Declaration will have an effect on all individuals/entities with an ownership interest on each side of the Transfer that submit Applications in future HTC funding rounds.

Any Unapproved Transfer after the placed in service date of a project is subject to CPED or HRA review and approval. Upon notice of an unapproved Transfer, CPED and HRA, acting on behalf of the Board, reserves the right to determine that all parties involved with the Transfer will not be eligible to participate in the HTC Program for up to five (5) years from the date of discovery.

- (2) Failure to Notify. Existing HTC projects that did not have transfer approval requirements are required to notify CPED or HRA of a transfer of ownership throughout the term of the Declaration. Failure to notify will have an effect on all individuals/entities with an ownership interest on each side of the Transfer that submit Applications in future HTC funding rounds.

Any Unapproved Transfer after the placed in service date of a project is subject to CPED or HRA review and approval. Upon notice of an unapproved Transfer, CPED or HRA reserve the right to determine that all parties involved with the Transfer will not be eligible to participate in CPED's or HRA's HTC Program for up to five (5) years from the date of discovery.

Displacement of Section 8 Tenants

CPED and HRA, acting on behalf of the Board, will not accept Applications that have displaced (or will displace) Section 8 tenants in a housing project because rents will be increased above the Section 8 Payment Standard Rent limit. Rehabilitation projects that have existing Section 8 tenants may not increase those rents (in Section 8 units only) above HUD's Payment Standard Rents after completion of the rehabilitation.

- (1) CPED and HRA have agreed to partner with the local HUD area office to determine if tenants of rehabilitation projects:
 - (a) Were displaced prior to submission of an Application
 - (b) Will be displaced after completion of the rehabilitation

- (2) If CPED or HRA and the local HUD area office agree that intentional displacement of Section 8 tenants occurred, CPED and HRA, acting on behalf of the Board, reserve the right to reduce or rescind the reservation/allocation or award of the HTC to the project prior to issuance of the Form 8609.

Changes to Project

The award of HTCs is based upon information provided in the Application and the preliminary plans submitted with the Application. Until the project is placed in service, any material change in the project or building design as submitted in the Application will require CPED or HRA's review and approval, as applicable, and the Minneapolis City Council's or HRA Board of Commissioners' review and approval.

Upon notice of any material change without prior CPED or HRA approval, CPED and HRA, acting on behalf of the Board, reserve the right to determine that all parties involved with the material change will not be eligible to participate in the HTC Program for up to five (5) years.

Late 8609 Application Submissions Resulting in the Loss of HTC Authority to the Board

When CPED or HRA become aware that a late submission of a complete and acceptable 8609 application package by a project's owner/agent results in the loss of any volume of HTC authority to the Board, CPED and HRA reserve the right to determine that all parties involved will not be eligible for future participation in the HTC Program for a period of up to ten (10) years.

Filing of a Non-Agency Approved 8609 with the IRS

When CPED or HRA become aware that a project's owner/agent has filed an 8609 with the IRS in advance of the owner/agent's receipt of the Board-signed version of the approved 8609, or if the owner/agent electronically files an 8609 with the IRS that does not accurately reflect the information contained on the Board-signed version of the approved 8609 or the carryover or reservation agreement, the Board will file an 8823 Notice of Non-Compliance with the IRS, and reserves the right to determine that all parties involved will not be eligible for future participation in the HTC Program for a period of up to ten (10) years.

Repeated Non-Compliance with Fair Housing Policies, Procedures and/or Requirements

All projects must at all times affirmatively further fair housing by complying with federal, state, local laws, rules, regulations, including Section 183 of the Saint Paul Legislative Code (if located in Saint Paul). Upon notice of repeated non-compliance with fair housing laws and regulations, CPED or HRA, acting on behalf of the Board, reserve the right to determine that all parties involved with the project will not be eligible to participate in the HTC Program for up to five (5) years. This also applies to 4% HTC projects, owners, and managers.

Non-Compliance with the Board's Compliance Policies, Procedures, and/or Requirements.

Failure to comply with the Board's compliance policies, procedures, or requirements after repeated notices may be considered an unacceptable practice and result in negative points or ineligibility.

- (1) On the date of submission of an application for an allocation of HTCs, if the applicant or any party with an identity of interest with the applicant who will have an ownership interest in the proposed project has been issued a notice of failure to comply involving any of the following violations, but has not submitted an acceptable plan and timeline to correct by the response due date, the application will receive -25 points under Unacceptable Practices.
 - a. Failed minimum set-aside
 - b. Any Exigent Health and Safety Violation under Uniform Physical Conditions Standards
 - c. Owner is charging rent on any HTC unit that exceeds the allowable rent limit
 - d. HTC unit rented to an ineligible household (i.e. household not properly certified, over income at initial occupancy, or ineligible full-time student)
 - e. Project not available to the general public for fair housing violation
 - f. Owner failed to respond to CPED or HRA (or agent) request for inspection

- (2) On the date of submission of an application for an allocation of HTC's, if the applicant or any party with an identity of interest with the applicant who will have an ownership interest in the proposed project 1) has been reported to the IRS by the Board or MN Housing as no longer in compliance, nor participating in Section 42 on line 11p of IRS Form 8823 and has not taken steps to bring the property back into compliance to the satisfaction of the Board or MN Housing (as applicable), or 2) is on the Board's or MN Housing's list of Properties Not in Good Standing in the Extended Use Period and has not taken steps to bring the property back into compliance to the satisfaction of the Board or MN Housing (as applicable), the applicant may be deemed ineligible to receive an allocation of HTC's.

Displacement of Tenants in Non-HUD-Assisted Units in New Construction or Acquisition/Rehabilitation Projects

CPED and HRA strongly discourages displacement of existing tenants in projects seeking HTC's for acquisition and/or rehabilitation of occupied properties. Applicants must submit documentation that existing tenants meet income requirements under Section 42 of the Code, including but not limited to submission of rent roll, and plan for screening new tenants.

Applicants seeking HTC's for new construction or acquisition and/or rehabilitation of existing occupied properties must submit a Relocation Plan that addresses both temporary relocation (including in-place displacement) and permanent displacement, and whether there will be any anticipated displacement. Relocation Plans that reflect permanent displacement of tenants may result in rejection of the application. Where permanent displacement was not anticipated and/or disclosed at time of application, and displacement is later discovered, negative points may be imposed on an applicant's subsequent application submission.

Owners that displace tenants may be obligated to pay relocation benefits per City of Minneapolis and City of Saint Paul-adopted policies pertaining to tenant protections and relocation. Applicants may consider selecting the Average Income Test as the minimum set-aside election to avoid displacement.

Violations of Local, State or Federal Law

Violations of local, state, or federal law including but not limited to violations related to habitability, utilities, prevailing wage, wage theft and fair housing are unacceptable practices. Projects receiving an allocation or award of HTC's on or after January 1, 2025 must comply with the wage, hour and labor provisions of Minn. Stat. §116J.871, subd. 2.

F. Minimum Underwriting Standards

A project selected for a reservation or preliminary determination of HTC's is selected based upon underwriting standards, including but not limited to, acquisition costs, maintenance and operating expenses, etc. These factors will be monitored throughout the HTC process until the Board issues Form 8609.

CPED and HRA will not allow any significant adjustments to these standards. Not complying with these standards could lead to the revocation of the HTC allocation.

G. Identity of Interest and Related Parties

The applicant must disclose any and all relationships (generally based on financial interests or family ties) with any other parties involved in the project. A written disclosure to CPED or HRA detailing the nature of all identity of interest relationships is required for all parties. An entity will be deemed, at the discretion of CPED or HRA, to have an identity of interest with, or be a related party to, an applicant if there is a financial or familial relationship between the entities, including parent and subsidiary entities.

H. Disclosure and Eligibility of Development Team

The applicant must disclose in the Application the names and addresses, including corporate officials where applicable, of all parties that have or will have a significant role in the development and/or operation of the project. Significant parties include, but are not limited to, general partners, accountants, architects, engineers, financial consultants, lawyers and any other consultants, management agents and the general contractor (collectively "Significant Parties"). (See Exhibit L, Development Team Resume).

CPED and HRA, respectively, must be satisfied that those who will own and operate the project are familiar with and are prepared to comply with the requirements of the HTC Program.

The following Significant Parties are ineligible to participate in the HTC Program.

- (1) Significant Parties who have been convicted of, enter an agreement for immunity from prosecution for, or plead guilty, including a plea of *nolo contendere*, to: a crime of dishonesty, moral turpitude, fraud, bribery, payment of illegal gratuities, perjury, false statement, racketeering, blackmail, extortion, falsification or destruction of records.
- (2) Significant Parties who are currently debarred from any Minnesota program, any other state program, or any federal program.
- (3) Significant Parties who have been notified by CPED or HRA, as applicable, that such Significant Party is in violation of the requirements of the HTC Program.
- (4) At the sole discretion of CPED or HRA, Significant Parties who have serious and persistent compliance monitoring violations may not be eligible.

I. Determination of HTC Amount

Pursuant to Section 42 of the Code, the Board may not allocate more HTC to an

applicant than is necessary for the financial feasibility of the project and its viability as a qualified affordable housing project throughout the 10-year credit period.

All applications for 9% HTC must meet the threshold requirements set forth in the QAP to be considered for HTCs. For applications for which the threshold requirements have been met, CPED and HRA, respectively, will evaluate the applications for HTCs for proposed projects, taking into consideration the following:

- (1) Development costs, including developer fees, builder's profits, contractors overhead, and general conditions.
- (2) All sources and uses of funds.
- (3) Projected income and expenses.
- (4) Proceeds expected to be generated from the sale of HTCs, including any historic tax credits.
- (5) The difference (the "GAP") between total project costs and total available financing resources. A calculation will be made to determine the amount of HTC needed by the project to fund the GAP over the 10-year credit period.

Based on this evaluation, CPED and HRA, respectively, will determine the amount of HTC to be reserved for each applicant. HTC awards will be limited to the amount necessary to ensure the financial feasibility of the project. The ultimate amount of the HTC award may change during the construction/development process due to variables in costs, loan amounts, HT credit percentage, syndication proceeds, etc. The Board will make reservations of HTC for particular projects based on the recommendations of the City of Minneapolis and HRA, as applicable.

The analysis of the amount of HTC necessary to fund the GAP will be done at the time of application, at the time a carryover allocation is approved, and at the time the project is placed in service, provided all project costs are finalized and certified in accordance with the requirements of the QAP.

If there are changes in sources and/or uses of funds or other material changes with respect to a particular project, the Board will adjust the HTC amount to reflect the changes, and the HTC amount may be reduced at the direction of the City of Minneapolis or HRA, as applicable. Any requests for additional HTC for the project will depend upon the availability of HTC and the determination of the City of Minneapolis or HRA, as applicable.

J. Requests for Additional HTC Amounts

Projects that have had a justifiable increase in eligible basis or previously received a partial allocation may be eligible to apply for supplemental HTC amounts.

Projects that qualified for a higher amount of HTC at HTC reservation, but did not receive a full reservation due to unavailability of HTC, are also eligible to apply for additional HTCs in subsequent years.

In both of the above cases, applications requesting additional HTC will be subject to the same evaluation process described above and to the availability of HTC. Developers requesting additional HTC must revise and resubmit their Application and also submit an additional application fee, as set forth in Exhibit AF hereof, to CPED or HRA, as applicable.

K. Qualified Census Tracts and Difficult Development Areas

Pursuant to Section 42(d)(5) of the Code, the Board may increase or “boost” the eligible basis of a building for purposes of the allocation of HTC by up to 30 percent (“Basis Boost”) for projects located in either a HUD designated qualified census tract (“QCT”) or a HUD designated difficult development area (“DDA”).

In addition, as authorized by, the Housing and Economic Recovery Act of 2008, the Board may increase or “boost” the eligible basis of a building for purposes of the allocation of 9% HTC by up to 30% (“Discretionary Boost”) for buildings that are located outside of a QCT or DDA. The Board will review the financial feasibility of the project and the request for the Discretionary Boost in accordance with this Procedural Manual. The Discretionary Boost will not apply to buildings that need more HTC than the actual HTC allocated to the Board by Minnesota Housing or to projects receiving an allocation of 4% HTC.

9% HTC applicants may request, in writing, the Discretionary Boost under the following guidelines if the Discretionary Boost is needed to make the project financially feasible:

- (1) Projects meeting CPED or HRA’s identified housing priorities set forth in the QAP, and which involve community revitalization, preservation of existing federally-assisted buildings, housing with rents affordable to households at or below 30% of area median income, including homeless households with supportive services, or in response to significant proposed expansions in area employment or natural disaster recovery efforts or
- (2) Funding gaps remain for top ranking HTC projects.

L. Tax Exempt Projects and 4% HTC

(1) General

Section 42 of the Code establishes a separate set of procedures for the allocation of HTCs in connection with the issuance of tax exempt bonds pursuant to Section 42 of the Code. (Please review Article VIII of the QAP.)

The proposed project must comply with the QAP that is in effect at the time Tax-Exempt Housing Revenue Bonds are issued. On or after January 1, 2026, projects are eligible for allocation of 4% HTCs as long as at least 25% of the project’s aggregate basis is financed with Tax-Exempt Housing Revenue Bonds. ~~sufficient, together with any Tax-Exempt Housing Revenue Bonds issued previously for the same project, to finance at least~~

~~50% of the aggregate basis of the building(s) and land it is located on.~~

NOTE: In addition, MINN. Stat. § 474A.047, including subdivision 1, requires the extension of existing U.S. Department of Housing and Urban Development (HUD) Housing Assistance Payment (HAP) contracts to the full extent available.

(2) Minimum Threshold for 4% HTC Projects – Minneapolis projects only

An applicant for 4% HTC must demonstrate that the project is eligible for no less than 30 points under the 4% HTC Selection Criteria of the QAP. Applicants may request a predictive model and scoring determination prior to submitting a formal Application. See Exhibit AF of this Procedural Manual for specific HTC application and fee requirements. 4% HTC Applications and related fees must be prepared and submitted separately in accordance with the City of Minneapolis Conduit Bonds Policy and Housing Revenue Bonds Procedural Guide.

Projects that do not score a minimum of 30 points under the 4% HTC Selection Criteria of the QAP are not eligible for a private activity bond allocation award. If the private activity bond allocation for Minneapolis is over-subscribed, the City of Minneapolis, at its discretion, will prioritize projects based upon total project points received pursuant to the QAP, whether the project is on City owned land, has an existing City funding award, geographic location, the readiness of the project to proceed, the amount and term of the private activity bond allocation requested, and the overall feasibility of the project.

Upon approval of the project by the City Council, the developer/owner will be required to close on the project by no later than 180 days from the date of the bond public hearing. If the project does not close within the time allotted, the City of Minneapolis will in its sole discretion make a determination whether or not to grant a one-time extension to allow up to a full year after the public hearing, or require that the developer/owner relinquish the bond allocation.

(3) Minimum Threshold for 4% HTC Projects – Saint Paul projects only

An applicant for 4% HTC must demonstrate that the project is eligible for no less than 40 points under the 4% HTC Selection Criteria of the QAP

Pre-application is strongly encouraged prior to requesting an allocation of private activity bond authority.

All projects must be reviewed and determined to be consistent with City/ HRA plans, Saint Paul Comprehensive Plan, or Small Area Plans.

Projects that do not score a minimum of 40 points under the 4% HTC Selection Criteria of the QAP are not eligible for a private activity bond allocation award. If the private activity bond allocation for Saint Paul is over-subscribed, the HRA, at its discretion, will prioritize projects based upon

total project points received pursuant to the QAP, whether the project is on City/HRA-owned land, the readiness of the project to proceed, the amount and term of the private activity bond allocation requested, and the overall feasibility of the project.

Upon final approval of the project by the HRA, the developer/owner will be required to close on the project by no later than 180 days from the date of the City Council Bond approval. If the project does not close within the time allotted, the HRA will in its sole discretion make a determination whether or not to grant a one-time extension of up to 180 days or require that the developer/owner relinquish the bond allocation.

M. Reservations – 9% HTCs

(1) Once CPED and HRA staff, respectively, have ranked the 9% HTC applications and determined allowable 9% HTC amount for each application, staff will make recommendations to the City Council, in Minneapolis, or the HRA for final approval of a 9% HTC reservation (“Reservation”); such recommendations shall be binding upon the Board. Each Reservation shall be conditioned upon receipt of a written certification from the applicant and evidence of timely progress toward completion of the project acceptable to CPED and HRA, respectively, and evidence of compliance with the requirements of Section 42 of the Code.

(2) For Minneapolis projects. The Minneapolis City Council and the Board reserve the right to not commit 9% HTC to any project if they determine, in the sole discretion of the Minneapolis City Council, that a Reservation to such project does not further the purpose and goals set forth in the City of Minneapolis Consolidated Plan, Comprehensive Plan or any city adopted Neighborhood Plan document.

For Saint Paul projects: HRA and the Board reserve the right to not commit 9% HTC to any project if they determined, in the sole discretion of HRA that a Reservation for such project does not further the purpose and goals set forth in the City of Saint Paul Consolidated Plan, Comprehensive Plan or Small Area Plans.

(3) Within ten (10) days after a Minneapolis Council/HRA Board decision to deny a 9% HTC application, respective staff will notify the applicant in writing of the reason for denying the request for 9% HTC.

(4) 9% HTC requests may be denied for reasons, including, but are not limited to, the following:

(a) Falsifying information in the Application or misrepresentations of the applicant;

(b) Past, outstanding, current or pending litigation against the applicant or principals which may pose a liability to the proposed project;

(c) Judgments against the applicant or principals regarding

bankruptcy, loan default, mechanic's lien, tax liens or non-payment of bills;

- (d) Applicant incompetence or inadequate past performance regarding the subcontracting or completion of work, timely completion of projects, or financial wherewithal to undertake the proposed project;
- (e) The proposed project does not qualify for 9% HTC pursuant to Section 42 of the Code;
- (f) The proposed project does not qualify for 9% HTC under the applicable priority selection policies and procedures described in this Procedural Manual;
- (g) The proposed project does not meet the minimum threshold criteria;
- (h) The HRA or Minneapolis Council determines that significant comments by the Mayor or Neighborhood Group or Citizen Participation District are not adequately addressed by the developer;
- (i) Available 9% HTC have been committed or allocated to other projects for the respective 9% HTC allocation year; or
- (j) The proposed project costs exceed current comparable projects and are unreasonable.

A Reservation may be revoked at any time after issuance for the reasons set forth in clause (a) through (j) above.

- (5) A written explanation for any Reservation of 9% HTC that is not awarded with the established priorities and selection criteria set forth in the QAP will be made available to the general public.
- (6) The Board's HTC Program permits its owners to elect the applicable percentage either at reservation or placed in service. If the election is not made at the time the reservation letter is issued, the percentage will be fixed for the month in which the building is placed in service. The owner must be sure to consider the best options for this election and make sure the election is made at the correct time. Once made, the election is irrevocable. Upon receipt of the required documents and fees, the Board will complete its reservation review and send reservation agreements to be executed by the owner. Each reservation must be conditioned upon receipt of written certification, evidence of timely progress towards completion of the project acceptable to the Board, and evidence of compliance with federal tax requirements. Refer to Section VII for Reservation Fee requirements.

Choosing the gross rent floor date as the date of allocation or the date of placed in service can be done at any time from reservation forward, but the election must be made and the completed election form received by the

Board no later than the date the project is placed in service. If the owner chooses to make the election as of the date of the reservation, submit a fully executed Gross Rent Floor Election Form (HTC 26) including each building for the project in which there are HTC units. If the required owner executed forms with all elections made by the owner are not submitted to the Board by a date no later than the placed in service date, the gross rent floor will be effective on the allocation date of the HTCs.

N. Administration Errors/Appeals Process

Notification of 9% HTC Reservation or denial will be in the form of a reservation selection or rejection letter. If the applicant believes that CPED or HRA has misinterpreted, was not aware of, or miscalculated the applicant's selection points or 9% HTC amount at the time of application/reservation, the applicant must submit, in writing, evidence supporting their position within 5 business days of CPED's or HRA's notification letter of application status. The day after the date of CPED's or HRA's notification letter will be the first day of the 5-day period. The letter should clearly state it is an appeal, and be addressed to the CPED or HRA HTC Program Administrator, as applicable. An applicant is not permitted to contest the scores of other applicants.

If the applicant's evidence is accepted and the project's selection points are affected, CPED or HRA, as applicable, will re-rank all projects in the order of descending selection points. The Minneapolis City Council or HRA Board of Commissioners, as applicable, acting on behalf of the Board, will review the re-ranking for approval. After an additional 5-business-day period after said approval, CPED's and the HRA's rankings will stand and 9% HTC Reservations for selected projects will be distributed.

O. Allocation of Returned or Additional 9% HTC – Waiting List

With respect to the commitment by CPED or HRA, acting on behalf of the Board, of any returned 9% HTC or increased 9% HTC allocated to the Board by Minnesota Housing, a waiting list shall be established. Projects that will be placed on such waiting list will include: (1) projects that received some, but not all of the 9% HTC that they requested because of the unavailability of 9% HTC; (2) projects that received all of the 9% HTC that were requested at the time of initial application, but have determined that additional 9% HTC are needed; and (3) projects that were eligible to receive 9% HTC, but did not receive any because of its low selection point ranking. Projects in the first category will be placed first on the waiting list in the order of each project's selection point rankings within that group. Following that, projects in the second group will be placed on the waiting list in the order of each project's selection point rankings within that group. Finally, projects in the third group will be placed on the waiting list in the order of each project's selection point rankings within that group. Generally, projects will be chosen in the order they are shown on the waiting list; however, depending on the time and funds available, CPED and HRA reserve the right to make modifications to their respectively waiting lists. CPED and HRA may request updated or additional application documentation prior to making a Reservation to a project on the waiting list.

With respect to any returned 9% HTC, CPED and HRA, for their respective City, will maintain eligible applications on waiting lists until the end of the year in which CPED or HRA received the returned 9% HTC. For projects located in Minneapolis, the waiting list will follow CPED's selection point ranking. For projects located in Saint Paul, the waiting list will follow HRA's selection point ranking. Generally, projects will be chosen in order; however, depending upon time and funds available, CPED or HRA, acting on behalf of the Board, reserves the right to make modifications to their respective waiting list. Projects placed on a waiting list will be fully evaluated for underwriting, market, and financial viability prior to receiving consideration for a HTC Reservation. A project must satisfy these reviews to be eligible for selection from a waiting list. If an Application is not selected for a Reservation of 9% HTC by the end of the calendar year, there will be no further consideration. An applicant currently on a waiting list must submit a completely new Application packet in the next funding round, which is a new 9% HTC year, to receive consideration for a 9% HTC Reservation.

P. Carryover Allocations

Section 42 of the Code provides that the Board may issue a carryover allocation to certain qualified projects, which are to be placed in service no later than December 31 of the second year after the allocation year in which the 9% HTC reservation was issued ("Carryover Allocation"). This provision requires that costs in an amount equal to 10% or more of the expected basis in the project must be incurred within one (1) year from the date of the Carryover Allocation.

To receive a Carryover Allocation, the owner must submit a completed carryover allocation application package to HRA or CPED no later than November 1 of the allocation year for which the reservation was issued. Additional Carryover Allocation requirements are set forth in Section VII.C hereof.

Q. Final Allocations

Except for Carryover Allocations, no allocation will be made until a project is placed in service, and the proper documentation and fees have been submitted to the Board. Final allocations may be requested as soon as a project is placed in service. The Board in its sole discretion may establish the required deadlines prior to year-end for final allocation requests in order to permit timely processing of documents.

If an owner of a project does not intend to obtain a Carryover Allocation, but instead intends to take a project from Reservation directly to placed-in-service status, an allocation via issuance of Form 8609 must be obtained prior to year-end of the year in which the Reservation was issued. The HTC application for issuance of Form 8609's must be submitted to CPED or HRA on or before November 1 for the year in which the Reservation was issued. A project that has not received a Carryover Allocation or has been placed in service before December 31st of the year of Reservation will lose its Reservation of 9% HTC.

The 9% HTC amount that will be allocated is based on the Board's final determination of the qualified basis for the project and a review of the project costs

as outlined in this Procedural Manual, hereof, which shall in turn be based on a determination made by the City of Minneapolis or HRA, as applicable. The final allocation may be reduced to comply with Section 42 of the Code based on the final review of the project costs.

Prior to final allocation, the owner is required to execute and record a Declaration, which must be effective for the term of the previously agreed upon extended use period binding all parties to comply with Section 42 of the Code, Treasury Regulation Section 1.42-5 and any other applicable regulations.

Non-compliance with the terms of a reservation/preliminary determination of HTCs or a Carryover Allocation will result in a loss of HTCs.

R. **Monitoring for Compliance**

During the 15-year compliance period, the Board is required to adopt and adhere to compliance monitoring procedures which will: (i) monitor projects for noncompliance and (ii) notify the IRS of any noncompliance of which the Board becomes aware of in accordance with Section 42(m) of the Code, Treasury Regulation Section 1.42-5 and any other applicable regulations. The Board (or its Delegate, as defined in the Qualified Allocation Plan) shall perform such duties in accordance with the **Low Income Housing Tax Credit Compliance Manual**, a copy of which is available upon request from the Board.

- (1) Annually, HTC recipients must submit an annual certification to the Board in a manner, form, and time established by the Board. The certification will include, but is not limited to, the number of units set aside, tenant name(s), household information, rents, utility allowance or cost, amount and sources of income, and unit information.
- (2) The Board will conduct its first compliance monitoring inspection no later than the end of the second year of the 10-year credit period. Such inspection will include, but is not limited to, a review of tenant files and physical inspection of 20 percent of the HTC units.
- (3) At least once every three (3) years, CPED staff and PED staff (or Delegate,) shall 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 records 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 HTC units, 50% of tenant files will be subject to review.
- (4) At least once every three (3) years, CPED staff and PED staff (or Delegate) will conduct a physical inspection of each project. Such inspections will include all buildings in a project, all common areas, and at least 20% of the HTC units in the project.
- (5) The Board and its Delegate shall have access to all official project records, including IRS reporting forms, upon reasonable notification. All official project records or complete copies of such records must be made available to the Board upon request.

- (6) Please see Exhibit AF for a summary of the Compliance Monitoring Fees.
- (7) The Board will promptly notify the IRS of any project noncompliance within its responsibility as set forth in the Section 42 of the Code.
- (8) Additional information related to compliance monitoring of projects that elect Average Income will be detailed in the Low Income Housing Tax Credit Compliance Monitoring Manual that is applicable to the initial year HTC are claimed.

S. Qualified Contract

Article VII – F of the QAP sets forth the Qualified Contract waiver requirements for projects applying for HTC's after June 15, 2021. Provided the owner did not waive such rights in the Declaration, Section 42(h)(6)(E) of the Code allows the extended use period to terminate after the original 15 year compliance period, if HRA or CPED is unable to present a qualified contract (the "Qualified Contract") for the acquisition of the HTC project by any person willing to continue to operate the HTC project as a qualified low income building. HRA or CPED shall have a one year period to respond to a Qualified Contract request from the owner.

Pursuant to Section 42(h)(6)(E) of the Code, an owner's request for a Qualified Contract must comply with the following:

- (1) The HTC project must have completed the 14th year of its 15-year compliance period. For projects with multiple buildings that were placed in service in different years, this time period means the end of the 14th year of the last building in the project that was placed in service.
 - (2) The HTC project must be in compliance with all requirements of Section 42 of the Code and all Board requirements. Owners must correct all compliance violations prior to submitting a request for a Qualified Contract.
 - (3) The owner must certify that it has not been notified of any audit, investigation, or disallowance pertaining to Section 42 of the Code and must provide any copies of IRS audit findings or disallowances which it has received during the 15-year compliance period.
 - (4) The owner must have secured a complete, unconditional waiver of all purchase options and rights, including the right of first refusal to a non-profit.
 - (5) The owner must have the written consent of all its limited partners to negotiate on behalf of the owner for a Qualified Contract.
- (6) A request for Qualified Contract may be submitted only once for each project. If an owner rejects an offer presented under the Qualified Contract or withdraws its request at any time after the notification letter and application materials have been received by the Board, no other opportunity to request a

Qualified Contract will be available for the project in question.

Owners who are contemplating requesting the presentation of a Qualified Contract must directly contact CPED or HRA's HTC Program Manager, and consult Minnesota Housing's Qualified Contract Guide.

- (7) The owner will be required to cover all costs, including third party costs, incurred by CPED or HRA in processing and evaluating a Qualified Contract request. The owner has thirty (30) days to pay the costs incurred by CPED or HRA. If requested funds are not paid within thirty (30) days of notice to owner, the Qualified Contract request will be terminated. Suspension in accordance with this paragraph of any requirement set forth herein shall also suspend the one (1) year time period for CPED or HRA action.
- (8) Payment of a non-refundable fee as set forth in Exhibit AF for processing a Qualified Contract request.
- (9) Any owner's request for a Qualified Contract with expiring compliance periods must also comply with Minnesota Housing's Credit QAP and the Qualified Contract Process Guide and the owner must submit evidence of the same to CPED and HRA. CPED for Minneapolis projects and HRA for Saint Paul projects shall each undertake this function as requested by the owner referencing the Minnesota Housing as the guidelines.

T. Other Conditions

All submissions to CPED, HRA or Board will be considered public information in accordance with the Minnesota Government Data Practices Act (Minnesota Statutes, Chapter 13). CPED or the HRA (or their Delegate) will provide the form.

No member, officer, agent, or employee of the City of Minneapolis, the City of Saint Paul, CPED, HRA, or the Board shall be personally liable concerning any matters arising out of, or in relation to, the allocation of HTCs.

A written explanation will be made available to the general public for any allocation of 9% HTCs that is not made in accordance with the Board's established priorities and selection criteria.

U. Revisions to this Procedural Manual and QAP

To the extent necessary to facilitate the award of HTC that would not otherwise be awarded, this Procedural Manual and the attached QAP may be modified by the Board from time to time. The Board staff may make minor administrative modifications deemed necessary to facilitate the administration of the HTC Program or to address unforeseen circumstances. Further, the Board is authorized to waive any conditions, which are not mandated by Section 42 of the Code on a case by case basis for good cause shown.

The attached QAP may be amended by the Board with the approval of both of the cities for substantive issues at any time following public notice and a public hearing. The public hearing will be held at locations specified in the notice of public hearing.

To the extent that anything contained in this Procedural Manual or the QAP does not meet the minimum requirements of Section 42 of the Code or the Treasury Regulations, such law or regulation shall take precedence.

IV. HTC PROGRAM REQUIREMENTS

A. Eligible Activities

Eligible activities for HTC include new construction, or acquisition with substantial rehabilitation as required by Section 42 of the Code.

B. Applicable Percentage

There are two levels of applicable percentages depending upon whether the building is new or existing, whether there are rehabilitation expenditures and whether the buildings are financed with tax exempt bonds.

New Buildings and Substantial Rehabilitation Expenditures (if neither is financed with tax exempt bonds): New buildings or qualifying rehabilitation which are not financed with tax exempt bonds are eligible for the 9% HTC.

New Buildings and Qualifying Rehabilitation Expenditures Which are Federally Subsidized Financed with Tax Exempt Bonds and Existing Buildings: New buildings and substantial rehabilitation that are financed with tax exempt bonds, and the acquisition of existing buildings that are substantially rehabilitated, are eligible for the 4% HTC.

Substantial Rehabilitation: Rehabilitation expenditure requirements are established both by state and federal law. Rehabilitation expenditures qualify for the HTC if the expenditures:

- (1) Are able to be awarded to one or more low-income units or substantially benefit low-income units; and
- (2) Are equal to the greater of:
 - a. An average qualified basis amount per low income unit for a building which meets the inflation adjusted amount published by the IRS annually in accordance with Section 42(e)(3)(D); or
 - b. An amount that is not less than 20% of the adjusted basis of the building, as determined pursuant to Section 42(e)(3) of the Code.

In addition to the Code Section 42(e) requirements, Section 462A.221, Subdivision 5 of the Act requires rehabilitation expenditures of at least an average of \$5,000 per unit.

In the case of an acquisition and rehabilitation project, the cost of acquiring the existing building may be eligible for HTC.

Existing Buildings: In order for an existing building to qualify for HTC in connection with a Substantial Rehabilitation, there must have been a period of at least 10 years, between the date the building was acquired by purchase and the date it was last placed in service.

Please note that the 10-year rule also applies to existing HTC projects applying for a new allocation of acquisition HTCs at the end of the original 15-year compliance period.

Exceptions to the 10-year rule are provided in Section 42(d)(6) of the Code and include federally and state assisted buildings, certain low income buildings subject to mortgage prepayment, and buildings acquired from insured financial institutions in default.

Grants: Federal grants are excluded from eligible basis in determining the amount of HTC, but do not otherwise affect the availability or amount of the HTC.

Owners of a property receiving a federal subsidy have the option of treating the subsidy amount as if it were a federal grant and deducting the amount of the subsidy from the qualified basis.

Applicants are strongly advised to consult closely with their tax credit professionals (legal and tax) for guidance with respect to structuring a project to use either the 9% HTC or the 4% HTC.

C. Federal Subsidy Layering Review

Section 911 of the Housing and Community Development Act of 1992 requires that specific procedures be followed for a subsidy layering review when HTC and HUD assistance are combined in a single project. Sponsors of projects which combine HUD funding and HTC should be aware that a subsidy layering review must be completed for their projects and should contact CPED or HRA to receive additional information prior to submitting their applications.

Subsidy layering review is required for the following programs, but not limited to:

- (1) Metropolitan Housing Opportunity Program (MHOP)
- (2) U.S. Housing and Urban Development (HUD) Risk Share Insurance
- (3) Section 8 Project-Based Rental Assistance
- (4) Home Investment Partnership (HOME)
- (5) National Housing Trust Fund (NHTF)

At a minimum, the following documents must be submitted:

- (1) Partnership (Syndication) Agreement, spelling out the equity contributions and dates of disbursement; and
- (2) Copy of MN Housing's Multifamily Workbook

D. Minimum Set-Aside Elections

Applicants must set aside a minimum number of units that meet both rent and income restrictions to qualify for HTC units for each year of the HTC period. A project must, for a specific period of time, meet one of the following tests:

- (1) **20/50 Test (20% at 50% AMI).** To meet the 20/50 test, a minimum of 20 percent of the residential units must be both rent restricted and occupied by individuals whose income is at or below the 50% AMI, as established for different geographic areas and published by the U.S. Department of Housing and Urban Development (HUD)
- (2) **40/60 Test (40% at 60% AMI).** To meet the 40/60 test, a minimum of 40 percent of the residential units must be both rent restricted and occupied by individuals whose income is at or below the 60% AMI income limits, adjusted for family size.
- (3) **Average Income Test (AIT).** In addition to meeting all Federal requirements, projects electing the AIT must meet the following additional requirements:
 - (a) Average Income may only be elected for 100% HTC projects that have not yet filed Form 8609.
 - (b) Income and rent tiers may be set in 10% increments, beginning at 20% AMI up to 80% AMI.
 - (c) The owner must agree to maintain the number of 20%, 30%, and 40% AMI units throughout the extended use period that it represented in its application. The required number of units will be set forth in the Declaration and cannot be changed without the prior written approval of the Board.
 - (d) Units may float throughout the project, but the owner should be aware of potential fair housing concerns if the lower income and rent restrictions are not available in units with larger bedroom sizes.

E. Rent Restrictions/Utility Allowances

The rent restrictions for HTC units are governed by Section 42 of the Code and Treasury Regulations, rulings and other announcements by the IRS. The following summary is not intended to be comprehensive. A violation of the tenant income or rental restrictions under Section 42 of the Code may result in project ineligibility, a reduction in eligible basis, or recapture of HTC.

Rent Restriction: For a unit to qualify as a HTC unit, the gross rent may not exceed 30 percent of the imputed tenant income limitation. The imputed income limitation applicable to a unit equals the permissible income limitation that would apply if the number of individuals occupying the unit were:

- (1) One individual in the case of a studio apartment; and
- (2) 1.5 individuals per bedroom in the case of a unit with one or more separate

bedrooms.

Therefore, the rent restriction applicable to a HTC unit is determined by which test is elected and how many bedrooms are contained in the unit. Current income limits, as published by HUD, are attached as Exhibit N.

For HTC compliance purposes, "Gross rent" means all payments by the tenant, including payments to the owner for utilities other than telephone and cable. If the tenant pays utilities directly, the maximum rent that can be paid to the landlord is reduced by a utility allowance determined in accordance with rules under Section 8 of the U.S. Housing Act of 1937 ("Section 8"). IRS Regulations (Section 1.42-10 Utility Allowance, as amended) provide guidance relating to Utility Allowances and lay out options for establishing them.

The following is a summary of the sources of utility allowances:

- (1) HUD regulated buildings must use the HUD utility allowance (project based HUD financing)
- (2) Any individual units occupied by residents who receive HUD assistance (Section 8 existing, etc), must use the HUD utility allowance from the Public Housing Authority (PHA) administering the assistance.
- (3) For Section 42 buildings without HUD assistance, the following options may be used:
 - a. A PHA utility allowance from the local housing authority administering Section 8 vouchers for the area in which the property is located
 - b. A utility company estimate
 - c. An "Agency Estimate" based on actual utility usage data and rates for the building
 - d. A HUD Utility Schedule Model
 - e. An Energy Consumption Model using an energy and water and sewage consumption and analysis model.

The HTC Compliance Manual provides additional information and instructions for utility allowances, including procedures for requesting a change to utility allowance methodology. Requests to change methodologies are limited to once per calendar year.

Federal, state and local rental assistance payments (such as Section 8 payments) made on behalf of the tenant are not included in gross rent.

Beginning on January 1, 2020, rent increases for occupied HTC units are limited to once annually. This limit applies to the rent charged for the unit and not the portion of tenant paid rent for residents assisted with Section 8 or other rental assistance, which may increase or decrease based on changes in income. This limit also applies regardless of the term of the lease or any language in the lease that would allow rents to increase more than once annually. Rents must always comply with limits imposed by the program(s) that financed the project and/or respective unit. This includes Minneapolis or Saint Paul funding sources as well as funding sources provided by other funders. Refer to the HTC Compliance Manual for additional detail.

F. Short Term Rentals (Minneapolis projects only)

Short Term Rentals are defined as units rented in periods of less than one month. For the duration of the Declaration, the Owner shall not rent units (HTC or non-HTC units) in such a way as to permit master leasing of short term rentals. This requirement will be enforced through the Declaration. Owner shall not be in default of this provision if a resident of an individual unit leases such unit as a short-term rental so long as the lease for such unit prohibits such activity and Owner is using reasonable means to enforce such provision.

G. Tenant Eligibility

To be a HTC unit for purposes of determining the qualified basis, the tenant must have income at or below 50% of AMI, as defined in Section IV.E., if the 20/50 Test is elected, or at or below 60% of AMI if the 40/60 Test is elected. For the Average Income set-aside, as defined in Section IV.E, tenants must have income at or below the corresponding rent tier. The unit must be rent restricted as set forth above, and the unit must be suitable for occupancy.

The combined household income of all tenants occupying a HTC unit must be less than or equal to the elected income requirements as shown on Exhibit N. Note that the percentage of eligible units must match the applicable fraction.

- (a) Owners may not refuse to lease any unit in a project to a prospective resident because the prospective resident is a Section 8 certificate or voucher holder, or a participant in any other tenant-based assistance program.

Section 42 of the Code does not allow households comprised of full-time students to qualify as HTC units unless certain conditions are met. There are five exceptions to the limitation on households where all members are full-time students. Full-time students that are income eligible and satisfy one or more of the following conditions are considered eligible:

- (1) Students are married and entitled to file a joint tax return. A married couple that is entitled to file a joint tax return, but has not filed one, still satisfies the exception.
- (2) The household consists of a single-parent with child(ren) and the parent is not a dependent of someone else, and the child(ren) is/are not dependents of someone other than a parent;
- (3) At least one member of the household receives assistance under Title IV of the Social Security Act (formerly Aid to Families with Dependent Children (AFDC), now known as Temporary Assistance for Needy Families (TANF), or in Minnesota, the Minnesota Family Investment Program (MFIP);
- (4) At least one member of the household participates in a program receiving assistance under the Job Training Partnership Act (JTPA) or other similar federal, state, or local laws; or
- (5) At least one member of the household was previously in foster care.

Owners may not lease HTC units to any persons related to the Owner, the architect, attorney, or general contractor for the project or to any one of their employees (not to include caretakers), directors, offices, or agents, or to any of their family members.

H. Eligible Basis

In general, the eligible basis of a building is equal to the building's adjusted basis for acquisition, rehabilitation or construction costs for the entire building ("Eligible Basis"), subject to certain conditions and modifications set forth in Section 42(d) of the Code. As a general rule, the adjusted basis rules of Section 1016 of the Code apply, with the exception that no adjustments are made for depreciation. Some of the special provisions for determining Eligible Basis under Section 42(d) of the Code are:

- (1) Eligible Basis for new buildings and substantial rehabilitation of existing buildings that are located in designated qualified census tracts (QCT), difficult development areas (DDA), or 9% HTC projects granted the Discretionary Boost.
- (2) The cost of the non-HTC residential units in a building is included in eligible basis only if the quality of those units does not exceed the average quality of the HTC units. If the cost of a non-HTC unit exceeds the cost of a HTC unit (using the average cost per square foot and assuming the same size) by more than 15%, the entire cost of the non-HTC units must be excluded from the building's Eligible Basis. If the excess cost is not more than 15 percent, the owner may make an election to exclude only the excess cost of the non-HTC unit(s) from eligible basis.
- (3) The cost of depreciable property used in common areas or provided as comparable amenities to all residential units (e.g. carpeting and appliances) is included in determining Eligible Basis. The cost of tenant facilities (e.g. parking, garages, and swimming pools) may be included in Eligible Basis if there is no separate charge for use of the facilities and they are made available on a comparable basis to all tenants in the project.
- (4) The cost of a community service facility is included in Eligible Basis only if the building is located in a QCT and the facility is part of the qualified low-income project designed to provide appropriate and helpful services to individuals in the area whose income is 60% or less of AMI. The Eligible Basis of that facility cannot exceed 25% of the first \$15,000,000 in Eligible Basis plus 10% of additional basis in the project. All community service facilities that are part of the same qualified low-income project shall be treated as one facility. Only limited guidance has been issued by the IRS regarding these changes. No assurances can be given that additional IRS guidance will not require further adjustments to the QAP and additional reviews of selected projects.
- (5) Eligible Basis is reduced by federal grants, market rate residential rental

units, historic rehabilitation tax credits, and nonresidential rental property.

I. Qualified Basis/Applicable Fraction

Qualified basis is the portion of the Eligible Basis applicable to low income housing units in a building ("Qualified Basis"). Qualified Basis is the product of a project's Eligible Basis multiplied by the Applicable Fraction.

The Applicable Fraction is the lesser of:

- (1) The unit fraction, which is the number of HTC units in a building divided by the total number of residential rental units; or
- (2) The floor space fraction which is the total of floor space of the HTC units in the building divided by the total floor space of the residential rental units in the building.

A full-time resident manager's unit is not considered a residential rental unit and must not be included in either the numerator or denominator for calculating the applicable fraction.

Throughout the planning, construction and placed in service periods, the applicable fraction has different nuances. At initial application and at carryover, the estimated project applicable fraction will be used. It is an approximate goal that the developer is striving to attain. It is calculated by project in order to obtain a rough estimate of the percentage of HTC units and square footage needed and an estimate of the total amount of HTCs necessary for a particular project.

At the time that a building is placed in service application for 8609 is made, the targeted applicable fraction for each building is calculated. The targeted applicable fraction is determined on a building-by-building basis. Each building in a multiple building project could have a different applicable fraction. Because the estimated project applicable fraction is approximate, the targeted applicable fraction calculated by the building will frequently differ unless the project has a 100% applicable fraction. The targeted applicable fraction is also listed as part of the extended use criteria in the Declaration, which is recorded and remains with the property.

J. Annual HTC Amount

The HTC is available each year for over a 10-year period. The amount of HTC allocated or awarded is based on the Qualified Basis multiplied by the Applicable Percentage. However, Section 42(m)(2) of the Code requires the Board to limit the amount of the HTC to the amount necessary to ensure the financial feasibility of a project; therefore, the actual amount of HTC awarded could be less than the maximum allowable if the Board analysis reveals the project would still be feasible

with fewer HTC.

K. Declaration of Land Use Restrictive Covenants

As a condition of receiving HTCs, a project will be subject to a Declaration by the owner in favor of the Board, through which the owner commits the project to low income use for a period of at least 15 years after the conclusion of the 15-year compliance period (at least a total of 30 years), [unless the project owner is applying for 4% HTC and has elected the exemption for Saint Paul projects in Article VII\(F\)\(1\) of the QAP](#). The owner can elect to extend the term of the **Declaration and Section 42 income and rental restrictions up to 55 years**.

The Declaration terminates upon:

- (1) Foreclosure of the building (or deed in lieu of foreclosure) unless the Secretary of the Treasury determines that such acquisition is part of an arrangement with the taxpayer a purpose of which is to terminate such period; or
- (2) During the extended use period and, unless waived or conditioned in the Declaration, upon failure of the Board to find a purchaser by the end of one year after a request by the owner to the Board to find a purchaser for the HTC portion of the project, at a statutory minimum price, unless the owner has waived its right to a Qualified Contract.

Throughout the term of the Declaration and for a three (3) year period after the termination of the Declaration, the owner may not evict or terminate the tenancy of low income tenants (other than for good cause) and may not increase the gross rent above the maximum allowed under Section 42 of the Code with respect to such low income units.

Beginning with the 2022 HTC Program, owners who propose to finance their projects with tax exempt bonds and are applying for the 4% HTC must make a minimum commitment to the Section 42 of the Code income and rent restrictions for a period of 30 years [\(unless the Saint Paul only exception contained in Article VII\(F\)\(1\) of the QAP has been selected at the time of application\)](#), and must waive the provisions of Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) of the Code in the Declaration. For projects electing points for a longer affordability period, the Declaration must reflect that elected affordability period.

Owners applying for the 9% HTC must commit their projects to the Section 42 of the Code income and rent restrictions for a period of 30 years beginning with the first day of the 15-year compliance period. For projects electing points for a longer affordability period, the Declaration must reflect that elected affordability period.

The Declaration must be recorded in accordance with Section 42 of the Code as a restrictive covenant and submitted to the Board prior to the Board issuing Form 8609(s). The Declaration will set forth the commitments made by the owner to the Board in obtaining points, including any additional requirements placed upon the building at the time of HTC reservation. Non-compliance with these additional conditions may result in serious penalties being applied to the owner entities that could result in a permanent ban on future allocations of HTC being made to the

owner entities.

L. Ineligible Properties

Any residential rental unit that is part of a hospital, nursing home, sanitarium, life care facility, manufactured housing park or intermediate care facility for the mentally and physically handicapped is not for use by the general public and is not eligible for HTC under Section 42 of the Code. Projects with buildings having four or fewer residential units must comply with 42(i)(3)(C) of the Code.

Acquisition and/or Substantial Rehabilitation, as defined in Section IV.B., with a preexisting subsidy (any building substantially assisted, financed, or operated under HUD Section 8, Section 221 (d)(3), (d)(4) Section 220, Section 8 existing, Moderate Rehabilitation, or the Section 236 program or under the Farmer's Home Administration Section 515 program) will be eligible to apply for HTC only under the following conditions:

- (1) It preserves assisted low income housing which, due to mortgage prepayments or expiring rental assistance, would convert to market rate use. This must be demonstrated to the satisfaction of the Board; or
- (2) It has been demonstrated to the satisfaction of the Minneapolis Council or HRA, as applicable, that the building qualifies as a "troubled property." In order to qualify as such, a responsible official of a governmental lender, such as Minnesota Housing, HUD, or FMHA, must provide written documentation that the property is troubled along with an explanation. Generally, the project must be in default or foreclosure.

Any Application involving acquisition and Substantial Rehabilitation of a CPED- or HRA-financed project MUST submit a certification as to need for a substantial rehabilitation of the project. The certification shall include a rehabilitation inspection report. This inspection shall be prepared by a representative of the appropriate agency or a person approved by that agency. The inspection report will not be accepted if completed more than 6 months prior to the Application submission.

M. Passive Loss Restrictions:

There is a limit on the amount of HTC an individual may effectively use due to passive loss restrictions and alternative minimum tax provisions. Consult your tax attorney or accountant for clarification of this regulation.

N. Volume Limits:

Each state is limited to the amount of 9% HTC it may allocate annually. The allocation amounts for each city will be published in their annual RFP/NOFA for 9% HTC applications.

Projects with tax-exempt bond financing, which are subject to a separate volume limitation, are not counted against the state 9% HTC amount. See the QAP for

further details.

O. Market Study

The applicant must submit a comprehensive market study of the housing needs of low-income individuals in the area served by the project. The review must be conducted before the HTC allocation is made and at the developer's expense by a disinterested third party acceptable to HRA or CPED.

P. Tenant Ownership

The Board will review projects incorporating tenant ownership provisions in accordance with Section 42 of the Code and IRS Revenue Ruling 95-49. The Board requires that projects proposing an Eventual Tenant Ownership (ETO) component must have 100% of the project's HTC units specified for this ownership component. It is the responsibility of the applicant to provide the Board with any additional information or clarification as may be necessary.

Q. Recapture of HTC

The Board reserves the right to recapture HTC from projects that do not provide evidence satisfactory to the Board of progress toward completion of the project in accordance with their project schedule (submitted at initial application and updated at Carryover Allocation, or are in noncompliance with the terms of the Carryover Allocation.

A portion of the HTC will also be recaptured if the Qualified Basis of the project at the close of any year is less than the amount of such basis at the close of the preceding taxable year, or if the minimum number of qualified HTC units is not maintained for the complete extended use period.

R. Fair Housing Policy

It is the policy of the Board to ensure fair housing opportunity in all Board programs and to administer its housing programs affirmatively, so that all residents of similar income levels have equal access to Board programs regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, or familial status.

Participants in the HTC Program will be required to use affirmative fair housing marketing practices in soliciting renters, determining eligibility, and concluding all transactions as addressed in Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, as well as the fair housing protections provided by the Minnesota Human Rights Act, which adds creed, marital status, status with regard to public housing, and sexual orientation, and any applicable City Civil Rights ordinances. In part, regarding rental housing issues, Title VIII, the Human Rights Act, and applicable City Civil Rights ordinances make it unlawful to: (i) discriminate in the selection/acceptance of applicants in the rental of housing units; (ii) discriminate in terms, conditions or privileges of the rental of a dwelling unit; (iii) engage in any conduct relating to the provision of housing that otherwise makes unavailable or denies the rental of a dwelling unit; (iv) make or publish (or

have anyone else make or publish) advertisements that indicate preferences or limitations based on race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, or sexual orientation.; (v) tell a person that because of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, or sexual orientation, a dwelling unit is not available when it is; and (vi) deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation.

Owners will be required to affirmatively market the availability of units in any project that receives HTC. Owners shall develop and submit with their Application an Affirmative Marketing Plan that includes:

- (1) Specific steps to reach out to all groups protected by the Civil Rights Act of 1968, as amended in 1988, and those protected by the Minnesota Human Rights Act and applicable City Civil Rights ordinances, particularly protected groups that likely would not otherwise be aware of housing opportunities in the project.
- (2) An analysis to ensure that all steps in the rental process are non-discriminatory
- (3) A commitment that upon request by CPED staff or HRA staff respectively, the owner will submit additional marketing plans, reports and documents that confirm the owner's fair housing efforts.

Selected projects must maintain and periodically update an Affirmative Marketing Plan for the project through the term of the Declaration. Failure to comply with the foregoing requirements will prompt Board staff to prepare a full report to the Executive Director of the Board, or to the Director of CPED or HRA, as applicable. Noncompliance could result in appropriate action by the Board, CPED or HRA, including expulsion from the Board, CPED or HRA programs.

- S. Tenant Selection Plan.** All projects awarded HTC will be required to create a Tenant Selection Plan. See Exhibit AD for further information including but not limited to guidance on criminal background screening, Violence Against Women Act (VAWA) requirements, tenant-based rental assistance and more.

V. DEVELOPMENT STANDARDS

All applications to CPED or HRA will be evaluated according to the following standards. The Board will review project costs based on comparability and reasonableness. The Board will take into consideration unique characteristics of the project and its comparability to similar projects. The Board will require additional documentation if it determines that the proposed costs are not comparable or reasonable. Projects funded under the HTC Program will be evaluated according to the following standards. Small projects, hard-to-develop projects, and projects located in difficult-to-develop areas may be considered eligible for variances from these standards, if justified.

A. Project Cost Reasonableness

CPED or HRA will evaluate the costs of each proposed project in comparison to current comparable projects to determine whether the proposed costs are reasonable. Current Board HTC project comparables will continue to be the driving factor in approving project costs. CPED staff will also utilize Minnesota Housing's predictive model to evaluate cost reasonableness.

CPED and HRA will evaluate the cost reasonableness of proposed acquisition costs through an as-is appraisal. CPED or HRA will order the appraisal for 9% HTC projects (at the applicant's expense). An appraisal conducted by Minnesota Housing may also be used. A lender's appraisal is acceptable for 4% HTC projects. CPED and HRA reserve the right to conduct another appraisal, at the applicant's expense.

CPED and HRA reserve the right to reject applications that appear, at CPED's or HRA's sole discretion, to have excessive costs, or to size their HTC award based on the lesser of the option/purchase agreement purchase price or the appraised value of the property and buildings.

B. Costs of Intermediaries

CPED and HRA will evaluate costs of intermediaries with a view toward minimizing such fees. All costs of intermediaries must be reasonable, in the sole discretion of CPED or HRA, as applicable.

For purposes of this provision, "Costs of Intermediaries" shall be consistent with Minnesota Housing standards.

Developer Fee Limits

The developer fee (paid either upfront or deferred) is provided to the developer of a project for time expended and risks associated with developing a project. Developer fees include developer overhead, developer processing fee, developer profit, developer construction management and any other amounts received by the developer as approved by HRA or CPED.

The following maximum developer fee limit shall apply:

New construction

No greater than 15% of the total development costs, excluding the developer fee, construction consulting fee and capitalized reserves for the first 50 units, and no more than 8% of the total development costs, excluding the developer fee, construction consulting fee and capitalized reserves, for 51 units and over.

Acquisition/Rehabilitation or Adaptive Reuse Projects

No greater than 15% of total development costs, excluding the developer fee, construction consulting fee, capitalized reserves and acquisition costs.

C. Reserves/Contingencies

All unexpended funds remaining in project reserve accounts must remain for development use during the term of any CPED or HRA deferred loans or the term of the Declaration, whichever is longer. The Limited Partnership Agreement (LPA) must include a provision addressing the terms and conditions for disbursement from the reserve accounts that specifically states that upon the transfer of any ownership interest or at the end of the 15 year compliance period, whichever is earlier, any funds remaining in the reserve accounts must remain with the project for the term of any CPED or HRA deferred loans or the term of the Declaration, whichever is longer. Existing projects applying for HTCs and/or refinancing will be required to show existing reserves as a source. Staff will review the draft LPA prior to closing to ensure compliance, and again upon submittal of the 8609 application.

D. Comparative Analyses

Notwithstanding the Development Standards and the Selection Criteria set forth in the QAP, each project will be analyzed on a comparative basis in a variety of categories to ensure the highest value for the HTCs awarded and allocated.

E. Property Standard

The Board encourages sustainable, healthy housing that optimizes the use of cost effective durable building materials and systems, and that minimizes the consumption of natural resources during construction, and in the long-term, maintenance and operation. All completed projects MUST comply with the Minnesota Overlay to the Enterprise Green Communities Criteria.

Minneapolis projects only: all projects are subject to the Minneapolis Unified Housing Policy Design Standards.

Saint Paul projects only: all projects must comply with the Sustainable Building Ordinance

F. Prevailing Wage

Projects must comply with state prevailing wage requirements. Pursuant to Minnesota Statutes, section 116J.871, Owners are required to certify to the Minnesota commissioner of labor and industry that workers at the project site during construction, installation, remodeling, and repairs for which the HTC allocation or award was provided will be paid the applicable prevailing wage rate as defined in Minnesota Statutes, section 177.42, subdivision 6. Projects must use the higher of 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. Owners must ensure that all construction contracts for a project specifically state the required prevailing wage rates, prevailing hours of labor, and hourly basic rates of pay.

Projects must ensure the applicable prevailing-wage determinations for the project, along with the following contract language, is incorporated into proposals

and all contracts, including all contracts with subcontractors, and the wage determination is posted in a conspicuous location on the project site. All work on a project must be performed under contracts that specifically include the prevailing-wage obligations of the Minnesota Prevailing Wage Act. - "Pursuant to Minnesota Statutes 177.41 to 177.44 and corresponding Minnesota Rules 5200.1000 to 5200.1120, this contract is subject to the prevailing wages as established by the Minnesota Department of Labor and Industry. Specifically, all contractors and subcontractors must pay all laborers and mechanics the established prevailing wages for work performed under the contract. Failure to comply with the aforementioned may result in the withholding of the 8609 or civil or criminal penalties."

Projects must complete and submit the required certified payroll reports to the City of Saint Paul (HRA projects) or City of Minneapolis (CPED projects) by no more than 14 days after the end of each pay period (or weekly if federal funds are in the project). Projects must collect, keep, and maintain these records for a minimum of three years after issuance of the Form 8609(s) for the project.

VI. PROJECT SELECTION

Each Application submitted to CPED or HRA for HTC must meet Sections A-C below before moving to the Selection Priorities (Section D below).

A. Threshold Requirements – 9% HTCs

CPED or HRA will determine whether the project meets the minimum threshold requirements as set forth in the QAP.

B. Market Review

CPED or HRA shall require the applicant to submit a comprehensive market study of the housing needs of low-income individuals in the area to be served by the project. This review must be conducted at the developer's expense by an unrelated third party acceptable to HRA or CPED staff, as applicable. At a minimum, such comprehensive market study shall include the following:

- (1) A statement of the competence of the market study provider, detailing education and experience of primary author and including a statement of non-interest.
- (2) Signature of preparer(s) and date the study was completed.
- (3) Description of the proposed site and neighborhood, including physical attributes of site, surrounding land uses, and proximity to community amenities or neighborhood features including shopping, healthcare, schools, and transportation.
- (4) A map and photos of the subject site and surroundings showing location of community services.

- (5) A description of the proposed project, detailing proposed unit mix (number of bedrooms, bathrooms, square footage, proposed rents, AMI level, utility allowances, and any utilities included in rent), proposed unit features and community amenities, and target population including age restrictions and/or special needs populations.
- (6) Demographic analysis of the number of eligible households in the market area that are part of the target market, income eligible, and can afford the proposed rent.
- (7) Analysis of household sizes and types in the market area, including households by tenure, income, and persons per household.
- (8) A description of rent levels and occupancy rates in existing comparable projects in the market area, segmented by property type and with rents adjusted to account for utility differences and concessions or other incentives. Such description should include all existing HTC projects in the primary market area and any planned additions to the rental housing stock, including any recently approved HTC projects.
- (9) Review of population characteristics and projected trends.
- (10) Review of employment and economic development characteristics, including a list of major employers and labor force employment and unemployment trends over the past 5-10 years.
- (11) Geographic definition and analysis of market area, including a description of methodology used to define market area and map of market area including proposed site.
- (12) Analysis of operating expenses of comparable properties in the market area.
- (13) Expected market absorption of proposed project, including capture/penetration rate analysis of target populations.
- (14) A description of the effect on the market area, including the impact on HTC and other existing affordable rental housing.
- (15) Indicate whether or not the proposed project meets the identified housing needs of the community's overall housing plan.
- (16) A written narrative on the assumptions and methods used in the market study, including data sources.

CPED or HRA may also require an independent market study to determine the financial feasibility of the proposed project. CPED or HRA will contact the applicant if there is a question as to the marketability of the proposed project. The applicant will be given an opportunity to adjust the unit mix and/or number and resubmit prior to CPED or HRA scoring of selection priority points.

Proposed projects that do not appear marketable and do not modify their Application will not receive further consideration.

C. Site Review

CPED or HRA staff will analyze the site for each project meeting the requirements of Sections A and B of the project selection criteria. Site analysis will consider: physical characteristics, surrounding property and community, location of schools, shopping, public transportation, employment centers, and community facilities, availability of utilities, water and sewage treatment facilities, the suitability of the site for the project and other CPED or HRA standards.

CPED or HRA will consider, but is not limited to, the following environmental criteria when evaluating a proposed site:

- Noise
- Flood plains and wetlands
- Site safety
- Toxic and hazardous waste
- Underground storage tanks
- Asbestos and lead based paint

CPED or HRA may in their sole discretion reject projects on behalf of the Board, for Applications that appear unsuitable for the proposed project.

D. Selection Priorities

Upon completion of Sections IV. A., B., and C., an Application will then be ranked according to the points awarded for the selection priorities and the preference priorities set forth in the QAP.

E. Management Review

Significant Parties, as defined in Section III.G., who have serious and persistent compliance monitoring violations may be declared ineligible at the sole discretion of the Minneapolis City Council or HRA's Board of Commissioners. CPED or HRA staff will review the compliance history of past and existing HTC projects in which the applicant has served as general partner or management agent prior to making a recommendation on the allocation of HTC to the Minneapolis City Council or HRA's Board.

F. Contract Compliance Agreement

For Saint Paul projects only: Saint Paul HRA shall require all applicants to execute a Contract Compliance Agreement that certifies that the owner will comply with employment, contracting, wage and other requirements, affirmative action/equal opportunity, Apprenticeship Training Programs, Labor Standards, Vendor Outreach, Contract Documents, Section 3 requirements, Preconstruction Conference, and other compliance requirements as HRA deems necessary. The owner of the project may be subject to collection of liquidated damages for violations of compliance requirements, and other HRA remedies.

VII. SUBMISSION REQUIREMENTS

It is the applicant's responsibility to be aware of the processing submittals required to proceed to the next step in obtaining a Reservation, as defined in Section III.M. If the applicant is unable to obtain these submittals (financing, zoning, site control, syndication, construction start, etc.) in a timely manner, or if such approvals have expired, the Application will no longer be processed and the application fee will be forfeited.

Required Documents/Exhibits. It is very important that the applicant follow the order of the Required Documents/Exhibits below. Contact CPED or HRA staff (as appropriate) for current application format and submittal requirements. Any submission not meeting these requirements will be returned to the applicant. At a minimum, the following documents and exhibits are required to proceed toward HTC allocation at each stage of the process:

A. Application Requirements - 9% HTC:

- (1) A check for the appropriate Application Fee (See Exhibit AF) is required with the submission of the Application. An Allocation Fee and Special Counsel Fee (See Exhibit AF) will be required upon execution of the Reservation Letter.
- (2) Opinion of Counsel in the form of Exhibit B.
- (3) Completed Minnesota Housing Multifamily Workbook and Minnesota Housing General Certification Form, signed by at least one general partner involved in the project. An incomplete Workbook will not be accepted and will be returned to the applicant. NOTE: Applicants receiving a Reservation of HTC will be required to submit an original Workbook in electronic XLS format.
- (4) Original photographs of the exterior and interior walls of each building, if existing, or of the site and surrounding area, if new construction.
- (5) Evidence of Site Control. Evidence of title or adequate site control must be submitted with the Application. Acceptable evidence includes the following: warranty deed, purchase contract, option contract, or letter of intent from a governmental body for sole developer, etc. The evidence of site control must be current and extend to the anticipated date of "placed in service" or provisions for extension provided. For HTC allocations, an attorney's opinion that the applicant has ownership of the property as required and in accordance with Section 42 of the Code will be required. Owners should be cautioned that Reservations are site specific and the entire described project will be subject to the terms and covenants of the Declaration. Loss of site control will result in the cancellation of the Reservation or Carryover Allocation. CPED and HRA will not accept applications from different applicants for the same site.
- (6) Legal description of land (not property tax ID number)
- (7) Status of zoning. Letter from a local zoning official identifying the project,

number of units, stories, and on-site parking spaces, and stating the current zoning of the land. If measures need to be taken to change the status of zoning, please indicate.

- (8) Proposed sources of funds. In the form of a letter of intent, commitment, etc. that states the terms, conditions (including dollar amount, number of years, interest rate, debt service coverage, etc.). An Application will not be accepted without financing terms.
 - (a) Construction financing - commitment from lender;
 - (b) Permanent financing - commitment from lender (for FMHA Projects AD622 and letter of conditions);
 - (c) Secondary financing – commitment from lender;
 - (d) Grants - letter from granting authority;
 - (e) Syndication proceeds – commitment from investor;
 - (f) Other sources of funds, including any federal, state, local and private subsidies.
- (9) Project Team resumes. One page maximum per individual, current within six (6) months. Complete and attach to front of the submission Exhibit L .
- (10) Previous participation. Complete in full Exhibit K.
- (11) Agreement to utilize Public Housing Authority Waiting List, Exhibit J (HTC-11).
- (12) A 15-year after tax cash flow pro forma (for projects with five or more units).
- (13) If non-profit, evidence of non-profit status and IRS approval.
- (14) Self-scoring worksheet for selection points, including narrative explanation and documentation required for scoring (Exhibit E).
- (15) Special Services. For projects meeting the Threshold Requirement set forth in VII.C.4 of the QAP, documentation must be provided to CPED or HRA before a Reservation of HTC will be issued.
- (16) Location Map of the project. Legible map with clear directions and cross streets or roads must be provided.
- (17) Documentation for Utility Allowance.
- (18) Preliminary drawings, at a minimum including site plan, elevations and unit plans.
- (19) For acquisition and rehabilitation projects, a scope of work must be

submitted for each building. Any Application involving the acquisition and rehabilitation of a CPED or HRA financed project must submit a rehabilitation report performed or approved by a representative of the appropriate agency or a person approved by the agency.

- (20) For sites with existing buildings, include a written description of current building(s) and any tenants; sites with tenants must submit a Relocation Plan. For acquisition and rehabilitation projects of occupied properties, a Relocation Plan, rent roll, and plan for screening new tenants must be submitted. The Relocation Plan must address both temporary relocation (including in-place displacement) and permanent displacement, and whether there will be any anticipated displacement
- (21) Acknowledgement or Support Letter from the applicable neighborhood association. To claim points under the 9% scoring, a recommendation of support is required.
- (22) Maintenance and Operating Expense Review and Underwriting Certification. (Exhibit W).
- (23) Third-party comprehensive market study of housing needs of low-income individuals in the area to be served by the project is required to be submitted after selection. The market study must have an effective date within 6 months of the date of selection. An updated market study may be required before issuance of the Low-Income Housing Tax Credit Allocation Letter (42M Letter) if the original market study has an effective date older than 12 months prior to the issuance of the said 42M Letter..
- (24) Property Management Plan and Affirmative Fair Housing Marketing Plan (AFHMP) - Multifamily Housing (HUD-935.2A) (Exhibit Y).
- (25) Equal Employment Opportunity Policy Statement (Exhibit Z).
- (26) Multifamily – Intended Methods Worksheet: MN Overlay to Green Communities (Exhibit AA).
- (27) A complete appraisal, ordered by CPED or the HRA (as appropriate), or Minnesota Housing will be required after selection and must be submitted prior to the issuance of the Low-Income Housing Tax Credit Allocation Letter (42M letter). The cost of the appraisal will be borne by the owner.
- (28) For projects electing Average Income, the following must also be submitted:
 - (a) MN Housing's Average Income Rent and Income Grid (Exhibit AB)
 - (b) Written approval from the permanent lender(s) and LIHTC syndicator/equity provider that the project may elect Income Averaging
 - (c) MN Housing's Average Income Certification Form (Exhibit AC)
 - (d) Other materials as requested by the Board

- (29) Draft tenant selection plan (See Exhibit AD for guidance). Minneapolis projects must also submit the Tenant Selection Plan Checklist (Exhibit TBD).
- (30) Provide a complete description of the proposed project. If the project will proceed in phases, then provide information for each phase as well. Provide the following information:
 - (a) Details of site control
 - (b) Details of all known or suspected environmental issues with the site and any testing that has been completed or is underway.
 - (c) Details of the project, if it is new construction, rehabilitation, renovation, or adaptive re-use.
 - (d) Description of structures which will be demolished and current owners/tenants (submit Tenant Relocation Plan, if applicable)
 - (e) Details of any historic preservation designations and/or related issues.
- (31) MN Department of Labor and Industry Prevailing Wage Certification Form

B. Submission Requirements for Projects Financed with Tax-Exempt Bonds/4% HTC:

- (1) A check for the appropriate Allocation Fee (See Exhibit AF) is required with the submission of the Application.
- (2) A check for the appropriate Special Counsel Fee (See Exhibit AF).
- (3) Opinion of Counsel in the form of Exhibit B.
- (4) Completed Minnesota Housing Multifamily Workbook, Application for Tax Credits, and Minnesota Housing General Certification Form, signed by at least one general partner involved in this project. An incomplete Minnesota Housing Multifamily Workbook will not be accepted and will be returned to the applicant. NOTE: Applicant must also submit Minnesota Housing Multifamily Workbook in its original electronic XLS format.
- (5) Original photographs of the exterior and interior walls of each building, if existing, or of the site and surrounding area, if new construction.
- (6) Evidence of Site Control. Evidence of title or adequate site control must be submitted with the application. Acceptable evidence includes the following: warranty deed, purchase contract, option contract, or letter of intent from governmental body for sole developer, etc. The evidence of site control must be current and extend to the anticipated date of "placed in service" or provisions for extension provided. For HTC allocations, an attorney's opinion that the applicant has ownership of the property as required and in accordance with Section 42 of the Code will be required. Owners should be cautioned that Allocations are site specific and the entire described property is subject to the terms and covenants of the Declaration. Loss of site control will result in cancellation of the Allocation. CPED and HRA will not accept applications from different applicants for the same site.
- (7) Legal description of land (not property tax ID number)
- (8) Status of zoning. Letter from a local zoning official identifying the project, number of units, stories, and on-site parking spaces, and stating the current zoning of the land. If measures need to be taken to change the status of zoning, please indicate
- (9) Proposed sources of funds. In the form of a letter of intent, commitment, etc. that states terms, conditions (including dollar amount, number of years, interest rate, debt service coverage, etc.). Applications will not be accepted without financing terms.
 - (a) Construction financing - commitment from the lender;
 - (b) Permanent financing - commitment from lender (for FMHA Projects AD622 and letter of conditions);
 - (c) Secondary financing - letter from the lender;

- (d) Grants - letter from granting authority;
 - (e) Syndication proceeds – commitment from the investor;
 - (f) Other sources of funds, including any federal, state, local and private subsidies.
- (10) Project Team resumes. One page maximum per individual, current within six months. Complete and attach to front of the submission Exhibit L.
 - (11) Previous participation. Complete in full Exhibit K.
 - (12) Agreement to utilize Public Housing Authority Waiting List, Exhibit J (HTC-11).
 - (13) A 15-year after tax cash flow pro forma (for five or more units).
 - (14) If non-profit, evidence of non-profit status from IRS.
 - (15) Self-scoring worksheet for selection points, including narrative explanation and documentation required for scoring (Exhibit F).
 - (16) Location Map of the project. Legible map with clear directions and cross streets or roads must be provided.
 - (17) Documentation for Utility Allowance.
 - (18) Preliminary drawings, at a minimum including site plan, elevations and unit plans.
 - (19) For acquisition and rehabilitation projects, a scope of work must be submitted for each building. Any Application for the acquisition and rehabilitation of a CPED or HRA financed project must be accompanied by a rehabilitation report performed or approved by a representative of the appropriate agency or a person approved by the agency.
 - (20) For sites with existing buildings, include a written description of current building(s) and any tenants; sites with tenants must submit a Relocation Plan. For acquisition and rehabilitation projects of occupied properties, a Relocation Plan, rent roll, and plan for screening new tenants must be submitted. The Relocation Plan must address both temporary relocation (including in-place displacement) and permanent displacement, and whether there will be any anticipated displacement.
 - (21) Acknowledgement or Support Letter from the applicable neighborhood association.
 - (22) Maintenance and Operating Expense Review and Underwriting Certification. (Exhibit W).

- (23) Third-party comprehensive market study of housing needs of low-income individuals in the area to be served by the project. The market study must have an effective date within 6 months of the application date. An updated market study is required before issuance of the Low-Income Housing Tax Credit Allocation Letter (42M Letter) if the original market study has an effective date older than 12 months prior to the issuance of the said 42M Letter.
- (24) Property Management Plan and Affirmative Fair Housing Marketing Plan (AFHMP) - Multifamily Housing (HUD-935.2A) (Exhibit Y).
- (25) Equal Employment Opportunity Policy Statement (Exhibit Z).
- (26) Multifamily – Intended Methods Worksheet: MN Overlay to Green Communities (Exhibit AA).
- (27) For projects electing Average Income, the following must also be submitted:
 - (a) MN Housing’s Average Income Rent and Income Grid (Exhibit AB)
 - (b) Written approval from the permanent lender(s) and LIHTC syndicator/equity provider that the project may elect Income Averaging
 - (c) MN Housing’s Average Income Certification Form (Exhibit AC) and
 - (d) Other materials as requested by the Board
- (28) Draft tenant selection plan (See Exhibit AD for guidance). Minneapolis projects must also submit the Tenant Selection Plan Checklist (Exhibit TBD).
- (29) Limited Partnership Agreement
- (30) Complete as-is appraisal. A lender’s appraisal is acceptable for 4% HTC submittals, though the Board reserves the right to order a new appraisal.
- (31) Provide a complete description of the proposed project. If the project will proceed in phases, then project information for each phase as well. Provide the following:
 - (a) Details of site control.
 - (b) Details of all known or suspected environmental issues with the site and any testing that has been completed or is underway.
 - (c) Details of the project, if it is new construction, rehabilitation, renovation, or adaptive re-use.
 - (d) Description of structures which will be demolished and current owners/tenants (submit Tenant Relocation Plan, if applicable) and
 - (e) Details of any historic preservation designations and/or related issues.
- (32) Optional – Gross Rent Floor Election Form. Executed election form must be received by the date the project is placed in service. If no election is

made, or if the form is not received by that deadline, then the gross rent floor date will default to the date of HTC 42(m) Letter.

- (33) MN Department of Labor and Industry Prevailing Wage Certification Form

C. Carryover Allocation Requirements

In addition to meeting requirements of Section 42 of Code, the owner must provide by no later than September 15 of the year in which the Reservation was issued, a status report satisfactory to CPED or HRA staff of the progress of the project and the identification of any barriers to meeting the requirements of the Section 42 Code and this Procedural Manual to receive a Carryover Allocation for the project. The status report shall include, but not be limited to, status of private and public lender financing and HTC syndication commitment, project costs incurred to date, status of obtaining ownership of the project site, zoning status, and project budget. Failure to submit said status report shall be ground to revoke the Reservation by the Board.

No later than November 1 of the year the Carryover Allocation is to be issued the owner must submit evidence, satisfactory to CPED or HRA the following (if not already submitted as part of HTC Application requirements):

- (1) A check for the appropriate Allocation Fee (See Exhibit AF).
- (2) A check for the appropriate Special Counsel Fee (See Exhibit AF).
- (3) An updated Minnesota Housing Multifamily Workbook. Revised pages should reflect any material changes including sources and uses of funds (highlight or circle in red all changes; initial and date each modified page). Incomplete revisions or those not highlighted on Minnesota Housing Multifamily Workbook are not acceptable and will be returned to the owner. The Carryover Allocation application must be signed by one general partner, officer, director or corporate officer stating that under penalties of perjury all facts and statements contained in application and all documents and exhibits submitted are true to the best of their knowledge. **NOTE:** Applicants must also submit the Minnesota Housing Multifamily Workbook in electronic XLS format.
- (4) An Opinion of Counsel in the form of Exhibit D verifying the owner of the project, or evidencing continued site control of the land and depreciable real property identified at application/reservation as the project. Specify a legal description for each building address; if more than one.
- (5) Carryover application (HTC 4)
- (6) Building Information Form (HTC 5)
- (7) A written Accountant's Certification (preferably using Minnesota Housing's form HTC-6 and 6A) verifying:

- (a) The amount of the reasonably expected basis, the carryover basis, and the percent of the expenses incurred.
 - (b) More than 10% of the reasonably expected basis of the project will be expended by the later of the date which is 12 months after the date that the Carryover Allocation is made or the close of the calendar year in which the Carryover Allocation is made.
- (8) Identification of the sources of construction, interim and permanent financing arrangements. Secure a firm lender commitment in the form of a binding agreement as required in Minnesota Statutes Section 513.33. The agreement must:
- (a) Be in writing;
 - (b) Specify the consideration for the transaction and pertinent terms; and
 - (c) Be signed by both the lender and the owner.
- (9) A description of any governmental assistance and/or rental assistance. This includes copies of any contracts/agreements executed or any applications made for rental assistance grants for the project.
- (10) A 15-year pro forma signed by the lending institution signifying that they are aware of the figures presented in the HTC application;
- (11) Information on the ownership entity, including an executed copy of the partnership agreement or operating agreement, and a copy of the certificate of registration from the Secretary of State in the State of Minnesota; and
- (12) A comprehensive market study, conducted by a third party approved by CPED or HRA staff, of the housing needs of low-income individuals in the area served by the project.
- (13) The owner must provide its tax identification number as part of the Carryover Allocation application.
- (14) Optional - Gross Rent Floor Election Form Executed election form must be received by the date the project is placed in service. If no election is made, or if the form is not received by that deadline, then the gross rent floor date will default to the HTC carryover allocation date.

D. Placed in Service – Final Allocation - 8609

The following documents must be submitted no later than **November 1st** if the owner has a year-end Form 8609 allocation deadline of HTCs:

The placed-in-service date for HTC purposes of a newly constructed building, or for rehabilitation expenditures of an existing building, is the date when the first unit in the building is certified as available for occupancy generally. The placed-in-service date must occur for all buildings within a project within two years after the award of the HTC.

The Board will issue Form 8609(s) when the following items have been received by the Board in satisfactory form and substance.

Submit the following with a transmittal letter indicating the project name, address and HTC commitment date. The letter should request the issuance of Form 8609(s) and list the following required documents. If there have been any changes from the original Application (e.g., rents, utility allowances, source of funds, uses of funds, etc.), submit the revised pages of the application, re-date the pages and initial. In the letter, please list the revised information and explain the basis for such changes. In particular, check to ensure that changes in number of units, rents, utility allowance, source of funds (loans, grants, etc.), hard and soft cost changes and qualified basis are updated on the revised Application pages. The letter must be dated and signed by the owner or authorized individual:

- (1) A check for the appropriate Special Counsel Fee (See Exhibit AF).
- (2) Evidence all buildings in the project have been Placed-in-Service. A copy of the Certificate of Occupancy provided by local governmental authority having jurisdiction for each building. If not available from the local government, a Certificate of Substantial Completion prepared by the architect will be accepted.
- (3) A current utility allowance schedule.
- (4) Cost certification by CPA (Minnesota Housing Cost Certification (HTC-9), including Exhibit A).
- (5) Updated Minnesota Housing Multifamily Workbook signed by at least one general partner involved in the project. Include the revised pages of changes from carryover application, highlight all changes, and re-date and initial the pages.

NOTE: Applicant must also submit the Minnesota Housing Multifamily Workbook in electronic XLS format.

- (6) Final Opinion of Counsel in the form of Exhibit X.
- (7) A draft copy of the Declaration. The Declaration must be completed and recorded before the end of the first year of the 10-year credit period to preserve the HTC allocated to the project. Check with your tax advisor as to timing of filing and claiming of HTC.
- (8) Documentation of the final amount of HTC proceeds or receipts generated, copy of the final Syndication, Private Placement, or Individual Investment

Agreements disclosing the terms and conditions.

- (9) Final Owner Certification (Minnesota Housing Form HTC-3, including Exhibit A) verifying:
 - (a) The placed-in-service date as defined in IRS Notice 88-116 for each building and/or type of HTC. Month and year should correspond with the certificate of occupancy. If the month and year do not correspond, submit a written statement indicating the reason why.
 - (b) Compliance with all applicable design requirements; and
 - (c) Compliance with all requirements of selection; and additional or special conditions of Reservation, commitment or Carryover Allocation.
- (10) A 15-year after-tax cash flow pro forma (for projects with five or more units) signed by the lending institution signifying that they are aware of the figures presented in the HTC application.
- (11) Copies of all final executed loan or grant documents for all sources of funds (mortgage or note) which support the amount, terms, and conditions stated on Minnesota Housing Form LIHC-1.
- (12) If ownership entity has changed, copy of the assignment and updated resumes of project team.
- (13) Original photographs of the completed building(s).
- (14) Evidence that the project is current in the payment of compliance monitoring fees, if applicable.
- (15) Current rent-roll.
- (16) Final Property Management Plan and Affirmative Fair Housing Marketing Plan (AFHMP) - Multifamily Housing (HUD-935.2A) (Exhibit Y).
- (17) Equal Employment Opportunity Policy Statement (Exhibit Z).
- (18) Final Tenant Selection Plan (see Exhibit AD for guidance)
- (19) Limited Partnership Agreement
- (20) Certification from the owner that the project will comply with the Violence Against Women Act and provide prospective applications and tenants with the Notice of Occupancy Rights Under the Violence Against Women Act.
- (21) Such documents and instruments as are necessary and as may be required

by CPED, HRA or the Board.

E. Changes to Projects Electing Average Income on Form 8609

Projects that have elected Average Income on IRS Form 8609 and wish to change the HTC unit AMI tiers in the existing Declaration must submit a written request to the Board to change the AMI unit mix for the project along with the following documents:

1. Signed copies of the Form 8609s reflecting the Average Income election was made and if the project contains more than one building the election to treat the project as a multiple building project;
2. Updated market information that demonstrates sufficient market demand for each proposed AMI tier;
3. Updated 15-year pro forma reflecting the rents for the proposed AMI tier by unit type;
4. Letter from the investor approving the change in the proposed rents and AMI tiers; and
5. Letter(s) from the permanent loan lender(s) approving the change in the proposed rents and AMI tiers.

Requests for changes to the HTC unit AMI tiers will be considered at the sole discretion of the of the Director of CPED or HRA. The Declaration will be amended to reflect any approved changes to the AMI tiers.

**MINNEAPOLIS/SAINT PAUL HOUSING FINANCE BOARD
LOW INCOME HOUSING TAX CREDIT PROGRAM**

EXHIBITS

Exhibit A	Qualified Allocation Plan
Exhibit B	Opinion of Counsel - Application
Exhibit C	Qualified Census Tracts/Saint Paul Impacted Areas
Exhibit D	Form of Opinion of Counsel Regarding Carryover Allocation
Exhibit E	Self Scoring Worksheet – 9%
Exhibit F	Self Scoring Worksheet – 4%
Exhibit G	IRS Notice 88-80 Determination of Income
Exhibit H	IRS Regulations §§1.42-6 Carryover and 1.42-10 Utility Allowance
Exhibit I	Section 42 of the Internal Revenue Code
Exhibit J	Agreement to Utilize Public Housing Waiting List (Minnesota Housing HTC-11)
Exhibit K	Previous Participation
Exhibit L	Project Team Resumes
Exhibit M	Transfer of Interest Form (Minnesota Housing HTC-27)
Exhibit N	Rent and Income Limits
Exhibit O	Guidelines for Determining Section 501(c)(3) Status
Exhibit P	Treasury Regulation §1.42-5, Section 42 Housing Tax Credit Program Compliance Manual for Minneapolis – Saint Paul Housing Finance Board
Exhibit Q	Declaration of Restrictive Land Use Covenant
Exhibit R	Worksheet for Qualified Basis (Minnesota Housing LIHC-28)
Exhibit S	Final Cost Certification (Minnesota Housing HTC-9)
Exhibit T	Certification by Owner/Applicant for Issuance of IRS 8609 (Minnesota Housing HTC-3)
Exhibit U	ACP50 Map
Exhibit V	Rent Floor Election/Certification (Minnesota Housing HTC-26)

- Exhibit W Maintenance and Operating Expense Review and Underwriting Certification (HTC-29)
- Exhibit X Opinion of Counsel - Placed in Service
- Exhibit Y Affirmative Fair Housing Marketing Plan (AFHMP) - Multifamily Housing (HUD-935.2A)
- Exhibit Z Equal Employment Opportunity Policy Statement
- Exhibit AA Multifamily – Intended Methods Worksheet: MN Overlay to Green Communities
- Exhibit AB MN Housing's Average Income Rent and Income Grid
- Exhibit AC MN Housing's Average Income Certification Form
- Exhibit AD Tenant Selection Plan supporting documentation
- Exhibit AE VAWA Certification
- Exhibit AF Summary of Fees

DRAFT

Attachment 4

Self-Scoring Worksheet- 4% HTC – Saint Paul HRA

Selection Criteria: Projects submitting an Application to the Saint Paul HRA for tax- exempt housing revenue bonds must demonstrate that the project will score a minimum of 40 points under the 4% HTC Selection Criteria below. The request for bond financing must not exceed the HRA’s bonding capacity for that given year and applicants should consider phasing their project for additional allocation.

All projects must be reviewed and determined to be consistent with City/ HRA plans, Saint Paul Comprehensive Plan, or Small Area Plans. All projects must comply with cost containment thresholds established by the HRA. Projects with unique urban redevelopment conditions may request a cost containment adjustment, subject to HRA approval.

Applications stating request for consideration to obtain tax-exempt revenue bonds will be accepted on a “rolling basis” and projects will be prioritized on the basis of their total score plus an evaluation of whether the project is on City/Saint Paul HRA-owned land, readiness of the project to proceed, amount and term of bond allocation requested, cost-containment compliance, and overall feasibility of the project for purposes of receiving an allocation of private activity volume cap for the issuance of tax-exempt housing revenue bonds by the Saint Paul HRA.

Two or more projects are deemed to be substantially equivalent, the Saint Paul HRA may select the project that is located downtown Saint Paul and is the subject of an office space to housing conversion.

1. A. INCREASE SUPPLY FOR THOSE WITH THE LOWEST INCOMES - PERCENTAGE OF HOUSING UNITS SERVING HOUSEHOLDS AT OR BELOW 30% AREA

The project demonstrates that it will help increase the supply of units serving households at or below 30% Area Median Income.

- a. At least 20% (10 points)
- b. 10% to 19.9% (6 points)

2. PERCENTAGE OF HOUSING UNITS SERVING HOUSEHOLDS AT OR BELOW 50% AREA MEDIAN INCOME.

- a. 50% - 59.9% of units (1 point)
- b. 60% - 74.9% of units (3 points)
- c. 75% - 100% of units (6 points)

3. HOMELESSNESS

Up to 15 points will be awarded to new construction or substantial renovation projects that provide affordable housing with supportive services for occupancy by 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 (5 points)
 - b. 10-19 homeless units (10 points)
 - c. 20 homeless units or more (15 points)

*Note: Households experiencing homelessness shall be defined as homeless individuals, homeless Veterans, homeless families or unaccompanied youth living in a shelter, on the streets, or 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 Coordinated Entry system. Projects serving unaccompanied youth at risk of homelessness are exempt from the Coordinated Entry requirement.

4. 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 or conversions.

- 1. **New Construction or Downtown Office to Housing Conversion:** Points will be awarded to affordable housing projects that are new construction or downtown office to housing conversions located
 - a. Outside of a QCT (5 Points)
- 2. **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 (5 points)

5. HISTORIC BUILDING

One point (1) will be awarded to projects that are completing a certified rehabilitation that conforms with the Secretary of Interior's Standards for Rehabilitation of a certified historic property and is listed, either individually or as part of a district, on the National or State Historic Register; or the State Historic Preservation Office expects to be listed on the National or State Historic Register. (1 point)

6. PROJECT-BASED SECTION 8

Up to five (5) points will be awarded to projects that are a Substantial Rehabilitation project that preserves existing project-based Section 8 assistance.

- a. At least 1 unit- 25% of units are PBA Section 8 (1 point)
- b. 25.1% - 50% of units are PBA Section 8 (3 points)
- c. 50.1% - 100% of units are PBA Section 8 (5 points)

C.HEALTHY COMMUNITIES, WEALTH AND COMMUNITY BUILDING

The project demonstrates practices directed toward the enhancement of community well-being and the financial health and wealth of residents.

1. ENHANCED SERVICES, PROGRAMMING AND AMENITIES

Up to 7 points awarded to projects that provide new or enhanced resident services. Receipt of points are contingent upon an agreement with established local organizations to provide such services to residents and evidence demonstrating:

- a. After-school programming and/or ECFE (1 point)
- b. Child Care (1 point)
- c. Info and Referral Services (1 point)
- d. Playground Equipment (1 point)
- e. Community Center or Community Room (1 point)
- f. Financial capability programming* i.e., financial literacy, financial counseling and coaching, debt counseling or management planning, tax preparation, and access to safe and affordable financial products through partnership with local organizations such as Neighborhood Development Alliance (NeDA), Lutheran Social Services Credit Building Loan, Neighborworks Home Partners, Model Cities Financial Literacy Program, Prepare + Prosper FAIR Initiative and financial inclusion, among others. (1 point)
- g. Homeownership readiness* i.e. matches savings accounts for down payments [and/or] pre-purchase homeownership counseling or coaching through a HUD-approved counseling agency, a member of the Minnesota Homeownership Center's Homeownership Advisors Network, or a Minnesota Housing Finance Agency Homeownership Capacity provider. (1 point)
- h. Language translation services (1 point)
- i. Other (please describe) (1 point)

*At least two of these services (within the paragraph) must be included to claim more than one point.

2.FUTURE TENANT OWNERSHIP

Five (5) points will be awarded to projects that agree to offer 100% of the HTC units for sale to tenants at the end of the initial 15-year compliance period. To qualify for the points, the owner must provide a detailed tenant ownership plan that complies with Code Section 42 and is acceptable to PED. The plan must describe the terms of the right of first refusal given to tenants, including the means of exercising the right of first refusal, the determination of the sale price for each unit, and any continuing use or deed restrictions that will be imposed on the units by the seller following any such transfer. Elderly projects and/or projects utilizing project-based rental assistance are not eligible for these points. Applicants claiming points in this category should review Minnesota Housing Finance Agency's Eventual Tenant

Ownership Guide for best practices.
(points)

(5)

3. NON-PROFIT STATUS

A tax exempt 501(c)(3) or 501(c)(4) non-profit organization, whose primary service area is the cities of Minneapolis and/or Saint Paul, is a material participant of the project (i.e. project sponsor and participation as a general partner).

These points awarded because the Saint Paul HRA has an assumption that such organizations have a mission that results in perpetual affordability of the units. These points will not be awarded if the tax exempt 501(c)(3) or 501(c)(4) non-profit organization has been a project sponsor or general partner of a project that had units convert to market rate without the consent of the Saint Paul HRA in the past (3) years.

Must have IRS 501(c)(3), or (4) approval from the IRS at the time of application and meet all requirements of Section (42(h)(5)(c) of the Code. (2 points)

4. NON-SMOKING POLICY

The project will institute and maintain a written policy prohibiting smoking in all units and all common areas within the building(s) of the project. The written policy, submitted after selection during the due diligence process, must include procedures regarding transitioning to smoke free for existing residents and establishment of smoking areas outside of units and common areas, if applicable. Consequences for violating the smoke free policy are determined by the owner but must be included in the written policy. The project must include a non-smoking clause in the lease for every household. Projects awarded a point in this scoring criteria may be required to maintain the smoke free policy for the term of the LURA. (1 point)

D. FAIR ACCESS TO HOUSING

Project must protect all individuals seeking housing, prohibit discriminatory practices, and promote equity.

1. LARGER-SIZED FAMILY HOUSING

Up to 15 points will be awarded to projects that promote family housing that is not restricted to persons 55 years old or older for the Extended Use Period.

- a. At least 15% of the units have 3 bedrooms or more (6 points)
- b. At least 25% of the units have 3 bedrooms or more (15 points)

2. SENIOR HOUSING

Five (5) points will be awarded to projects that meet HTC threshold number 1 and serve only residents 55 years old or older. (5 points)

3. EQUITY AND CULTURAL INTEGRATION

To receive Equitable Development points (10 points), there must be evidence that the project attempts to address the needs of a Community Most Impacted (CMI) by housing disparities and that a Qualified Stakeholder Group (QSG), with meaningful participation from that community, has a significant role in the project proposal as defined below. Occupancy restrictions or services provided as a result of the selection criteria are excluded. Applicants must complete the Minnesota Housing Equitable Development Narrative and submit documentation demonstrating how the initiative meets the requirements outlined below. Submission must include all referenced data, reports and information.

To be eligible for Equitable Development, submit documentation that meets all (a-d) of the following conditions:

1. Threshold Criteria

- a. Housing Disparity Addressed by the project
 - i. Identify which CMI(s) is/are this project proposal focused on serving. If the project is focused on serving multiple populations, select the CMI(s) participating in the QSG that has a significant role in the proposal.
 1. Lowest income (e.g. $\leq 30\%$ of area median income (AMI))
 2. People of Color
 3. Indigenous People
 4. LGBTQ+ People
 5. People Experiencing Homelessness
 6. People with Disabilities
 7. Immigrants
 8. Large Families
 9. Seniors
 10. Families with children
- b. Meaningful participation of CMI: A QSG must have meaningful participation of the CMI that is the focus of the project proposal as documented in the narrative
 - i. Describe the QSG's mission, and purpose in elevating the voices of the identified CMI
 - ii. Identify and describe what leadership and/or advisory roles people belonging to the identified CMI have in the QSG, including one or more of the following:
 1. A paid leadership position; list position
 2. A member of the board
 3. A paid staff position
 4. A member role, such as serving on an advisory committee
 5. Other meaningful role, such as volunteer (describe)
 - iii. Provide a list of the QSG's previous activities related to the identified CMI and community development. If there have been no previous activities, describe who formed the QSG and why.
- c. Meaningful engagement with the identified CMI through the QSG: The development team must provide evidence that the QSG and specifically the CMI participants have been meaningfully engaged in the project concept by conducting, at minimum, two meetings with the group prior to submission of the current application. Documentation must be provided to evidence engagement and may include meeting minutes, notes, survey results, etc.

Note: any in-process engagement with the QSG must include a detailed timeline for work done to-date, next steps, and future completion.

- d. Significant involvement of the QSG: the developer partnered with the QSG and the identified CMI to develop the project proposal. Identify and submit a narrative explaining how the QSG was involved in the development, the specific input they provided, and how the project addresses or responds to that input. These must be in addition to the mandatory minimum requirements of the QAP, and in addition to the minimum requirements for which points are taken in other selection criteria. Applicants may select more than one of the following:
 - i. Design
 - ii. Services
 - iii. Community Benefits: an agreement between the developer and local community to provide a benefit as identified by CMI in the local community. (i.e. projects that support paying a competitive wage, employing union workers and/or individuals from the neighborhood, or participating in a Worker-Driven Social Responsibility compliance and monitoring system, community services, training, shared green space, etc.).
 - iv. Other (describe in the narrative)
- e. Provide a signed letter from QSG. The letter must be signed by group participants who are willing to sign the document. The letter must address each of the following questions:
 - i. How has the developer engaged with the QSG and the identified CMI to create a project responsive to the vision of the group and needs of the CMI?
 - ii. How will this project help in fulfilling a need in your community?
 - iii. How often did the QSG meet with the developer and what were those meetings like?
 - iv. How has the project changed in response to the input from the QSG?
 - v. If the development is selected, what are your expectations for the QSG's continued involvement in the project?

4.TENANT SELECTION PLAN

Project that has a rental deposit that does not exceed more than one month's rent. (1 point)

Up to three (3 points) will be awarded to applicants who submit a plan to protect tenants and remove barriers that exclude or limit housing access for tenants because of their rental of criminal background. A written policy must be provided.

- a. Rental History: Projects will not deny rental applications based solely on previous rental history. (1 point)
- b. Just cause eviction: property management has a history of supporting evictions solely based on "just cause". The City has a full list of qualifying reasons for just cause here: Rules and Processes (2023) | Saint Paul Minnesota (stpaul.gov) (1 point)
- c. Background: Property management has a history and a policy that does not restrict access to housing based on criminal background. (1 point)

E. CATALYTIC DEVELOPMENT SITES

1. DOWNTOWN OFFICE TO HOUSING CONVERSION

Demonstration that the project attracts and increases private and other public investments in the area and will activate the downtown core. (15 points)

2. SAINT PAUL HRA LAND AND DEBT OBLIGATION

Demonstration that the project attracts and increases private and other public investments in the area.

- a. The project, new construction, adaptive reuse, or preservation is located on Saint Paul HRA-owned land. (5 points)
- b. The project has a HRA/City debt obligation. (5 points)

F. INNOVATIVE APPROACH AND FINANCIAL CONSIDERATIONS

Demonstration that the project is innovative, minimizes the level of public funding and is cost efficient.

1.FINANCING COMMITTED

Up to fifteen (15) points will be awarded to projects that require no gap financing or have secured funding commitments from more than one funding source other than the Saint Paul HRA sources at the time of application. 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.

Gap financing includes any source of funding other than the first mortgage bond financing and tax credit equity. Applicant must provide supporting materials for committed sources such as commitment letters, letters of intention, resolutions, or other relevant documentation.

Applicants may include anticipated utility or sales tax rebates 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.

- a. No gap financing or 15.1% or more of funding committed (15 points)
- b. 10.1-15% of funding committed (7 points)
- c. 5% -10% of funding committed (3 points)

2.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.

- a. 15% or below (4 points)
- b. 15.1 - 20% (3 points)
- c. 20.1-25% (2 points)
- d. 25.1-30% (1 points)
- e. 30.1% and higher (0 points)

G. LONG TERM AFFORDABILITY

By applying for the 9% HTC, 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 beginning with the first day of the compliance period in which the building is a part of a qualified low income housing project. The owner agrees to extend the long-term affordability of the project by agreeing to extend the term of the LURA beyond 30 years by choosing an option below.

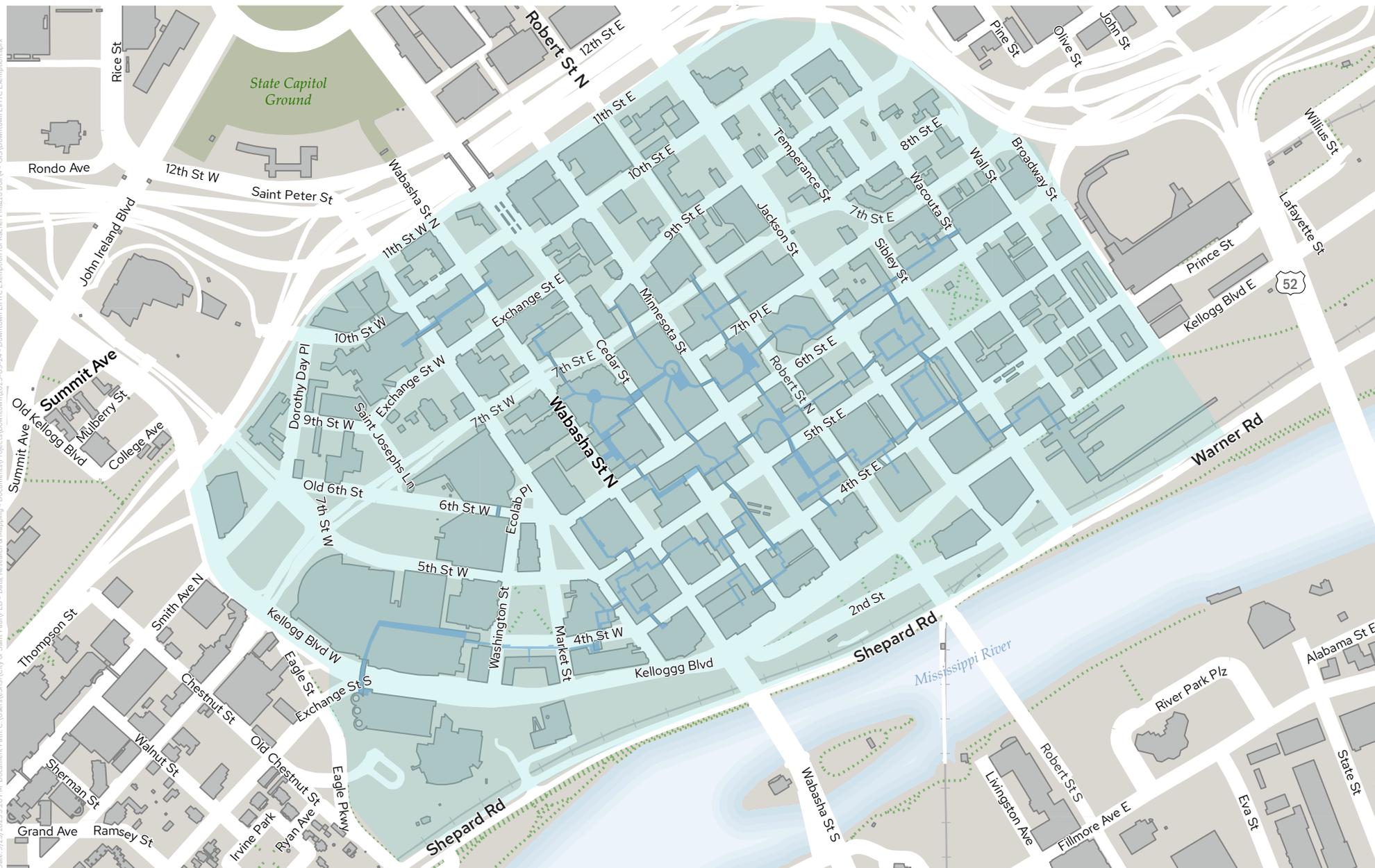
- a. The owner agrees to extend the long-term affordability of the project and maintain the duration of low-income use for a minimum of 40 years. (15 points)
- b. The owner agrees to extend the long-term affordability of the project and maintain the duration of low-income use for a minimum of 50 years. (20 points)

H. UNACCEPTABLE PRACTICES

HRA will impose penalty points for unacceptable practices as identified in Section III E of the Low-Income Housing Tax Credit Procedural Manual

Downtown Properties

Wednesday, September 24, 2025

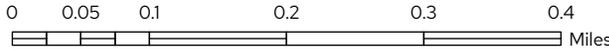


Date: 9/25/2025 2:03 PM Document Path: C:\Users\jeb@stpa.gov\Documents\Projects\Downtown\2025-09-24 - Downtown LIRTC Exemption for Rachel Finazzo Day\4 - GIS\Downtown LIRTC Exemption.aprx

Data: 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





October 29, 2025

Dear City of Saint Paul's Housing and Redevelopment Authority (HRA):

On behalf of the North Central States Regional Council of Carpenters (NCSRCC), I am writing to express our strong support for the City of Saint Paul's resolution endorsing amendments to the Saint Paul Housing Finance Board's 2026–2027 Qualified Allocation Plan (QAP) for Low-Income Housing Tax Credits (LIHTC).

The Carpenters represent thousands of highly skilled pile drivers, carpenters, floor coverers, and millwrights who are deeply committed to building a stronger, more equitable housing system across the Twin Cities region. The proposed amendments to the QAP reflect critical policy advancements that will strengthen access to affordable housing, promote responsible labor standards, and ensure that future development generates lasting value for residents and workers alike.

It has become an expectation for cities looking to spur development, especially in the space of affordable housing, to provide taxpayer support to attract those new investments. Saint Paul has a unique opportunity, amidst a property tax crisis in their city, to support solutions that ensure lasting success. Leveraging the increase in LIHTC funds and private funding will strengthen the city's tax base without passing the costs on to already burdened residents. With available LIHTC resources effectively doubling, Saint Paul has a time-sensitive opportunity to maximize these federal investments. Without a willingness to look at creative solutions, the city risks losing out on transformative projects that could deliver both housing stability and high-quality union jobs for its residents.

The NCSRCC strongly supports a collaborative approach that aligns public resources, labor standards, and community priorities. The proposed QAP amendments represent sound public policy that can meaningfully improve housing affordability while fostering good-paying, skilled construction careers. Taking action at a time when our partnering developers have projected a decline in work hours for 2026, with no expectation of building at a more desirable pace, is what is needed to make downtown thrive. Creating a busy, vibrant downtown will have a compounding impact throughout the surrounding Wards in the city.

We respectfully urge adoption of the resolution endorsing these amendments and affirm our readiness to partner with the City of Saint Paul, the HRA and the Minneapolis/Saint Paul Housing Finance Board to ensure that these vital housing investments are brought to fruition.

Thank you for your continued leadership and for prioritizing policies that strengthen both the housing supply and working families.

Sincerely,

Richard Kolodziejcki
Director of Government Affairs, North Central States Regional Council of Carpenters



October 29, 2025

Chair Cheniqua Johnson
Commissioner Anika Bowie
Commissioner Rebecca Noecker
Commissioner Saura Jost

Commissioner Molly Coleman
Commissioner Hwa Jeong Kim
Commissioner Nelsie Yang

Re: SR 25-227 — Proposed Amendments to the 2026–2027 Qualified Allocation Plan

Dear Chair Johnson and HRA Commissioners,

On behalf of the Saint Paul Downtown Alliance, I write to express our strong support for the proposed amendments to the 2026–2027 Qualified Allocation Plan (QAP). This update would allow Saint Paul to leverage newly expanded federal Low-Income Housing Tax Credits to create more affordable housing and advance downtown office-to-residential conversions – without relying on additional local tax tools such as TIF.

Downtown Saint Paul is at a pivotal moment. Like many urban centers nationwide, we are navigating the long-term effects of hybrid work and evolving office demand. At the same time, we have an unprecedented opportunity to reimagine downtown as a vibrant, mixed-use district that serves more residents, supports local businesses, and contributes to the city’s overall fiscal health. The proposed QAP amendments provide a practical and fiscally disciplined way to accelerate that transition by drawing private investment into adaptive reuse projects that restore energy and activity to the city’s core.

Importantly, this proposal aligns squarely with the Downtown Investment Strategy, which calls for catalytic housing development and office-to-residential conversions as key pathways to long-term economic resilience. By prioritizing these conversions through the QAP scoring process, Saint Paul will advance one of the Strategy’s most immediate and achievable goals: creating more downtown housing at a range of price points while strengthening the foundation for sustained growth.

The Downtown Alliance has long championed this direction, working alongside our partners to attract residents, encourage ground-floor activation, and support a thriving ecosystem of employers, arts organizations, and small businesses. In the past two years, we’ve seen more than 350 new housing units come online through projects like Landmark Towers and The Stella, reflecting clear demand for urban living. The proposed QAP amendments build on this momentum, offering a new, cost-effective tool to deliver more housing without additional burden on Saint Paul taxpayers.

We appreciate the City’s leadership in advancing this forward-thinking proposal and urge your support for SR 25-227. I also look forward to testifying in person at next week’s hearing to share more about the importance of this step in realizing the shared vision of a stronger, more connected downtown Saint Paul.

Sincerely,

A handwritten signature in blue ink that reads "Joe Spencer".

Joe Spencer
President, Saint Paul Downtown Alliance

October 22, 2025

Chair Cheniqua Johnson
Commissioner Anika Bowie
Commissioner Rebecca Noecker
Commissioner Saura Jost

Commissioner Molly Coleman
Commissioner Hwa Jeong Kim
Commissioner Nelsie Yang

Re: SR 25-227, Proposed Amendments to 2026-2027 Qualified Allocation Plan

Dear Chair Johnson and HRA Commissioners,

On behalf of the St. Paul Area Chamber and our 1,600+ members and affiliates, I write to express support for the proposed amendments to the 2026-2027 Qualified Allocation Plan. These amendments would allow the City of Saint Paul to use new federal housing credits to create more affordable housing, advance a downtown office-to-residential conversion, and do so without drawing on additional local tax resources such as tax-increment financing (TIF).

Saint Paul is facing a property tax crisis that is placing increased strain on the city's growth and vitality. Solutions that ease the burden on property taxpayers while sustaining housing and economic development are essential for the city's long-term success. The proposed amendments present a practical solution to attract private investment, support housing creation, and strengthen the city's tax base without placing added pressure on single-family homeowners.

The Chamber has consistently supported tools that make office-to-residential conversions financially feasible, including advocacy for the Catalyzing Underutilized Buildings (CUB) Tax Credit at the Legislature. The city's \$1 million allocation last year and the proposed \$5 million this year reinforce ongoing efforts to bring new life to underutilized properties. Adopting these amendments would provide another tool to advance that progress.

Conversions are already taking shape in downtown Saint Paul. Landmark Towers recently reopened as 187 apartments, and The Stella is expected to add 178 units along with new commercial space. While some past conversions have relied on TIF funding, the proposed Qualified Allocation Plan amendments would provide a more



sustainable property tax approach to support similar projects, expand affordable housing, and advance downtown revitalization.

We encourage your support for these amendments and stand ready to assist in efforts that make downtown Saint Paul a more vibrant place to live, work, and play.

Thank you for your time and consideration. Please do not hesitate to reach out if you have any questions or need further information.

Sincerely,



B Kyle
President and CEO
St. Paul Area Chamber



The Alliance

ADVANCING REGIONAL EQUITY



The Alliance Comments to SR 25-227 Amendments to QAP

The Alliance for Metropolitan Stability submits these comments to the St Paul Housing and Redevelopment Authority (HRA) regarding the proposed amendments to the 2026-2027 Qualified Action Plan (QAP) for Low-Income Housing Tax Credits (LIHTC).

The Alliance is a coalition of community-based organizations and advocacy groups with a mission to build power across the intersections of geography, race, culture, and issues in the Twin Cities region to eliminate systems of oppression and advance our collective liberation. We oppose the proposed changes to of Qualified Contract Process for LIHTC providers to be able to opt out of the affordability requirement after 15 years. The proposed changes would reduce the years of affordability required under the Qualified Contract Process from 30 years to 15 years.

We strongly believe this is the wrong action to take to encourage the development of more affordable housing. 30 years of affordability is vital for communities to be able to set their roots, as many folks raise their children from birth to 18 years old in their homes. 30 years of affordability provides that stability for families. 15 years of affordability doesn't cover the years a child needs to age in place to continue attending the same schools and district. We strongly believe that 30 years of affordability is vital for working families to stay stable and housed for prolonged periods of time. We shouldn't be discussing how we can incentivize more housing development by reducing accountability for developments that use public funds like LIHTC.

Public-funded projects must provide the most consistent and dedicated levels of affordability and habitability. We must be able to use these tools to ensure that public funds are being used to actually provide affordable housing to folks for a dedicated amount of time. Reducing the years of affordability for LIHTC properties from 30 to 15 years is regressive. It does not benefit the tenants who will live in these properties, and only serves to water down the already existing protections LIHTC residents have. If St. Paul were to reduce these commitments to affordability, we could potentially see the end of 30 years of affordability across the metro, as other cities could follow suit. This would be catastrophic for the region and the already struggling communities that live in and hope to live in a LIHTC property.

Minnesota is one of 39 other states that require LIHTC providers to waive the Qualified Contract Process. We believe it is essential to maintain consistency in this position and continue to prioritize the needs of renters who make our communities thrive. We must preserve 30 years of affordability and should not be entertaining a regression of affordability. Thank you for your consideration of these comments. Please, if you have any questions, reach out to Juanluis@thealliancetc.org

Best,

Juan Luis Rivera-Reyes - Housing Coalition Organizer at the Alliance for Metropolitan Stability



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Office Fax: 612.728.5761
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October 22, 2025

TO: City of St. Paul Housing and Redevelopment Authority

RE: SR 25-227: Resolution Endorsing Amendments to the Minneapolis/Saint Paul Housing Finance Board's 2026-2027 Qualified Allocation Plan; Citywide.

HOME Line would like to take this opportunity to comment on SR 25-227, a resolution to back out of a commitment to provide affordable rental homes in downtown St. Paul for a 30-year period, as intended through the Low-Income Housing Tax Credit (LIHTC). **HOME Line strongly opposes this resolution and urges the St. Paul HRA to vote against it.**

HOME Line is a Minnesota nonprofit tenant advocacy organization that provides free and low-cost legal, organizing, education, and advocacy services so tenants can solve their own rental housing problems. HOME Line's free and confidential tenant hotline has served the city of St. Paul since 2006. Prior to that, HOME Line provided tenant organizing support to renters facing building-wide struggles and engaged in policy advocacy around local rental licensing and tenant protections at the city, state, and federal levels.

Our staff advises St. Paul renters every day—in 2024 we provided free and confidential legal advice to 2,761 St. Paul renter households—the vast majority of which identified as low-income (91%), female (67%), and from communities of color (60% BIPOC). We advise on any rental topic, regardless of income level—and we have direct Spanish-, Somali-, and Hmong-speaking hotlines for communities to secure information about their renter rights in their own language.

HOME Line is concerned that this proposal will follow the route taken with other Saint Paul tenant protection policies, such as the repeal of S.A.F.E. and further restricting rent stabilization protections. This proposal, if enacted, would jeopardize the long-term needs and further burden Saint Paul renters who need stability.

The Metro Area has an acute need to protect its affordable housing. According to the Minnesota Housing Partnership's report "State of the State's Housing, 2024," the Twin Cities region has the largest shortage of affordable and available rental units for extremely low-income households; low-income renter households in the region need an additional 64,890 units." Furthermore, "the Metro region has the highest share of

low-income cost-burdened renters in the state, at 86%.” The last thing we need to do is take measures that will reduce the number of units available for low-income households. Public investment in housing should always strive for the longest period of regulated housing affordability.

As the nation’s largest affordable housing program and the largest source of federal assistance for developing affordable rental housing, the Low-Income Housing Tax Credit, should be used to both address the shortage mentioned above and reduce the number of low-income households who are cost burdened to the fullest extent possible.

Regrettably, SR 25-227 goes in the opposite direction via a loophole in the program. Through what is known as a Qualified Contract process, LIHTC owners can request to terminate the 30-year affordability restrictions after 15 years. As a result, an important affordable housing resource is lost, and more importantly, households are displaced from their homes. Reducing the timeline of availability for affordable housing will harm our clients and broadly, all communities in Saint Paul.

To be clear, HOME Line opposes SR 25-227. We ask that the St. Paul HRA vote down the proposal.

We appreciate your consideration.

Sincerely,
Michael Dahl
Public Policy Director



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October 22, 2025

Submitted via Email

City of Saint Paul Housing and Redevelopment Authority

Comments Regarding SR 25-227: Resolution Endorsing Amendments to the Minneapolis/Saint Paul Housing Finance Board's 2026-2027 Qualified Allocation Plan; Citywide

The Housing Justice Center submits these comments to the St. Paul Housing and Redevelopment Authority (HRA) as it considers the forthcoming staff presentation on proposed amendments to the 2026-2027 Qualified Allocation Plan (QAP) for Low-Income Housing Tax Credits (LIHTC).

The proposed amendment to the QAP would give priority to properties in an area of downtown Saint Paul and allow those properties to utilize the Qualified Contract process. The Housing Justice Center urges the HRA not to allow use of the Qualified Contract process in those properties. The Qualified Contract process allows LIHTC owners to effectively seek to opt out of the affordability requirements after 15 years, rather than provide the full 30 years of affordability. For the reasons set out below, the Housing Justice Center opposes this proposal and encourages the HRA to maintain the existing QAP requirement that all LIHTC properties waive their ability to use the Qualified Contract Process to ensure that properties remain affordable for at least 30 years.

The Qualified Contract Process Leads to Reduced Affordability

The Qualified Contract process allows LIHTC owners to seek to be relieved from the LIHTC affordability restrictions after the 15-year initial compliance period, rather than maintain affordability for a full 30 years. See 26 U.S.C.A. § 42(h)(6)(E)(i)(II).

The Qualified Contract process has become widely disfavored across the country as it has resulted in a significant loss of affordable housing units. Studies estimate that the Qualified Contract process “results in the loss of affordability of between six thousand to ten thousand low-income units annually” and approximately “115,000 units have been lost from the affordable housing stock through the use of qualified contracts over time.”¹

The current St. Paul and Minneapolis QAP requires all LIHTC owners to waive the Qualified Contract process, which is consistent with a majority of the states and localities in the United States. As shown in the National Housing Trust (NHT) map below, a 2023 analysis found that 39 Housing Finance Agencies require an owner receiving LIHTC to waive the Qualified Contract process and nine (9) more allocating agencies incentivize a waiver.

¹ U.S. Department of the Treasury, Housing Crisis in Focus: LIHTC Best Practices to Discourage Qualified Contracts and Keep Housing Affordable for Longer (Dec. 12, 2024), available at <https://home.treasury.gov/news/featured-stories/housing-crisis-in-focus-lihtc-best-practices-to-discourage-qualified-contracts-and-keep-housing-affordable-for-longer>.



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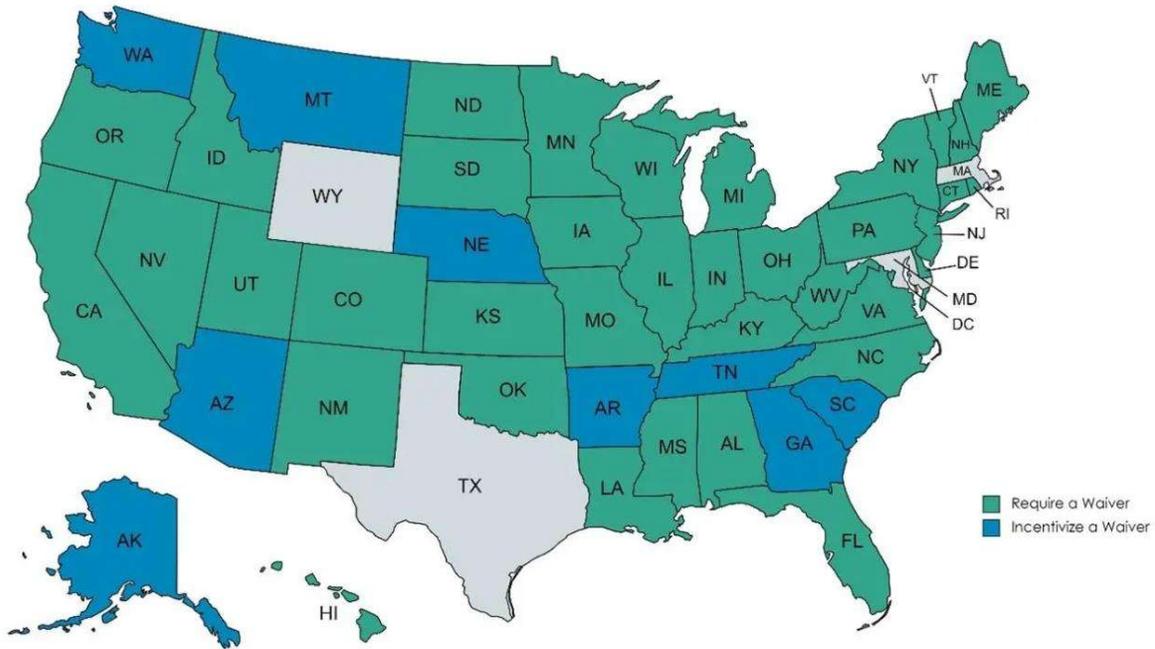


Figure 1: States that Require or Incentivize a Qualified Contract Waiver (as of May 2023)

Source: National Housing Trust, *Protecting Long-Term Affordability by Closing the Qualified Contract Loophole* (July 2023), available at <https://nationalhousingtrust.org/news/protecting-long-term-affordability-closing-qualified-contract-loophole>.

Saint Paul Needs More – Not Less – Affordable Housing Units for Residents

The City of Saint Paul and the Twin Cities Metropolitan region need more affordable housing to meet the needs of Minnesotans. According to the Minnesota Housing Partnership, there are 332,554 cost-burdened renters in the Twin Cities Metro region, of whom 86% are low-income and 65% are seniors.² Minnesota is also facing significant uncertainty regarding the availability of various sources of federal funds to preserve and develop affordable housing. In light of the need and the risks to other federal resources, it is important that the HRA preserve available affordable housing resources and not voluntarily relinquish 15 years of affordability in LIHTC properties in downtown Saint Paul.

² Minnesota Housing Partnership, *State of the State’s Housing 2024*, at 28, available at https://mhponline.org/wp-content/uploads/FINAL_SOTS_2024.pdf.



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Prioritizing LIHTC Properties with Less Affordability may Violate Federal Law

In addition, it is questionable whether Saint Paul can legally enact a change to the LIHTC QAP that prioritizes properties with lessened affordability. Federal law requires that LIHTC QAPs give preference to “projects obligated to serve qualified tenants for the longest periods.” 26 U.S.C. 42(m)(1)(B)(ii)(II).

Saint Paul’s proposed approach is to prioritize properties in the downtown Saint Paul area, while also lessening affordability requirements for those properties. Given the preference requirements in federal law, it is questionable whether Saint Paul’s proposal is legally allowable. If the Saint Paul HRA proceeds down this path, the Housing Justice Center will evaluate whether further legal action may be appropriate.

Housing Justice Center Rejects the Proposal

With this context in mind, Housing Justice Center strongly rejects the proposal to allow developers to be released from affordability requirements after 15 years, rather than 30 years. Maintaining the affordability of housing for extended periods of time is crucial to creating generational housing stability. 15 years does not even cover the length of time a child usually stays in the home, and abruptly cutting off the affordability of a unit a family has been residing in for years can cause severe disruption to a child’s education and sense of community. These protections are particularly important in desirable areas such as downtown St. Paul, which has access to several modes of public transit and a variety of employment opportunities.

Housing Justice Center is further concerned that while the proposed changes would be limited to downtown St. Paul, this could spell the end of 30-year affordability requirements across the metro area. At a time when families are more cost burdened than ever, and homeownership remains out of reach for even most middle-class families, the availability of affordable rental units is of paramount importance. Accordingly, we urge the HRA to reject the slippery slope that this proposed amendment creates.

If you have questions regarding this submission, we can be reached at scarthenwatson@hjcmmn.org and asmetak@hjcmmn.org.

Sincerely,
Sarah Carthen Watson
Senior Housing Justice Litigator

Anne M. Smetak
Director and Senior Counsel for Housing Systems Response





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November 4, 2025

Submitted via Email

City of Saint Paul Housing and Redevelopment Authority

Comments Regarding 25-1706: Resolution Endorsing Amendments to the Minneapolis/Saint Paul Housing Finance Board's 2026-2027 Qualified Allocation Plan; Citywide

The Housing Justice Center submits these comments to the St. Paul Housing and Redevelopment Authority (HRA) as it considers amendments to the 2026-2027 Qualified Allocation Plan (QAP) for Low-Income Housing Tax Credits (LIHTC).

The proposed amendments to the QAP and related documents would give priority to properties in an area of downtown Saint Paul and allow those properties to utilize the Qualified Contract loophole. The Housing Justice Center urges the HRA not to allow use of the Qualified Contract loophole in those properties. The Qualified Contract loophole allows LIHTC owners to effectively seek to opt out of the affordability requirements after 15 years, rather than provide the full 30 years of affordability. For the reasons set out below, the Housing Justice Center opposes this proposal and encourages the HRA to maintain the existing QAP requirement that all LIHTC properties waive their ability to use the Qualified Contract Process to ensure that affordable units created with public resources remain affordable for at least 30 years.

The Qualified Contract Loophole Leads to Reduced Affordability

The Qualified Contract process is a loophole that allows LIHTC owners to seek to opt out from the LIHTC affordability restrictions after the 15-year initial compliance period, rather than maintain affordability for a full 30 years. See 26 U.S.C.A. § 42(h)(6)(E)(i)(II). St. Paul staff not only propose to re-open this loophole, but frame it in the meeting materials as an “opportunity to limit the affordability to only 15 years.”

The federal LIHTC program requires owners to agree to maintain properties as affordable for 30 years. 26 U.S.C.A. § 42(h)(6). The Qualified Contract process developed as a loophole to that requirement. The Qualified Contract process allows the LIHTC owner to ask the allocating agency to find a qualified purchaser for the property at year 14. If a qualified purchaser is located, that entity purchases the property and maintains it as affordable throughout the full 30-year period. The problem is that the required sales price is set by federal law and 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 preservation purchaser. Some LIHTC owners took advantage of this process and exploited the loophole as a way to get out from under the LIHTC 30-year affordability period and convert properties to market rate after year 15.





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The Qualified Contract loophole has become widely disfavored across the country as it has resulted in a significant loss of affordable housing units and displacement of tenants. Studies estimate that the Qualified Contract process “results in the loss of affordability of between six thousand to ten thousand low-income units annually” and approximately “115,000 units have been lost from the affordable housing stock through the use of qualified contracts over time.”¹

The current St. Paul and Minneapolis QAP requires all LIHTC owners to waive the Qualified Contract process, which is consistent with a majority of the states and localities in the United States. As shown in the National Housing Trust (NHT) map below, a 2023 analysis found that 39 Housing Finance Agencies require an owner receiving LIHTC to waive the Qualified Contract process and nine (9) more allocating agencies incentivize a waiver.

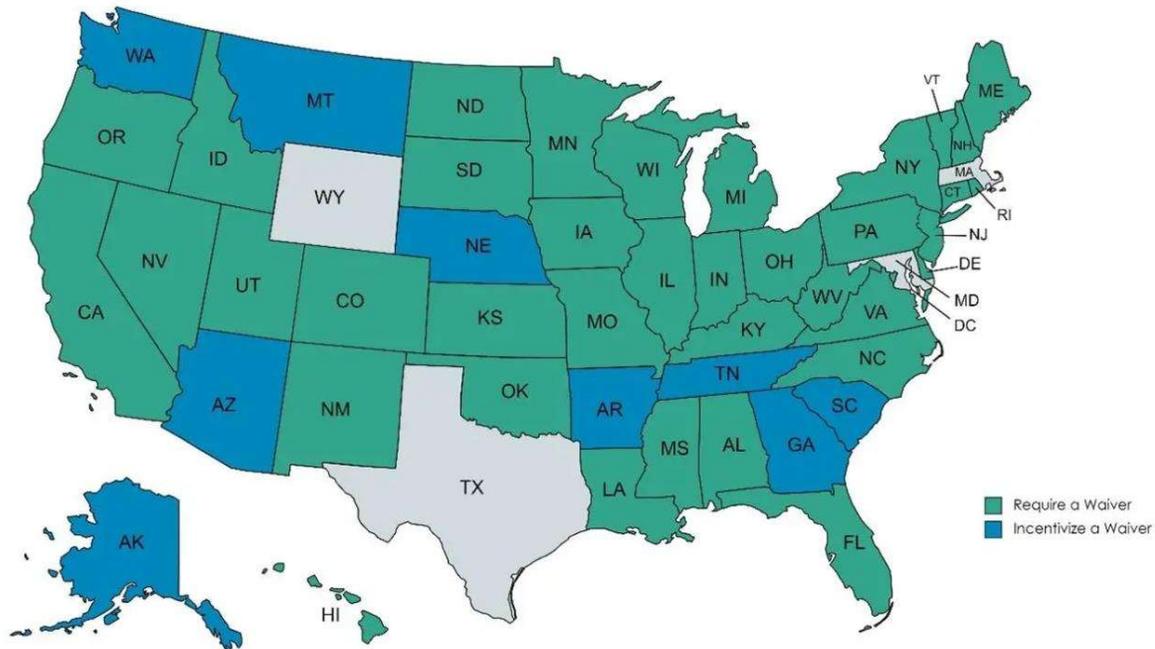


Figure 1: States that Require or Incentivize a Qualified Contract Waiver (as of May 2023)

Source: National Housing Trust, *Protecting Long-Term Affordability by Closing the Qualified Contract Loophole* (July 2023), available at <https://nationalhousingtrust.org/news/protecting-long-term-affordability-closing-qualified-contract-loophole>.

¹ U.S. Department of the Treasury, *Housing Crisis in Focus: LIHTC Best Practices to Discourage Qualified Contracts and Keep Housing Affordable for Longer* (Dec. 12, 2024), available at <https://home.treasury.gov/news/featured-stories/housing-crisis-in-focus-lihtc-best-practices-to-discourage-qualified-contracts-and-keep-housing-affordable-for-longer>.



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While HJC understands the interest in redeveloping downtown St. Paul, using this as an “opportunity” to limit the affordability requirements of a federal affordable housing program is a poor policy choice at a time when more affordable housing is needed.

Saint Paul Needs More – Not Less – Affordable Housing Units for Residents

The City of Saint Paul and the Twin Cities Metropolitan region need more affordable housing to meet the needs of Minnesotans. According to the Minnesota Housing Partnership, there are 332,554 cost-burdened renters in the Twin Cities Metro region, of whom 86% are low-income and 65% are seniors.² Minnesota is also facing significant uncertainty regarding the availability of various sources of federal funds to preserve and develop affordable housing. In light of the need and the risks to other federal resources, it is important that the HRA preserve available affordable housing resources and not voluntarily relinquish 15 years of affordability in LIHTC properties in downtown Saint Paul.

Office to Residential Conversions Are Expensive and a Poor Match for Affordable Housing Resources

The proposal is framed as a way to use 4% LIHTC and tax-exempt bonding authority to spur office to residential conversions in downtown St. Paul. But those types of conversions are exceptionally expensive, costing an average of \$685 per square foot, compared to \$600 a square foot to purchase a completed property and \$588 per square foot to build a new multifamily development.³

While there may be a municipal interest in spurring such redevelopment, doing so with public resources for affordable housing and then limiting the affordable housing provided with those resources, is poor public policy. St. Paul should look for alternate resources and incentives to use to encourage such redevelopment and focus affordable housing resources on the creation and maintenance of as many units of long-term affordable housing as possible.

QAP Language Must be Changed to Be Clear Qualified Contract Does Not Apply to 9% LIHTC Deals

If St. Paul approves this concept, the proposed language in the Qualified Allocation Plan **must** be changed to make clear that the Qualified Contract process cannot be used by 9% LIHTC developments.

The proposed new language to the QAP on Qualified Contract does not appear to be redlined in the HRA agenda materials available to the public, but the new language is located on the bottom of Page 6 at Article VII(F)(1). As HJC has pointed out to St. Paul staff, the language permitting use of the

² Minnesota Housing Partnership, State of the State’s Housing 2024, at 28, available at https://mhponline.org/wp-content/uploads/FINAL_SOTS_2024.pdf.

³ *Cities Cut Red Tape to Turn Unused Office Buildings into Housing*, MN Reformer (Dec. 3, 2024) available at <https://minnesotareformer.com/2024/12/03/cities-cut-red-tape-to-turn-unused-office-buildings-into-housing/>; *Can Empty Offices Solve the U.S. Housing Shortage?*, Morgan Stanley (Oct. 2, 2024), available at <https://www.morganstanley.com/ideas/commercial-residential-real-estate-conversion>.



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Qualified Contract process is not limited to only developments using 4% LIHTC. Language that allows a subset of 9% LIHTC developments to utilize a loophole to provide a shortened period of affordability likely runs afoul of requirements in federal law that LIHTC QAPs give preference to “projects obligated to serve qualified tenants for the longest periods.” 26 U.S.C. 42(m)(1)(B)(ii)(II).

HJC strongly opposes using the Qualified Contract loophole at all, but if St. Paul is determined to do so, it must modify the QAP language to be clear the loophole does not apply to 9% LIHTC developments. Failure to correct the language opens the door to litigation challenges.

Housing Justice Center Rejects the Proposal

With this context in mind, Housing Justice Center strongly rejects the proposal to allow developers to exploit the Qualified Contract loophole to be released from affordability requirements after 15 years, rather than 30 years. Maintaining the affordability of housing for extended periods of time is crucial to creating generational housing stability. 15 years does not even cover the length of time a child usually stays in the home, and abruptly cutting off the affordability of a unit a family has been residing in for years can cause severe disruption to a child’s education and sense of community. These protections are particularly important in desirable areas such as downtown St. Paul, which has access to several modes of public transit and a variety of employment opportunities.

Housing Justice Center is further concerned that while the proposed changes would be limited to downtown St. Paul, this could spell the end of 30-year affordability requirements across the metro area. At a time when families are more cost burdened than ever, and homeownership remains out of reach for even most middle-class families, the availability of affordable rental units is of paramount importance. Accordingly, we urge the HRA to reject the slippery slope that this proposed amendment creates.

If you have questions regarding this submission, we can be reached at scarthenwatson@hjcmmn.org and asmetak@hjcmmn.org.

Sincerely,
Sarah Carthen Watson
Senior Housing Justice Litigator

Anne M. Smetak
Director and Senior Counsel for Housing Systems Response



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



The Alliance Comments to SR 25-227 Amendments to QAP

The [Equity in Place](#) (EIP) Coalition submits these comments to the St Paul Housing and Redevelopment Authority (HRA) regarding the proposed amendments to the 2026-2027 Qualified Action Plan (QAP) for Low-Income Housing Tax Credits (LIHTC).

Equity in Place is a diverse group of strategic partners from organizations led by people of color and housing advocacy organizations that believe that everyone in the Twin Cities region deserves to live where they want to live and have access to opportunity. Our coalition has ensured that regional planners acknowledge the role of institutional racism in current and historical development decisions, that people of color have a seat at the table in important discussions about the future of our region, and that residents have an avenue to participate in discussions about the future of their communities. We oppose the proposed changes to the Qualified Contract Process for LIHTC providers to be able to opt out of the affordability requirement after 15 years. The proposed changes would reduce the years of affordability required under the Qualified Contract Process from 30 years to 15 years.

We strongly believe this is the wrong action to take to encourage the development of more affordable housing and urge the St. Paul HRA to not move forward with this approach. Especially in a time of reduced Federal support for the building and preservation of affordable housing, we need to use our already limited public resources wisely to maximize housing affordability for our communities. The city of St. Paul should be working to ensure that affordable housing investments provide greater depth and longer-term affordability, rather than attempting to shorten that commitment.

The trade-offs of effectively reducing the affordability requirements of housing developments from 30 to 15 years is not without consequence, for eventual tenants, families, community, and the City of St. Paul. 30 years of affordability is vital for communities to be able to set their roots, as many families raise their children from birth to 18 years old in their homes. 30 years of affordability provides a longer timeline for families who might access that housing. 15 years of affordability doesn't cover the years a child needs to age in place to continue attending the same schools and district. We have seen for-profit "affordable housing" developers, in particular, take advantage of shorter-term commitments to affordability around our region, building housing with levels of affordability that do not align with our communities' economic realities and needs, and then quickly doing away with affordability once those requirements are up. This leaves tenants and communities without safe, quality, affordable housing options, while the developers make major profits, subsidized by public dollars. We are

deeply concerned that the reduction in commitment to affordability would further incentivize this type of exploitative development.

Public-funded projects must provide the most consistent and dedicated levels of affordability and habitability. We must be able to use these tools to ensure that public funds are being used to actually provide affordable housing to folks for a dedicated amount of time. Reducing the years of affordability for LIHTC properties from 30 to 15 years is regressive. It does not benefit the tenants who will live in these properties, and only serves to water down the already existing protections LIHTC residents have. If St. Paul were to reduce these commitments to affordability, we could potentially see the end of 30 years of affordability across the metro, as other cities could follow suit. This would be catastrophic for the region and the already struggling communities that live in and hope to live in a LIHTC property.

Minnesota is one of 36 other states that require LIHTC providers to waive the Qualified Contract Process. We believe it is essential to maintain consistency in this position and continue to prioritize the needs of renters who make our communities thrive. We must preserve 30 years of affordability and should not be entertaining a regression of affordability. Thank you for your consideration of these comments. Please, if you have any questions, reach out to Juanluis@thealliancetc.org.

Best,

Juan Luis Rivera-Reyes - Housing Coalition Organizer at the Alliance for Metropolitan Stability

African Career Education Resource Inc. (ACER)
Alliance for Metropolitan Stability
Ain Dah Young Center
Center for Urban and Regional Affairs, University of Minnesota
Community Stabilization Project
COPAL
Harrison Neighborhood Association
HOME Line
Hope Community
Housing In Action
Housing Justice Center
Jewish Community Action
Minnesota Consortium of Community Developers
MN Step
Native American Community Development Center
New American Development Center
Powderhorn Park Neighborhood Association
Pueblos de Lucha y Esperanza
West side Community Organization

From: [Kelly Bauer](#)
To: [HRAHearing \(CI-StPaul\)](#)
Subject: Subject: Please Oppose QAP Amendment Reducing Affordability Period for Downtown LIHTC Properties
Date: Wednesday, November 5, 2025 8:36:13 AM

From: Walter Battle <wbattle@hjcmmn.org>

Sent: Tuesday, November 4, 2025 7:08 PM

To: #CI-StPaul_Ward7 <Ward7@ci.stpaul.mn.us>; #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>; #CI-StPaul_Ward4 <Ward4@ci.stpaul.mn.us>; #CI-StPaul_Ward3 <Ward3@ci.stpaul.mn.us>; #CI-StPaul_Ward5 <Ward5@ci.stpaul.mn.us>; #CI-StPaul_Ward2 <Ward2@ci.stpaul.mn.us>; #CI-StPaul_Ward6 <Ward6@ci.stpaul.mn.us>

Subject: Subject: Please Oppose QAP Amendment Reducing Affordability Period for Downtown LIHTC Properties

Some people who received this message don't often get email from wbattle@hjcmmn.org. [Learn why this is important](#)

Think Before You Click: This email originated **outside** our organization.

Dear Chair Cheniqua Johnson and Commissioners,

I am writing to respectfully urge you to **vote against the proposed amendment to the Qualified Allocation Plan (QAP)** that would allow the affordability period for certain downtown LIHTC properties to be reduced from 30 years to 15 years.

Preserving long-term affordability is critical to maintaining equitable housing opportunities in Saint Paul, especially in our downtown core where housing pressures and displacement risks are growing. This amendment sets a concerning precedent by opening the door to a *loophole* that undermines the intent of the Low-Income Housing Tax Credit (LIHTC) program and jeopardizes stable housing for future residents.

I respectfully urge you to:

- **Reject the proposed amendment** reducing affordability duration;
- **Reaffirm the City's commitment** to lasting affordability through LIHTC;
- **Ensure transparency and equity** in all future QAP revisions.

Thank you for your service and for your consideration of this urgent matter.

Sincerely,

Walter Battle

Board Chair

Housing Justice Center

651-797-8331

wbattle@hjcmn.org



City of Saint Paul

City Hall and Court House
15 West Kellogg
Boulevard
Phone: 651-266-8560

Master

File Number: RES 25-1709

File ID: RES 25-1709

Type: Resolution

Status: Agenda Ready

Version: 1

Contact Number: 266-6627

In Control: Housing & Redevelopment Authority

File Created: 10/27/2025

File Name: Authorization to Release the 4(d) Affordable Housing Incentive Program Covenant on 1048 Central Ave.W. Saint Paul

Final Action:

Title:

Authorization to Release the 4(d) Affordable Housing Incentive Program Covenant on 1048 Central Ave W, Saint Paul

Notes:

Sponsors: Bowie

Enactment Date:

Attachments: Board Report Removal of Covenant

Financials Included?:

Contact Name: Rachel Finazzo Doll

Hearing Date:

Entered by: thea.gaither@ci.stpaul.mn.us

Ord Effective Date:

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
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Text of Legislative File RES 25-1709

Authorization to Release the 4(d) Affordable Housing Incentive Program Covenant on 1048 Central Ave W, Saint Paul

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

REPORT TO THE COMMISSIONERS

DATE: November 5, 2025

**REGARDING: AUTHORIZATION TO RELEASE THE 4(D) AFFORDABLE HOUSING
INCENTIVE PROGRAM COVENANT ON 1048 CENTRAL AVE W, SAINT
PAUL**

Requested Board Action

Authorization to release the restrictive covenant from the 4(d) Affordable Housing Incentive Program (“4(d)”) on 1048 Central Ave West, Saint Paul.

Background

The Housing and Redevelopment Authority of the City of Saint Paul established the 4d Affordable Housing Incentive Program (the “4d Program”) in 2019 as a key tool to address the need to maintain and protect affordable housing in the City. The 4d Program aims to preserve the affordability of Saint Paul’s Naturally Occurring Affordable Housing (NOAH) stock by providing property owners with an avenue to attain “4d/LIRC” (“Low-income rental classification”) tax status.

The 4d Program offers Saint Paul NOAH property owners an avenue to receive the 4d/LIRC lower class tax rate that is used for large-scale subsidized multifamily development (e.g. Low Income Housing Tax Credit or LIHTC developments). To enroll, property owners must commit to preserving a minimum number of a building’s units for affordability to low-income households earning up to 50% or 60% of Area Median Income. Owners must sign a Declaration of Restrictive Covenants and commit to a ten-year rent and tenant income restriction tied to the units in order to receive the 4d/LIRC tax class rate which, to date, has meant up to a 40% reduction in their property tax obligation. Since the introduction of the program in 2019, the HRA has secured restrictions on 375 properties and over 3,000 units across 5 enrollment cycles.

Earlier this year, Minnesota lawmakers enacted legislation that made changes to the state's 4d policy, including a further reduction of the 4d/LIRC class tax rate. Previously, the class tax rate was 0.75% for the first market tier at \$100,000 per unit and any remaining value above that threshold was assessed at 0.25%. The amendment to Sec. 15. Minnesota Statutes 2022, section 273.128 states that, beginning with assessment year 2024, the 4d class tax rate will be 0.25% for the entire unit valuation. While the previous rate was 40% lower than the typical apartment rate of 1.25, the new class rate for 4d is 80% lower than the typical apartment rate, beginning with taxes payable in 2025.

1048 Central Ave W is a 1 unit, 4-bedroom property that enrolled in the 4d program in 2021, and restricted the income of the unit at 50%AMI. The 4d property is surrounded by properties owned by Saint Peter Claver Catholic Church, including their worship spaces and school. Xavier Properties (buyer) has entered a purchase agreement with Lang Lang Properties (seller). The buyer, affiliated with Saint Peter Claver, will be purchasing 1048 Central Ave W with the intention to convert the property into a suitable space to expand their educational facilities. Specifically, the property will be used to expand early childhood and middle school offerings and increase capacity to enroll an additional 60 families. There is currently a tenant in the property. The seller is committed to ensure this tenant is not displaced, and is interested in relocating the tenant to another suitable low-income or affordable housing unit that the seller owns.

In order for the sale to occur with clear title, the buyer is requesting the HRA release the restrictive covenant on the property placed by the HRA for the 4d program.

Budget Action

There is no budget action associated with this item.

Future Action

N/A

Public Purpose/Comprehensive Plan Conformance:

Not applicable.

Recommendation:

Staff recommend approval of the actions outlined in this report.

Sponsored by: Commissioner Anika Bowie

Staff: Rachel Finazzo Doll (651-266-6627)

Attachments



City of Saint Paul

City Hall and Court House
15 West Kellogg
Boulevard
Phone: 651-266-8560

Master

File Number: SR 25-222

File ID: SR 25-222

Type: Staff Report

Status: Agenda Ready

Version: 1

Contact Number: 266-6684

In Control: Housing & Redevelopment Authority

File Created: 10/13/2025

File Name: Introduction to Ramsey Hill Apartments, District 8, Ward 1

Final Action:

Title:

Notes:

Sponsors: Bowie

Enactment Date:

Attachments: Presentation Ramsey Hill CDBG Loan Extension 2025n

Financials Included?:

Contact Name: Danielle Sindelar

Hearing Date:

Entered by: thea.gaither@ci.stpaul.mn.us

Ord Effective Date:

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
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Text of Legislative File SR 25-222



STPAUL.GOV

Photo credit: Trellis / MLS

Ramsey Hill Apartments CDBG Loan Extension

Housing & Redevelopment Authority of the City of Saint Paul



Loan Extension Request for Ramsey Hill Apartments

- **Purpose: Maintain portfolio affordability while Trellis Co. (developer) works to secure financing for rehabilitation and recapitalization**
- **Current CDBG maturity date: 12/21/2025**
- **Requested CDBG extension: 12/15/2031**
 - Aligns maturity date for HRA loans
 - Other terms proposed same





Trellis Co.

- 34 years experience in affordable housing as a nonprofit developer, owner, & property manager
- Minneapolis based, majority of work in the metro
- Trellis Management Co. has managed Ramsey Hill since 1995. Trellis Co. acquired Ramsey Hill in 2014
- Additional housing developments in Saint Paul:
 - Visitation Place (Ward 1)
 - Dale Street Place (Ward 1)
 - Hanover Townhomes (Ward 1)
 - Selby Milton Victoria (Ward 1)
 - Treehouse (Ward 3)
 - Hamline Park (Ward 4)



Photo credit: Trellis / MLS



Ramsey Hill Apartments

- 54 affordable apartment homes in Cathedral Hill (Ward 1)
 - 200-600 blocks of Marshall & Dayton Avenues
 - Close public transit access: B Line BRT, 65 bus, 72 bus
 - Near Selby-Dale commercial hub
 - Affordable at 50-60% AMI
- Scattered site portfolio
 - 5 parcels, 6 walk-up buildings
- Amenities
 - Playground
 - Onsite laundry
 - Off-street parking
 - Storage lockers

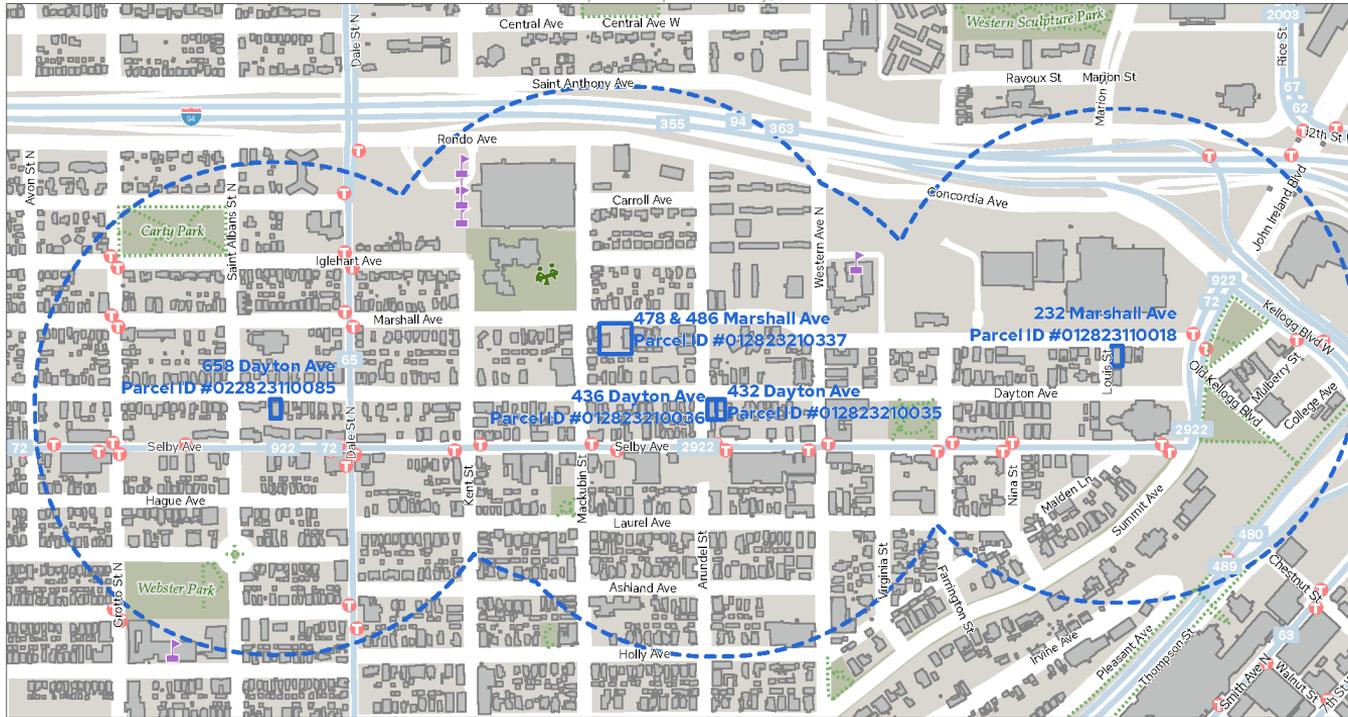


Photo credit: Danielle Sindelar

Type	Units	60% Rents
Studio	6	\$1,390
1-BR	36	\$1,490
2-BR	4	\$1,788
3-BR	8	\$2,065

Ramsey Hill Apartments

HRA Board Report Map • Tuesday, October 7, 2025



-  Subject Property
-  Quarter Mile Distance

-  Fire Stations
-  Library Locations
-  Police Stations
-  Recreation Facilities
-  Schools
-  Trails
-  Transit Routes
-  Transit Stops



DATA CREDITS: St. Paul Enterprise GIS; Parcel Polygons: current Ramsey County data via Minnesota's Geospatial Commons; Road and Building Polygons: 2017 Ingress/egress surface dataset; Ramsey County; Water bodies via Minnesota DNR; USMTPO/US DOT/US. 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 legal tax map and is not planning or zoning and is not intended to be used as such. DATE: 10/7/2025 1:17 PM - DOCUMENT PATH: C:\Users\629376\OneDrive - City of Saint Paul\PE-D - Data, Research & Mapping - Documents\Projects\HRA Board Reports\2025\2025-10-06 - Ramsey Hill Apartments for Daniel Schneider\4 - 092\Ramsey Hill Apartments.aprx



Project Details

	Current	Recently Awarded	Population
Section 811 Project Rental Assistance	4	6	Significant and Long-term disabilities
Housing Support	0	4	People at risk of institutional placement or homelessness
SPPHA Project Based Vouchers (12 are for family units)	0	13	Households with low, very low, and extremely low incomes



Current Financing

	HOME Loan	CDBG Loan	MHFA Loan	FHF Loan
<i>Lender</i>	City of Saint Paul HRA	City of Saint Paul HRA	Minnesota Housing Finance Agency	Family Housing Fund
<i>Lien Position</i>	1 st	2 nd	2 nd	2 nd
<i>Principal</i>	\$250K	\$688,949	\$468,935	\$300K
<i>Interest Rate</i>	7%	1%	1%	1%
<i>Payments</i>	Deferred	Deferred	Deferred	Deferred
<i>Origination</i>	1995	1995	1995	1995
<i>Maturity Date</i>	December 15, 2031	December 21, 2025	December 21, 2025	December 21, 2025
<i>Extension</i>	N/A	Current Request	MCC mid Nov	Approved



Refinance Plans

- Future: deeper affordability with more subsidies
- Recently awarded \$660K - Ramsey County - Housing Development
- Bridgewater Bank first mortgage
- Applied to the 2025 MHFA RFP – December decision
 - The City of Saint Paul HRA committed a deferred gap loan up to \$1.4MM (subject to MHFA award, underwriting & HRA approval)
- Anticipated future requests: interest forgiveness & rate reduction (anticipated as early as late 2026 – early 2029)





Loan Extension Request for Ramsey Hill Apartments

- **Purpose: Maintain portfolio affordability while Trellis Co. (developer) works to secure financing for rehabilitation and recapitalization**
- **Current CDBG maturity date: 12/21/2025**
- **Requested CDBG extension: 12/15/2031**





Thank you! Questions?

- Libby Logsden, PED, (651) 266-6624
- Melinda Studer, Trellis Co., (612) 274-7823

