

Page	Section Title	PROPOSED AMENDMENTS TO SAINT PAUL HRA 2020 LOW INCOME HOUSING TAX CREDIT PROCEDURAL MANUAL	Comment	Accept Yes/No
	<b>Updates to 2020 Manual</b>	<p>The Minneapolis/Saint Paul Housing Finance Board retained special legal counsel to update and consolidate its Low Income Housing Tax Credit Manual and its Qualified Allocation Plan. The updated 2019 Procedural Manual and Qualified Allocation Plan were reflective of changes to IRS Regulations, including administrative or procedural changes, such as 2020 Credit Reservation amounts, formatting changes, and page reformatting. Throughout the documents, Low Income Housing Tax Credits is referenced as “HTC”.</p> <p>Additionally, when appropriate, Procedural Manual and Qualified Allocation Plan were amended to distinguish between the 15-year compliance period which is applicable to the project and the 10-year credit period which is applicable to requirements for the equity investor.</p> <p>A major amendment to the 2020 Procedural Manual is new IRS regulation that recognizes Income Averaging.</p>	Procedural changes throughout the manual	
P.10	<b>SECTION III POLICIES AND PROCEDURES</b>  <b>Minimum Threshold for 4% Credit Projects</b>	<p><del>Pre-Application Determination Letter</del> <b>Minimum Threshold for 4% Projects – Saint Paul projects only</b></p> <p><del>During September 1 to November 1<sup>st</sup>, an applicant may submit a pre-application letter of intent to apply which shall include the standard workbook, a written description of project and completed scoring worksheet.....</del></p> <p><del>Starting in January of each year, the HRA will accept HTC applications for projects seek</del></p> <p>Existing procedures: For projects located in Saint Paul. An applicant for 4% HTC must demonstrate that the project is eligible for no less than 35 points under the 4% HTC Selection Criteria of the QAP.</p> <p>An applicant for 4% HTC must demonstrate that the project is eligible for no less than 35 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 Article VIII 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 Saint Paul Housing and Redevelopment (HRA) Conduit Revenue Application Process and Procedures.</p>	<p>This amendment is procedural.</p> <p>A Pre-Application Determination Letter is not needed for 4% Credit Applications.</p> <p>When bond allocations are over-subscribed, HRA may prioritize projects based upon factors such as total project points, projects on HRA land, project readiness, bond amount, and project feasibility.</p>	

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Pages 14-15	SECTION III (Q) POLICIES AND PROCEDURES  Monitoring for Compliance	<p><b>Monitoring for Compliance:</b> 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 Authorized Delegate 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</p> <p>(3) <u>At least once every three (3) years, CPED staff and PED staff (or Delegate, as defined in the Qualified Allocation Plan) 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. The owners of at least 50% of all HTC projects in each of the Cities must submit to CPED or to HRA, as applicable, or their Authorized Delegate, for compliance review a copy of the annual income certification, the documentation the owner has received to support that certification, and the rent record for each low income tenant in at least 20 percent of the HTC units in their projects.</u></p> <p>(4) <del>The Board</del> <u>At least once every three (3) years, CPED staff and PED staff (or Authorized Delegate) will conduct a compliance physical inspection of each project at least once every three (3) years. Such inspections will include all buildings in a project, all common areas, and at least 20% of the HTC units in the project but are not limited to a review of tenant files and physical inspections of at least 20 percent of the HTC units.</u></p> <p>(8) <u>Additional information related to compliance monitoring of projects that elect Income Averaging will be detailed in the Suballocator Compliance Monitoring Manual that is applicable to the initial year HTC are claimed</u></p>	<p>General background information regarding Compliance Monitoring</p> <p>This amendment is procedural.</p> <p>This amendment is procedural.</p> <p>New amendment recognizes Compliance Monitoring for projects that elect Income Averaging.</p>	

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P. 19	<b>SECTION IV (E) HTC Program Requirements</b>  <b>Project Eligibility</b>	<p><b>Project Eligibility:</b> The purpose of the HTC Program is to assure that a sufficient number of HTC units are available on an affordable basis to low income persons. Applicants should be cautioned that this set aside represents the minimum number of units that must meet both the rent and income restrictions to qualify for HTC for each year of the 15-year compliance period. The owner must elect one of the following:</p> <p>(1) 20% of the residential units must be rented to individuals whose income is 50% or less of the area median gross income (“AMGI”); or</p> <p>(2) 40% of the residential units must be rented to individuals whose income is 60% or less of the AMGI.</p> <p>(3) <u>Income Averaging. In addition to meeting all Federal requirements, projects electing Income Averaging must meet the following additional requirements (See following page)</u></p>	<p>Current IRS regulation for r Set – Aside Test .</p> <p>To promote more affordable housing, a new IRS regulation recognizes Income Averaging as a set-aside test.</p>	

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P. 19	<b>SECTION IV (E) POLICIES AND PROCEDURES</b>  <b>HTC Program Requirements</b>  <b>Project Eligibility</b>  <b>Income Averaging Requirements</b>	<p><u>Income Averaging. In addition to meeting all Federal requirements, projects electing Income Averaging must meet the following additional requirements:</u></p> <p>(a) <u>Income Averaging may only be elected for 100% HTC projects that have not yet filed Form 8609. Additionally, for 4% HTC projects, Income Averaging may only be elected for projects that have not yet received a 42(m) letter</u></p> <p style="padding-left: 40px;"><u>For Saint Paul projects only: 100% HTC projects (4% Credit projects or 9% Credit projects) that have not yet filed Form 8609 (i.e. “ongoing projects” ) may elect Income Averaging only if the project has not received funds that would otherwise require rent affordability (i.e. soft costs, such as HOME funds or other funds identified by HRA)</u></p> <p>(b) <u>Income and rent tiers may be set in 10% increments, beginning at 20% AMI up to 80% AMI. A maximum of 4 tiers are allowed.</u></p> <p>(c) <u>Reasonable parity in unit types/sizes across income tiers is required.</u></p> <p>(d) <u>Rent and income tiers will be designated at time of initial Application. HTC units at 50% AMI and below will be fixed throughout the term of the Declaration. Other AMI designations may float, as long as rents and incomes average to 60% AMI.</u></p> <p>(e) <u>Projects with project-based rental assistance will be considered 50% units for purposes of Income Averaging.</u></p> <p>(f) <u>The Income Averaging set-aside must be met on a project-wide basis; owners must select ‘yes’ on Line 8b of Form 8609 and include the required attachments.</u></p> <p>(g) <u>Resyndications must comply with the terms of the original Declaration, if still in effect</u></p> <p>(h) <u>Income Averaged projects will not be allowed a higher developer fee, when compared to non-Income Averaged project</u></p> <p>(i) <u>The Board reserves the right to negotiate specific terms for projects electing the Income Averaging set-aside. Electing Income Averaging for projects with existing HTC and City deferred funding awards will be considered only if needed for financial feasibility, or to include/increase extremely low income HTC units.</u></p> <p>(j) <u>Rent and income restrictions in the initial 15-year compliance period will also apply in the extended use period.</u></p> <p>(k) <u>4% HTC projects electing Income Averaging must still meet all requirements associated with tax exempt bond financing</u></p>	<p>For Saint Paul projects: Income Averaging may be elected for “ongoing” 100% HTC projects only if project has not received other funds such as HOME funds, etc.</p> <p>4% projects that have not received an IRS 42(m) letter are considered “new projects”.</p> <p>Income averaging could serve households at 20% - 80% AMI, if average of all units serve households at 60%</p> <p>Project-based Section8 is considered a 50% units</p> <p>Reasonable parity in unit types/sizes across all income tiers is required.</p>	

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P. 20	<p><b>SECTION IV (E) POLICIES AND PROCEDURES</b></p> <p><b>HTC Program Requirements</b></p> <p><b>Project Eligibility</b></p> <p><b>Gross rents - Utility Allowance</b></p>	<p>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:</p> <p>(1) One individual in the case of a studio apartment; and</p> <p>(2) 1.5 individuals per bedroom in the case of a unit with one or more separate bedrooms.</p> <p>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 O.</p> <p>"Gross rent" means all payments by the tenant, including payments to the owner for utilities other than telephone. 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"). <del>For a building not assisted by HUD, the building owner may use either the applicable Public Housing Authority ("PHA") utility allowance or the owner may obtain a letter from the local utility company providing the estimated costs of that utility for each unit of similar size, construction, and geographic area.</del> <u>IRS Regulations (Section 1.42-10 Utility Allowance, as amended) provide guidance relating to Utility Allowances and lay out options for establishing them. The options, depending on assistance or regulation characteristics of a project or the tenant, may require use of a HUD utility allowance. For buildings that are not required to use a HUD utility allowance, the building owner may use the applicable Public Housing Authority ("PHA") utility allowance or the Agency estimate schedule provided by CPED or the HRA. Other methods of utility allowance determination consistent with Section 1.42-10 may be approved by CPED or the HRA on a case by case basis. Utility allowances must be updated at least annually. See IRS Notice 94-60 and Section 1.42-10 of the Treasury Regulations attached as Exhibit G for more detailed information.</u></p>	<p>Background Information</p> <p>Gross rent means all tenant payments including utility payments, except phone.</p> <p>Current method to determine utility costs were (1) use Saint Paul PHA or (2) consult with local utility for non-HUD assisted buildings</p> <p>This amendment recognizes that IRS regulations provide guidance to determine utility costs. Buildings assisted with HUD funds, such as HOME funding, may require using a HUD utility allowance.</p> <p>For non-HUD assisted buildings, owners may use Saint Paul PHA, a HRA schedule (if developed) or an HRA approved method to determine utility assistance.</p>	

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P. 21	SECTION IV (F) POLICIES AND PROCEDURES  Tenant Eligibility	<p>To be a HTC unit for purposes of determining the qualified basis, the tenant must have income at or below 50 percent of AMGI if the 20/50 Test is elected, or 60 percent of AMGI if the 40/60 Test is elected. <u>For the Income Averaging set-aside, tenants must have income at or below the corresponding rent tier.</u> The unit must be rent restricted as set forth above, and the unit must be suitable for occupancy.</p> <p><u>Generally, Units units are not eligible for HTC if they are occupied entirely by full-time students who do not file a joint income tax return. . Exceptions to this rule are outlined in Code Section 42(i)(3)(D). Refer to the current Housing Tax Credit Compliance Manual for details.</u></p>	<p>This amendment recognizes the new IRS regulation regarding income averaging.</p> <p>Section 42(i)(3)(D) identifies exceptions to the IRS rule prohibiting full-time students residing in tax-credit buildings.</p>	
P. 24	SECTION IV (M) POLICIES AND PROCEDURES  Tax Credit Volume Limits	<p><b>N. Volume Limits:</b> Each state is limited to the amount of HTC it may allocate annually. The 20209 volume limits for the Cities to be allocated by the Board are as follows:</p> <p style="text-align: center;">Minneapolis - \$1,453,690 Saint Paul - <b>\$901,241</b></p> <p>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.</p>	.	
P. 25	SECTION IV (Q) POLICIES AND PROCEDURES  Fair Housing Policy	<p>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</p> <p><u>Selected projects must maintain an Affirmative Marketing Plan for the project through the term of the Declaration.</u> 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 Executive Director of CPED or HRA. Noncompliance could result in appropriate action by the Board, CPED or HRA, including expulsion from the Board, CPED or HRA programs.</p>	<p>Background Information regarding Affirmative Marketing Plan</p> <p>Affirmative Marketing Plan must continue for the period of the recorded Land Use Restrictive Agreement (LURA)</p>	

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P. 26	SECTION IV (R) POLICIES AND PROCEDURES  Tenant Selection Plan	<u>Tenant Selection Plan.</u> All projects awarded HTC will be required to create a Tenant Selection Plan. See Exhibit AE 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	HTC project owners must submit a tenant selection plan as part of the HTC application. The tenant screening process also recognizes recent HUD requirements.	
P. 33	SECTION VII  SUBMISSION REQUIREMENTS  <u>9% APPLICATION</u>	<p>For 9% HTC projects, new application submission requirements include:</p> <p>(29) <u>A complete appraisal, ordered by CPED or the HRA (as appropriate), or Minnesota Housing. The cost of the appraisal will be borne by the owner.</u></p> <p>(30) <u>For projects electing Income Averaging, the following must also be submitted:</u></p> <p class="margin-left: 40px;">(a) <u>MN Housing’s Income Averaging Rent and Income Grid (Exhibit AC)</u></p> <p class="margin-left: 40px;">(b) <u>Written approval from the permanent lender(s) and LIHTC syndicator/equity provider that the project may elect Income Averaging</u></p> <p class="margin-left: 40px;">(c) <u>MN Housing’s Income Averaging Certification Form (Exhibit AD)</u></p> <p class="margin-left: 40px;">(d) <u>Other materials as requested by the Board</u></p> <p>(31) Draft tenant selection plan (See Exhibit AE for guidance)</p>	<p>New submission required for income averaging.</p> <p>New submission requirement also recognizes recent HUD regulations.</p>	

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P. 39	SECTION VII  SUBMISSION REQUIREMENTS  <u>4% APPLICATION</u>	<p>For 4% HTC projects, New application submission requirements include:</p> <p>(16) Self-scoring worksheet for selection points, including documentation (Exhibit F).</p> <p>(29) Election of Applicable Rent Floor (Minnesota Housing Form LIHC-26 Exhibit W).</p> <p>(30) For projects electing Income Averaging, the following must also be submitted:</p> <ul style="list-style-type: none"><li>(a) MN Housing’s Income Averaging Rent and Income Grid (Exhibit AC)</li><li>(b) Written approval from the permanent lender(s) and LIHTC syndicator/equity provider that the project may elect Income Averaging</li><li>(c) MN Housing’s Income Averaging Certification Form (Exhibit AD)</li><li>(d) Other materials as requested by the Board</li></ul> <p>(31) Draft tenant selection plan (See Exhibit AE for guidance)</p>	<p>This is procedural.</p> <p>This is procedural.</p> <p>New submission required for income averaging.</p> <p>New submission requirement also recognizes recent HUD regulations.</p>	
P. 40	SECTION VII  SUBMISSION REQUIREMENTS  Place in Service	<p>Placed in Service occurs when the building has at least one resident occupying a unit in the building. Placed in Service is required before owner receives an IRS Form 8609 recognizing the final allocation of the tax credits.</p> <p>(20) Final Tenant Selection Plan (see Exhibit AE for guidance)</p>	Background Information.	



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P. 40	SECTION VII SUBMISSION REQUIREMENTS  Income Averaging Changes	<p><b>E. Changes to Projects Electing Income Averaging on Form 8609</b></p> <p>Projects that have elected Income Averaging 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:</p> <ol style="list-style-type: none"> <li>(1) Signed copies of the Form 8609s reflecting the Income Averaging election was made and if the project contains more than one building the election to treat the project as a multiple building project;</li> <li>(2) Updated market information that demonstrates sufficient market demand for each proposed AMI tier;</li> <li>(3) Updated 15-year pro forma reflecting the rents for the proposed AMI tier by unit type;</li> <li>(4) Letter from the investor approving the change in the proposed rents and AMI tiers;</li> <li>(5) Letter(s) from the permanent loan lender(s) approving the change in the proposed rents and AMI tiers.</li> </ol> <p>Requests for changes to the HTC unit AMI tiers will be considered at the sole discretion of the Board. The Declaration will be amended to reflect any approved changes to the AMI tiers.</p>	<p>Procedural requirements to change the HTC credits Area Median Income tiers</p> <p>The Housing Finance Board has sole discretion to approve any changes to HTC units Area Median Income Tiers</p> <p>Such changes must be recorded in the Land Use Restrictive Agreement (LURA)</p>	
P.41	Compliance Monitoring Fees	<p>The Board reserves the right to adjust Compliance Monitoring Fees.</p> <p>Projects that elect Income Averaging may require additional compliance monitor fees.</p> <p>Compliance Monitoring fees are published in the annual Tax Credit Compliance Manual.</p>		