

**Proposed Revisions
Minnesota Housing Finance Agency
2003 Housing Tax Credit Program, Manual and QAP**

PROGRAM (AND RELATED MANUAL)

1. Clarification to Tenant Ownership provision:

Add language to the manual and scoring worksheet to clearly indicate Tenant Ownership must be proposed at 100 percent of the units to be eligible for ownership points [Scoring Worksheet Selection Priority Item # 12].

2. Revision to Application Fee Structure:

Revise HTC initial application fee structure to require a flat \$800 Non-Refundable application fee for all HTC initial applications.

Revise the Reservation and the Allocation fee structures to 3.5 percent (of credit amount) in conjunction with reducing the initial application fee structure.

Add language to the HTC Manual/QAP that establishes that MHFA reserves the right to adjust fees due to changing circumstances in order to cover its costs associated with producing and delivering Minnesota's Housing Tax Credit Program.

3. Hollman Elimination:

Revise the HTC Manual/QAP to remove Hollman unit related elements.

SCORING CRITERIA

1. Maintain/Update Rental Assistance components of HTC Program and Scoring Worksheet. Revise to include language excluding MHFA HTF Rental Assistance from points eligibility.

2. Revise Structure of HTC Scoring Criteria to integrate MHFA's RFP/HTF/CHALLENGE Re-Engineering Revisions into HTC programming in a coordinated fashion. Revise scoring platforms to reflect MHFA funding priorities across product lines:

Many of the selection priorities developed are common to all MF funding programs. The first three Selection Priorities cited below are being modified to ensure consistency across all MF funding programs. The next three are being modified to correct or change the result of the criteria -

1. Leverage- Award more points to proposals that minimize the amount of requested MHFA deferred funds.
2. Development Cost Reduction/Cost Avoidance-Award points for each method of cost reduction/cost avoidance utilized by the applicant.
3. Large Family Housing- Propose to maintain a 60 to 75 percent 2 bedroom requirement, but remove the 25 percent 3 bedroom requirement and allow owners to build large units to suit the market demand.
4. Rental Assistance- Remove Metropolitan Housing Opportunity Program (Hollman) priority because the funds are exhausted. Retain priority for Project Based and Tenant Based Rental Assistance.
5. Preservation of Assisted Housing- Increase the points awarded to allow qualified proposals to receive a funding priority. (The total number of preservation proposals selected will be limited by a cap on the percentage of tax credits used for this purpose and the funds available in the PARIF program)
6. Eventual Tenant Ownership- Priority will be given to development which submit a successful plan to transfer 100 percent of the units to tenant ownership-HTC

No changes are being proposed for the following selection priorities:

1. Serves Lowest Income Tenants
2. Economic Integration
3. Underserved Populations
4. Project Location
5. Smart Growth
6. Cooperatively Developed Plan
7. Intermediary Cost Containment-
8. Temporary Priorities - Determined by Board or Legislature
9. Extended Duration
10. Revitalization in Qualified Census Tract
11. Single Room Occupancy
12. Special Populations
13. Unacceptable Practices

3. Revise Preservation Development HTC Points Structure:

Increase the total points available to qualifying Preservation proposals [via HTC Preference Priority #3]. The final points structure will be reached following more detailed analysis of the impacts this increase will have upon the general competitive field of proposals. A generally balanced impact will be pursued.

Revise language of Preference Priority #3 to indicate that the points associated with the Preference Priority #3 section are only available until a total of \$700,000 to \$800,000* (estimate) in tax credits are awarded for qualifying Preservation proposals selected in the 2003 Housing Tax Credit competitions. Once this maximum amount is reached, selection points will no longer be available from Preference Priority #3 in the 2003 Tax Credit Program competitive funding rounds.

*(Cumulative total for Round 1 and Round 2).

QUALIFIED ALLOCATION PLAN (QAP)

1. Tax Credits with Tax Exempt Bonds / Threshold Requirement Points:

Reduce the threshold points requirement for tax exempt bond proposals seeking tax credits to 20 points.

2. Clarify Suballocator Subsidy Layer Review Responsibilities:

Add language to the HTC Manual/QAP to clearly indicate that Suballocators are responsible for performing any required Subsidy Layering Reviews for those tax credit developments located within their jurisdictions. Suballocators having Joint Powers Agreements with MHFA may have terms of the agreements that defer this responsibility to MHFA.

STATUTORY

No Statutory Changes are proposed for the 2003 HTC Programming.

GENERAL ADMINISTRATIVE AND CLARIFICATION

Revise the HTC Manual and QAP where general administrative corrections and clarifications are needed.