

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

REPORT TO THE COMMISSIONERS

DATE: MAY 8, 2013

**REGARDING: APPROVAL TO ENDORSE THE PROPOSED AMENDMENTS TO THE
MINNEAPOLIS/SAINT PAUL HOUSING FINANCE BOARD - LOW INCOME
HOUSING TAX CREDIT PROGRAM FOR 2014, CITYWIDE**

Requested Board Action

Authorization to endorse the proposed amendments to the Minneapolis/Saint Paul Housing Finance Board for its *Low Income Housing Tax Credit Procedural Manual* (“Procedural Manual”) and its *Qualified Allocation Plan* (“QAP”) for 2014. At this time, there are no proposed amendments to the 2014 *Procedural Manual*. The proposed amendments to the 2014 *QAP* are to reflect the annual priorities of the HRA Board. These proposed QAP amendments are limited to Article IX – Saint Paul Selection Priorities, as referenced in **Attachment B**.

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. The Credits provide a reduction in federal tax liability to owners and investors in qualified low-income housing developments. The owner/investors may use their Credits annually for ten years, but eligible qualified low-income housing projects must comply with federally-imposed rent and tenant income restrictions for 15 years with an extended use period of an additional 15 years. At a minimum, at least 40% of the units must be affordable and rented to households at or below 60% of the area median income (AMI) or at least 20% of the units must be affordable and rented to households at or below 50% of AMI for the duration of the restricted period.

Pursuant to MN State Statute, Section 462A.221-462A.225, as amended, Minnesota Housing Finance Agency is the State Credit Allocator for eligible statewide projects. Correspondingly, the Minnesota Legislature authorized the Minneapolis/Saint Paul Housing Finance Board (“Housing Finance Board”) as the Credit Suballocator for eligible projects located in cities of Saint Paul and

Minneapolis. As the Suballocator, the Housing Finance Board must annually publish a Procedural Manual and QAP, which establish the timeline, process, and criteria by which the Housing Finance Board selects projects to receive Credits. Furthermore, by adopting its *2014 Procedural Manual* and its *2014 QAP*, the Housing Finance Board authorizes the Saint Paul Housing and Redevelopment Authority Board (“HRA”) to administer the Credits for projects located in Saint Paul. The 2014 Saint Paul’s Credit allocation amount is estimated to be the same as it was in 2013, \$1,019,320.

Proposed Changes to the 2014 Low Income Housing Tax Credit Qualified Allocation Plan (“QAP”)

Based on the April 27, 2013 HRA Board discussion, and subsequent, separate meetings with HRA Commissioners, staff is recommending more modest changes to the 2014 QAP than had been proposed on April 27th. (It has been the practice of the HRA Board to revise point allocations for various priorities annually; the proposed changes are for 2014 only as the HRA Board may likely consider changes again for 2015 Credits. A work session of the HRA Board will be held in early 2014 on this topic.) Overall, the total point score for the selection priorities increased from 230 to 237. In general, the selection priority points (1-5 points) reflect threshold program activities; selection priority points (10-20 points) reflect higher HRA priorities; and selection priority points (25 points or higher) reflect major HRA priorities for 2014.

Proposed changes in the QAP Article IX – Saint Paul Selection Priorities are as followed:

1. Article IX (A) (7). This proposed amendment would increase the Selection Priority points from three (3) points to fifteen (15) points for a project that is located in a “non-impacted area” (as defined by HUD) in the City of Saint Paul or outside a Qualified Census Tract.

The rationale for this proposed amendment is to address community discussions about the overconcentration of affordable housing in “impacted areas” which have higher percentage of low-income residents. This proposed amendment encourages the development of affordable housing in “non-impacted areas” as defined by HUD.

2. Article IX (A) (9). This proposed Selection Priority Points would reduce the Selection Priority Points from thirty (30) points to five (5) points for the preservation of existing affordable housing.

It should be noted that new construction projects will also be assigned five (5) points so that preservation projects and new construction projects are identified as having equal priority status.

3. Article IX (A) (14). This proposed amendment would increase the Selection Priority Points from five (5) points to fifteen (15) points for projects that attract private financing. The rationale for this proposed amendment is to encourage affordable housing projects that have secured private financing as one component of the total financing package.
4. Article IX (A) (18). This proposed amendment replace the words “existing development” with the word “property” in order to affirm that any property with an outstanding HRA/City debt obligation would receive (50) points. The proposed amendment supports projects in which HRA has a financial interest.
5. Article IX (A) (19). This proposed amendment would allocate five (5) points for new construction projects. The rationale for this new selection priority recognizes that new construction of affordable housing have an equal selection priority status as preservation of existing affordable housing.
6. Article IX (A) (20). This new selection priority of “walkability” promotes affordable housing that is located close to daily amenities, such as grocery, shopping, educational institutions, or day care so that residents of affordable housing can reduce their total monthly transportation costs.

(No changes are proposed for the following sections: Article IX (A) 1-6, 8; 10; 11; 15 – 17.)

Budget Action

Not Applicable. Approval of the resolution to endorse the proposed amendments to the 2014 Credit Program does not require any additional budget actions.

Future Action

Upon HRA Board endorsement of the proposed amendments to the Procedural Manual and QAP, the Housing Finance Board will hold a public hearing on May 15, 2013 to consider the formal adoption of the proposed amendments. Applications for 2014 Credits will be due to the HRA on July 12, 2013, and HRA staff will request HRA Board action to allocate the 2014 Credits in September or October 2013.

Green/Sustainable Development

Not applicable. However, any qualified low-income housing developments that receive 2014 Credits must comply with the Minnesota Overlay developed in coordination with Green Communities. All projects must comply with the applicable *Saint Paul Sustainable Building Policy*.

Compliance

Not applicable. However, any qualified low-income housing development that receives 2014 Credits and City funds must comply with applicable compliance requirements (e.g. Vendor Outreach, Affirmative Action, Davis Bacon, Section 3 etc.).

Historic Preservation

Not applicable.

Environmental Impact Disclosure

Not applicable.

Financing Structure

Not applicable.

Public Purpose

Annual approval of a resolution that endorses amendments to the 2014 Credit Program promotes the creation or preservation of rental housing that is affordable to Saint Paul residents with incomes at or below 60% of area median income.

Recommendation

The Executive Director recommends that the HRA Board of Commissioners endorse the proposed amendments to the 2014 Low Income Housing Tax Credit Procedural Manual and 2014 Qualified Allocation Plan pursuant to the attached resolution.

Sponsored by: Commissioner Dave Thune
Staff: Joe Collins, 651-266-6020

Attachments:

- Attachment A – Resolution
- Attachment B – Proposed Changes to Qualified Allocation Plan – Selection Priority Scorecard