MINNEAPOLIS/SAINT PAUL HOUSING FINANCE BOARD

HOUSING TAX CREDIT

2024~~5~~6-2025~~6~~7 QUALIFIED ALLOCATION PLAN

Adopted: ~~May 30, 2023~~

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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 Statues, 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

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:

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(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.

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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

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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 202~~46~~46-202~~57~~57, 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

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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.

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 ~~and or~~ state prevailing wages per Minnesota Statute 116J.871 and any other applicable federal or local wage that applies to any other funding source for the project.

~~I~~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.

~~J~~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.

~~K~~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.

~~L~~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.

~~M~~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.

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~~N~~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 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.

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).

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(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).

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(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;

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(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 filling 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.

DRAFT

Attachment 2E

9% SAINT PAUL'S SELECTION PRIORITIES – Selection Criteria

All Round 1 applicants must meet one of the following thresholds: (Check to indicate the threshold that the project is meeting)

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 percent 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 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 ~~6~~ 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

A. INCREASE SUPPLY FOR THOSE WITH THE LOWEST INCOMES

1. PERCENTAGE OF HOUSING UNITS SERVING HOUSEHOLDS AT OR BELOW 30% AREA MEDIAN INCOME:

The project demonstrates that it will help increase the supply of units ~~for the lowest Percentage of housing 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 25 points will be awarded to new construction or substantial renovation projects that provide affordable housing with supportive services for occupancy by ~~homeless households~~households experiencing homelessness.*

All projects claiming points must meet the following threshold requirements:

i. Minimum of four (4) units set aside for homeless persons to be referred exclusively through Ramsey County's Coordinated Entry System
ii. Designated homeless units must be rent and income restricted at 30% AMI (with allowable project-based rent subsidy rents)
iii. The applicant must provide satisfactory evidence in writing of a commitment from an appropriate social service agency to provide support services
   a. 4-9 homeless units (12 points)
   b. 10-19 homeless units (18 points)
   c. 20 homeless units or more (25 points)

*Note: ~~Homeless households~~Households experiencing homelessness shall be defined as homeless individuals, homeless Veterans, homeless families or unaccompanied youth living in a shelter, on the streets, our doubled-up in housing not their own, and current residents who are participating in a supportive housing program while residing at the project site. The owner must provide satisfactory evidence in writing of a commitment from an appropriate social service agency to provide supportive services. Applicants claiming points for providing units to house homeless households will be required to fill those units through Ramsey County ~~Homeless~~ Coordinated Entry system. Projects serving unaccompanied youth at risk of homelessness are exempt from the Coordinated Entry requirement.

B. 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.

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

1. ~~**SUBSIDIZED AFFORDABLE HOUSING PROJECTS**~~ **Substantial Renovation:**

2. 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 ~~.hat are at a~~ risk of loss within 5 years. ~~(15 points)~~

    a. Located inside a Qualified Census Tract (~~15~~205 points)

~~Located outside a Qualified Census Tract (2015 points)~~

~~**2. NATURALLY OCCURING AFFORDABLE HOUSING (NOAH) PROJECTS**~~

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

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

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

3. 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)

4. 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. ~~0%~~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 9~~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)
~~a.~~b. Child c~~C~~are center ~~or after care service~~ (1 point)
~~b.~~c. Info and Referral Services (1 point)

~~c.~~d. Playground Equipment (1 point)

~~d.~~e. Community Center or Community Room (1 point)

~~e.~~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~~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)

~~f.~~ 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)

g. Multi-language services (1 point)

~~g.~~h. Other (please describe) (examples include community programing, non-profit partnerships, community clinic, etc). (1 point)

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

2. NEIGHBORHOOD SUPPORT

One (1) point will be awarded to projects that have a recommendation of support in writing for the project from a city recognized citizen participation community planning council, or neighborhood-based planning organization which represents the geographic location of the project, (a recommendation of support from the applicant is not eligible for points). (1 point)

3. 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. (5 points)

4. 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)

5. 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. TRANSIT

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

a. Located within 0.~~25~~ 50 miles of a completed or planned* light rail train ("LRT") station and bus rapid transit ("BRT") or other fixed transitways stops. (3 points)
b. Located within 0.25 miles of a high service Metro Transit bus route (defined as a bus running at least every 30 minutes) (2 points)

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

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

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

3. 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)

4. EQUITY AND CULTURAL INTEGRATION

~~Up to 10 points will be awarded to projects that demonstrate the use of strategic and integrated approach to addressing equity issues and the intended impacts of the project will result in tangible and measurable equitable outcomes~~

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 imitative 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. <=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. Houw 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?

~~Up to 10 points will be awarded to projects that demonstrate the use of strategic and integrated approaches to addressing equity issues and the intended impacts of the project will result in tangible and measurable equitable outcomes. (10 points)~~

5. 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

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

1. 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 an 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. NO FURTHER SUBSIDY

Five (5) points will be awarded to projects which are fully funded with the inclusion of the 9% HTC and/or will require no further HRA subsidy, except DEED or Metropolitan Council funds, if awarded 9% HTC. Projects that have received any prior commitment for gap subsidy from the City or HRA should not claim these points. (5 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)

3. PRIOR 9% HTC COMMITMENT

The project received a prior 9% HTC allocation from the Board, but the project has not been placed in service. However, due to the 9% HTC shortages in that allocation available in the prior HTC year, the project requires additional HTC allocation in the amount needed in order to be financially feasible. (10 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. (5 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. (7 points)

SAINT PAUL PREFERENCE PRIORITIES

In accordance with Article VII (K) of this QAP, projects to be located in Saint Paul will be prioritized with the project receiving the most points being ranked first, the project receiving the second most points being ranked second and so on. If two or more projects have overall point totals which are within two (2) points of one another, the projects shall be deemed to be of substantially equivalent, and the HRA Board will select the project which best meets the City's housing priorities.

Attachment 4F

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.

If two or more projects are deemed to be ~~of~~ substantially equivalent, the Saint Paul HRA may select the project that is located outside downtown Saint Paul, if downtown project requires conversion of office space to housing.

~~A.~~ **A. INCREASE SUPPLY FOR THOSE WITH THE LOWEST INCOMES**

1. **PERCENTAGE OF HOUSING UNITS SERVING HOUSEHOLDS AT OR BELOW 30% AREA**

   The project demonstrates that it will help increase the supply of units ~~for the lowest Percentage of housing 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 ~~25~~ 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~~homeless households~~.*

All projects claiming points must meet the following threshold requirements:

i. Minimum of four (4) units set aside for ~~homeless persons~~households experiencing homelessness to be referred exclusively through Ramsey Coordinated Entry System
ii. Designated homeless units must be rent and income restricted at 30% AMI (with allowable project-based rent subsidy rents)
iii. The applicant must provide satisfactory evidence in writing of a commitment from an appropriate social service agency to provide support services.
    a. 4-9 homeless units (~~12~~5 points)
    b. 10-19 homeless units (~~18~~10 points)
    c. 20 homeless units or more (~~25~~15 points)

*Note: Households experiencing homelessness~~Homeless households~~ shall be defined as homeless individuals, homeless Veterans, homeless families or unaccompanied youth living in a shelter, on the streets, our doubled-up in housing not their own, and current residents who are participating in a supportive housing program while residing at the project site. The owner must provide satisfactory evidence in writing of a commitment from an appropriate social service agency to provide supportive services. Applicants claiming points for providing units to house homeless households will be required to fill those units through Ramsey County ~~Homeless~~ Coordinated Entry system. Projects serving unaccompanied youth at risk of homelessness are exempt from the Coordinated Entry requirement.

4. CREATION AND PRESERVATION

~~The project 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. (15 points)~~ 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.

1. **New Construction:** Points will be awarded to new construction projects of affordable housing that is located
    a. Outside of a QCT (5 Points)
2. ~~**SUBSIDIZED AFFORDABLE HOUSING PROJECTS**~~ **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 ~~.hat are at a~~ risk of loss within 5 years. ~~(15 points)~~
    a. Located inside a Qualified Census Tract (~~15~~20~~5~~5 points)
    ~~Located outside a Qualified Census Tract (2015 points)~~

~~**5. NATURALLY OCCURING AFFORDABLE HOUSING (NOAH) PROJECTS**~~

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

~~a. At least 50% units remain affordable to tenants with income at 60% AMI of below (5 points)~~
~~b. 100% units remain affordable to tenants with income at 60% AMI or below (15 points)~~

5. ~~3.~~ 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. ~~0% -~~ 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)
~~a.~~b. Child Care (1 point)
~~b.~~c. Info and Referral Services (1 point)
~~c.~~d. Playground Equipment (1 point)
~~d.~~e. Community Center or Community Room (1 point)
~~e.~~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~~a~~), 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)
~~f.~~h. Language translation services (1 point)
~~g.~~i. Other (please describe) (1 point)

*~~Designates that at~~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 theseis points. Applicants claiming points in this category should review Minnesota Housing Finance Agency's Eventual Tenant Ownership Guide for best practices. (5 points)

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

~~Up to 10 points will be awarded to projects that demonstrate the use of strategic and integrated approach to addressing equity issues and the intended impacts of the project will result in tangible and measurable equitable outcomes~~

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 imitative 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. <=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. Houw 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?

~~Up to 10 points will be awarded to projects that demonstrate the use of strategic and integrated approach to addressing equity issues and the intended impacts of the project will result in tangible and measurable equitable outcomes. (10 points)~~

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

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

1.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