

**WASHINGTON COUNTY HOUSING AND REDEVELOPMENT AUTHORITY  
LOW INCOME HOUSING TAX CREDIT PROGRAM  
2012 QUALIFIED ALLOCATION PLAN**

**ARTICLE I  
Purpose**

**Section 1.0.** Section 42(m) of the Code requires that Tax Credit agencies develop and adopt a qualified allocation plan in connection with the allocation of Tax Credits. This Qualified Allocation Plan (the “Plan”) sets forth selection criteria that are appropriate to local conditions and priorities to be used by the Washington County Housing and Redevelopment Authority (the “Authority”) in the allocation of Housing Tax Credits (“Credit(s)” or “Tax Credit(s)”) to housing projects and provides procedures for the Authority to follow in monitoring for noncompliance with the provisions of Section 42 of the Internal Revenue Code of 1986, as amended (the “Code”), and in notifying the Internal Revenue Service (the “IRS”) of such noncompliance.

**ARTICLE II  
Authority**

**Section 2.0.** Minnesota Statutes sections 462A.221 through 462A.225, as amended (the “Act”), provide that the federal allocation of Credits available in Minnesota should be allocated among certain cities and counties or their designees, including the Authority as designee for Washington County.

**Section 2.1.** This Plan was prepared by the Authority according to the procedures set forth in Section 42(m) of the Code and is to be governed under Section 42 of the Code, including applicable Treasury Regulations.

**ARTICLE III  
General Concepts**

**Section 3.0.** This Plan sets forth selection criteria which reflect the housing policies of the Authority and will be used to determine the priorities for the allocation of Credits within Washington County. This Plan gives preference as required by federal legislation in allocating Credits among selected projects to:

- (a) projects serving the lowest income tenants;
- (b) projects obligated to serve qualified tenants for the longest periods; and
- (c) projects in Qualified Census Tracts which contribute to a concerted community revitalization plan.

**Section 3.1.** Incorporated into the selection criteria to allocate Credits to specific projects are the following factors required under Section 42(m)(1)(C) of the Code:

- (a) project location;

- (b) housing needs characteristics;
- (c) project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan;
- (d) sponsor characteristics;
- (e) tenant populations with special housing needs;
- (f) public housing waiting lists;
- (g) tenant populations of individuals with children;
- (h) projects intended for eventual tenant ownership;
- (i) energy efficiency of the project; and
- (j) historic nature of the project.

**Section 3.2.** This Plan provides a procedure that the Authority (or an agent or other private contractor of the Authority) will follow in monitoring for noncompliance with the provisions of the Code and in notifying the IRS of such noncompliance of which the Authority becomes aware.

**Section 3.3.** This Plan provides for review of financial feasibility and marketability of each project and its viability as a qualified low income project throughout the credit period as of the application date, allocation date, and placed-in-service date, all as required by Section 42(m)(2) of the Code.

**Section 3.4.** This Plan applies to tax-exempt bond financed projects as required by Section 42(m)(1)(D) of the Code.

**Section 3.5.** The Housing and Economic Recovery Act of 2008 authorizes Tax Credit agencies to designate buildings placed in service after July 30, 2008, for which the eligible basis will be increased by 30%, based on a determination by the Tax Credit agency that such increase is required in order for such building to be financially feasible as part of a qualified low income housing project. This provision does not apply to buildings which receive Credits because they are financed with tax-exempt bonds. This Plan establishes standards for the Authority to determine which buildings will be designated for such increased basis.

## **ARTICLE IV** **Definitions**

**Section 4.0.** Metropolitan Area: The area over which the Metropolitan Council has jurisdiction, including only the counties of Anoka, Carver, Dakota (excluding the city of Northfield), Hennepin (excluding the cities of Hanover and Rockford), Ramsey, Scott (excluding the city of New Prague), and Washington.

**Section 4.1.** Single Room Occupancy: A unit having one bedroom or less with rents affordable at 30 percent of median income.

**Section 4.2.** Substantial Rehabilitation: Rehabilitation with a minimum cost that:

- (a) equals or exceeds \$5,000 per unit, as required in Minnesota Statutes section 462A.221, subdivision 5; and
- (b) equals or exceeds the greater of:
  - (i) \$6,000 in qualified basis per low income unit for a building, which amount for projects placed in service in 2010 or later shall be adjusted by a cost-of-living adjustment pursuant to Section 42(e)(3)(D) of the Code; or
  - (ii) an amount that is not less than 20 percent of the adjusted basis of the building, as determined pursuant to Section 42(e)(3).

**Section 4.3.** Family Housing: A housing development that is not restricted to persons 55 years old or older. At least 75 percent of the units must contain two or more bedrooms and at least one-third of the 75 percent must contain three or more bedrooms.

**Section 4.4.** Federally Assisted Building: Any building which is substantially assisted, financed, or operated under section 8 of the United States Housing Act of 1937, section 221(d)(3), 221(d)(4), or 236 of the National Housing Act, section 515 of the Housing Act of 1949, or any other housing program administered by the Department of Housing and Urban Development or by the Rural Housing Service of the Department of Agriculture.

**Section 4.5.** Households Experiencing Long-Term Homelessness: Persons, including individuals, unaccompanied youth, and families with children, lacking a permanent place to live continuously for one year or more or at least four times in the past three years. Any period of institutionalization or incarceration shall be excluded when determining the length of time a household has been homeless. See Minnesota Rules Chapter 4900.3705, Subpart 10a.

## **ARTICLE V**

### **Amount of Credit to Allocate**

**Section 5.0.** The maximum Credit amount to be allocated in any year by the Authority is established pursuant to the formula set forth in the Act and the limitations of Section 42(h)(3) of the Code. The Authority's estimated Credit amount for 2012 is \$498,868.00.

## **ARTICLE VI**

### **Allocation Policies**

**Section 6.0.** The Authority shall act as the designated Credit agency on behalf of Washington County.

**Section 6.1.** Pursuant to the Code and applicable regulations, the Authority shall monitor or cause to be monitored each project which receives an allocation of Credits for

compliance with income and rent restrictions and other requirements of Section 42 of the Code and applicable Treasury Regulations as provided in Article X hereof.

**Section 6.2.** Owners of projects which displace low income tenants will be responsible for relocating those tenants in accordance with the Uniform Relocation Act of 1970, as amended.

**Section 6.3.** The Authority staff will process Tax Credit applications and administer the Credit program pursuant to this Plan and the Authority's Procedural Manual ("Manual") which corresponds to the applicable requirements of federal and state law. Required fees are outlined in the Manual and shall be payable to the Authority. The Authority reserves the right to adjust fees due to changing circumstances in order to cover its costs associated with producing and delivering the Authority's Tax Credit program.

**Section 6.4.** Project owners will be required to execute an extended low income housing commitment (the "Extended Use Agreement") as required by Section 42(h)(6) of the Code. All projects, with the exception of those obtaining Credits in association with tax-exempt bonds over and above the State's allocation of Credits, must maintain the duration of low income use for a minimum of 30 years. The owner must agree that the provisions of Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provisions would permit the owner to terminate the restrictions under the Extended Use Agreement at the end of the compliance period in the event the Authority does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project, and that the Section 42 income and rental restrictions shall 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.

## **ARTICLE VII**

### **Application and Allocation Process**

**Section 7.0.** The allocation process for awarding Credits for projects located in Washington County consists of the following steps:

- (a) Each applicant shall timely complete, sign, date, and submit to the Authority an original application on a form supplied by the Authority or the Minnesota Housing Finance Agency ("Minnesota Housing"), including all required fees, deposits, and exhibits.
- (b) The Authority shall notify the chief executive officer (or the equivalent) of the local jurisdiction within which the project is located and provide such individual a reasonable opportunity to comment on the project.
- (c) The Authority staff or its consultants shall review and evaluate the application to:
  - (i) ensure that minimum threshold requirements to qualify for Credits have been satisfied;
  - (ii) assign points to the project according to the selection priority section of this Plan; and

- (iii) determine the minimum amount of Credits necessary to make the project financially feasible and valuable.
- (d) Special tax counsel appointed by the Authority (“Tax Counsel”) shall also review the application if requested to do so by the Authority.
- (e) The Authority shall make a determination to approve or deny the reservation of Credits to the project based upon the selection priority criteria, the requirements of this Plan, and the availability of Credits during the competition; provided, however, that the Authority reserves the right (but shall not be obligated) to grant priority over higher ranking projects to projects that (i) have previously received Tax Credits and have an annual Tax Credit shortfall of at least five percent, but no more than 50 percent, of the total qualified annual Tax Credit amount **and (ii) demonstrate readiness to proceed by having city approvals and all funding commitments in place (other than the Tax Credits the applicant is presently requesting)**. The Authority shall provide a written explanation, available to the general public, for any allocation of Tax Credits which is made in accordance with the above proviso.
- (f) The Authority and Tax Counsel (if requested to do so by the Authority) shall reevaluate the application and amount of Credits for the project at the time of any commitment to allocate Credits and at the time the building is placed in service. At each evaluation, the Authority may reduce the amount of Credits to be allocated to the project or may revoke any commitment to allocate Credits to the project if it determines that the financial feasibility or viability of the project does not justify the originally applied for or committed Credits or that the criteria and requirements of this Plan have not been satisfied.
- (g) Certification by the applicant that the project has been placed in service.
- (h) The Authority issues IRS Form 8609, Low Income Housing Credit Allocation Certificate (“IRS Form 8609” or “Form 8609”).

**Section 7.1.** The Authority will evaluate project proposals to determine the amount of Credits to be allocated pursuant to Section 42(m)(2)(B) of the Code. The Authority will also evaluate project proposals to determine whether the permitted 30% increase in basis is required in order for such project to be financially feasible. In making such determinations, the Authority will consider whether: (i) the project meets housing priorities identified by the Authority, as evidenced by a competitive Credit score; and (ii) funding gaps remain for such project. In any event, the Credits allocated to a project, even if it is designated for a basis boost, will not exceed the amount the Authority determines is necessary for the financial feasibility of the project and its viability as a qualified low income housing project throughout the Credit period.

There will be three evaluations prior to delivery by the Authority of an executed Form 8609 for the project, which are as follows:

- (a) at the time of initial application/reservation;

- (b) at the time of commitment to allocate Credits/carryover allocation; and
- (c) at the time the building is placed in service.

**Section 7.2.** Prior to each evaluation, the eligible applicant will be asked to submit the most recent financial information on the project. Any federal, state, or local subsidies anticipated must be certified. Misrepresentations of information will result in failure to issue IRS Form 8609, debarment from participation in the Tax Credit program, and possible criminal penalties. Such evaluations will be made by the Authority staff solely for purposes of complying with Section 42(m) of the Code and shall not be relied upon by any developer or investor or used in conjunction with any offering of interests in the entity owning the project to such person.

**Section 7.3.** Selected applicants failing to place a project in service in the allocation year for which the reservation was issued may be awarded a carryover credit if federal tax law requirements are met, including the requirement that more than 10 percent of the reasonably anticipated basis of the project be incurred on or before the date which is one (1) year after the date that the allocation is made. A complete carryover package in final form in accordance with the Manual must be submitted to the Authority on or before **4:30 p.m., October 1<sup>st</sup>** or the next calendar business day. Several changes to Section 42 of the Code were included in legislation passed by Congress in December 2000 as part of the Community Renewal Tax Relief Act of 2000. These amendments made changes to the carryover allocation requirements. The Authority's carryover procedures are intended to conform to the federal laws and are based upon the limited guidance received from the IRS. At any time, additional IRS guidance may be issued that will require further adjustments to this Plan and additional reviews of developments relating to carryover.

**Section 7.4.** The Authority's Credit program permits its owners to elect the applicable percentage either at reservation or placed in service. If the election is not made at the time the reservation letter is issued, the percentage will be fixed for the month in which the building is placed in service. The owner must be sure to consider the best options for this election and make sure the election is made at the correct time. Once made, the election is irrevocable. **However, for buildings placed in service after July 30, 2008 and before December 31, 2013, the applicable percentage for new construction (not federally subsidized) and rehabilitation will be 9%, regardless of whether an election was previously made to use the applicable percentage in effect at the time of reservation. This provision applies to all buildings placed in service after July 30, 2008 and before December 31, 2013, regardless of the year to which the Credits are allocable. Applicants should be aware that all buildings must be placed in service before December 31, 2013 to qualify for the automatic 9% applicable percentage.**

## **ARTICLE VIII**

### **Procedure for Selecting Projects**

**Section 8.0.** In each calendar year, there will be competition for Credits established by Minnesota Housing pursuant to Minnesota Statutes section 462A.222. The requirements and closing dates for applications shall be as set forth in the Manual. Except as otherwise provided

in the Manual, all applications shall be submitted using the same forms required by Minnesota Housing.

**Section 8.1.** Projects which are determined to meet the threshold requirements of this Plan will be prioritized with the project receiving the most points being rated first, the project receiving the second most points being second, and so on.

**Section 8.2.** As described above, the Authority may elect to give priority in the award of Credits to projects that have previously received Tax Credits and have an annual Tax Credit shortfall of at least five percent, but not more than 50 percent of the total qualified annual Tax Credit amount.

**Section 8.3.** Credits not committed or allocated by the Authority in connection with the allocation procedures of the Authority will be returned to Minnesota Housing for allocation in accordance with Minnesota Statutes section 462A.222, subdivision 3. If any commitment for Credits is reduced or revoked, the Credits may be reallocated as provided in the Manual. If there are Credits from the current year's annual ceiling returned from a project that is no longer eligible and if the Authority maintains a waiting list, the Authority may continue to commit or allocate the Credits until not later than December 31<sup>st</sup>, at which time any uncommitted Credits must be transferred to Minnesota Housing.

## **ARTICLE IX** **Selection Priorities**

**Section 9.0.** Each competition will involve a two step process as follows:

- (a) the minimum requirements of Section 9.1 must be satisfied in order to qualify to be awarded points according to the selection and preference priorities set forth in Exhibit A, Self-Scoring Worksheet for Selection Points; and
- (b) projects will be ranked according to points awarded as set forth in Exhibit A, Self-Scoring Worksheet for Selection Points; provided, however, that the Authority reserves the right (but shall not be obligated) to grant priority over higher ranking projects to projects that (i) have previously received Tax Credits and have an annual Tax Credit shortfall of at least five percent, but no more than 50 percent, of the total qualified annual Tax Credit amount **and (ii) demonstrate readiness to proceed by having city approvals and all funding commitments in place (other than the Tax Credits the applicant is presently requesting)**. The Authority shall provide a written explanation, available to the general public, for any allocation of Tax Credits which is made in accordance with the above proviso.

**Section 9.1.** A project for which Credits are being sought must satisfy the following minimum requirements:

- (a) Under the Act, all projects must meet one of the following threshold types:

- (i) new construction or Substantial Rehabilitation of projects in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants (the “Declaration”)), at least 75 percent of the total Tax Credit units are Single Room Occupancy units which are affordable by households whose income does not exceed 30 percent of the median area income;
- (ii) new construction or Substantial Rehabilitation of Family Housing 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 percent of the Tax Credit units contain two or more bedrooms and at least one-third of the 75 percent contain three or more bedrooms;
- (iii) Substantial Rehabilitation projects in neighborhoods targeted by the city for revitalization;
- (iv) 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:
  - (1) with a serious and persistent mental illness as defined in Minnesota Statutes section 245.462, subdivision 20, paragraph (c);
  - (2) with a developmental disability as defined in United States Code, Title 42, section 6001, paragraph (5), as amended through December 31, 1990;
  - (3) who have been assessed as drug dependent persons as defined in Minnesota Statutes section 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes section 254A.02, subdivision 2;
  - (4) with a brain injury as defined in Minnesota Statutes section 256B.093, subdivision 4, paragraph (a); or
  - (5) with permanent physical disabilities that substantially limit one or more major life activities, if at least 50 percent of the units in the project are accessible as provided under Minnesota Rules Chapter 1341;
- (v) projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the use of Credits is necessary (1) to prevent conversion to market rate use or (2) to remedy physical deterioration of the project which would result in loss of existing federal subsidies; or

- (vi) projects financed by the Farmers Home Administration, or its successor agency, which meet statewide distribution goals.
- (b) Pursuant to Section 42 of the Code, a comprehensive market study of the housing needs of low income individuals in the area to be served by the project must be conducted before the Credit allocation is made, at the developer's expense, by a disinterested party approved by Minnesota Housing. The market study must be conducted in accordance with Minnesota Housing's requirements and must be completed by a market analyst on the Minnesota Housing Authorized Contractor List. The market study must be submitted at the time of application and have an effective date within six months of the date of application. An update may be accepted if the effective date of the market study is within 12 months of the application date. The Authority may require additional information or market justification after submission of the market study and before the Credit allocation is made.
- (c) The project must be financially feasible and viable as documented by information in the application which reasonably satisfies the Authority that the sponsor is reasonably experienced and the project is creditworthy, can be completed in a timely manner, has a positive after debt service cash flow, demonstrates reasonable operating expenses relative to comparable projects in the past, and complies with applicable building, land use, and zoning ordinances. In making its evaluation, the Authority will also consider: (i) whether the city in which the project will be located has provided negative comments on the proposed project; (ii) whether the area in which the project is located can support the proposed rents; and (iii) whether there is a need for housing at such rentable levels in the project area. In making its evaluation, the Authority shall take into account the sources and uses of funds and the total financing planned for the project, any proceeds or receipts expected to be generated by reason of tax benefits, the percentage of the housing credit dollar amount used for project costs other than the cost of intermediaries, and the reasonableness of the developmental and operational costs of the project.
- (d) Units that are designed to meet the above threshold requirements must comply with Minnesota Housing's Housing Tax Credit Program Design Standards and the appropriate local, state, or federal requirements or building code; e.g., to be considered a handicapped unit, the unit must be designed to meet the standards in the Minnesota State Building Code, Chapter 1341, and be certified as complying by a registered architect.
- (e) Applicants must agree to utilize public housing waiting lists in Washington County in marketing units to the public.
- (f) The applicant must demonstrate by information in the application that the project is a qualified low income building under Section 42(c)(2) of the Code.

- (g) The applicant must agree to enter into an Extended Use Agreement in form and substance acceptable to the Authority and Tax Counsel.
- (h) After reviewing the applications and recommendations, the Authority reserves the right to choose not to award any Credits or to terminate any further award of Credits after a portion of the total Credits available has been awarded.

**Section 9.2.** If two or more proposals have an equal number of points, the following will be used to determine selection:

**TIE BREAKERS:**

- (a) the first tie breaker will be the total number of points in the preference priority criteria;
- (b) if a tie still remains, the second tie breaker will be if the city in which the project is located has not received tax Credits in the last two years;
- (c) if a tie still remains, the third tie breaker will be the lowest percentage of cost of intermediaries; and
- (d) if a tie still remains, the fourth tie breaker will be by lot.

**ARTICLE X**

**Monitoring Compliance with Housing Credit Requirements**

**Section 10.1.** Recordkeeping and Record Retention Provisions.

- (a) Recordkeeping. The owner of a low income housing project must keep records for each qualified low income building in the project showing each year:
  - (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 rental unit);
  - (ii) the percentage of residential rental units in the building that are low income units, models, offices, and management 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 are required per IRS Notice 94-60 issued June 1994;
  - (iv) the number of occupants in each low income unit and the number of minors. Housing information concerning ethnicity, elderly or family household, and student resident status, and type and amount of rental assistance;

- (v) the low income unit vacancies in the building and the rentals of the next available units;
- (vi) the annual income certification of each low income tenant per unit (Minnesota Housing Form HTC-14);
- (vii) documentation to support each low income tenant's income certification. Anticipated income of all adult persons expecting to occupy the unit must be verified and included on a Tenant Income Certification **prior** to occupancy and, except as otherwise provided in the Authority's Housing Tax Credit Program Compliance Manual (the "Authority's Compliance Manual"), **annually** recertified for continued eligibility. (Written third party verification is always preferred. Income verifications are sent directly to and returned by the source to management, not through the applicant. Specific forms of income verification may be found in the Authority's Compliance Manual);
- (viii) the eligible basis and qualified basis of the building at the end of the first year of the credit period;
- (ix) the character and use of the nonresidential portion of the building included in the building's eligible basis under 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); and
- (x) any additional records necessary to verify compliance with additional restrictions included in the carryover agreement or Declaration.

At the January 2007 tax credit conference held by the National Council of State Housing Agencies, the IRS released its Guide for Completing Form 8823 Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition (the "8823 Guide"). The 8823 Guide does not change any Section 42 rules or policies. It is intended to provide guidance regarding what the IRS considers "in compliance" and for consistency in reporting "out of compliance," and "back in compliance," on IRS Form 8823. The IRS did not include an effective date for state agencies to make any needed adjustments to policies or procedures to the extent existing policies and procedures do not conform to the instructions in the 8823 Guide. Beginning January 1, 2008, the Authority will monitor and report noncompliance according to instructions in the 8823 Guide.

The 8823 Guide was updated in October 2009. The 8823 Guide was updated based on amendments to Section 42 by the Housing Assistance Tax Act of 2008, HUD's revisions to Handbook 4250.3, and revisions to Treas. Reg. 1.42-10. Revisions were also made to clarify existing text.

Visit:

[http://www.mnhousing.gov/idc/groups/public/documents/document/mhfa\\_003781.pdf](http://www.mnhousing.gov/idc/groups/public/documents/document/mhfa_003781.pdf), for the 8823 Guide. Owners and managers should read the 8823 Guide and must make any needed changes to policies and procedures effective January 1, 2008.

- (b) Record Retention. The owner of a low income housing project must retain the records described in paragraph 10.1(a) of this section for each building in the project for at least six years beyond the end of the term of the Declaration for the building.

**Section 10.2. Certification and Review.**

- (a) Certification. The owner of a low income housing project shall certify to the Authority that:
  - (i) the project meets the requirements of the 20-50 test under Section 42(g)(1)(A) or the 40-60 test under Section 42(g)(1)(B), whichever minimum set aside test is applicable to the project;
  - (ii) there was no change in the applicable fraction (as defined in Section 42(c)(1)(B)) for any building in the project;
  - (iii) except as otherwise provided in the Authority's Compliance Manual, either: (1) the owner has received an annual tenant income certification from each low income tenant and documentation to support that certification; or (2) the owner has a recertification waiver letter from the IRS in good standing and has received an annual tenant income certification from each low income resident and documentation to support the certification at their initial occupancy;
  - (iv) each low income unit in the project is rent restricted under Section 42(g)(2);
  - (v) All units in the project are and have been for use by the general public (as defined in 26 C.F.R. § 1.42-9 and in Section 42(g) of the Code, as amended by the Housing and Economic Recovery Act of 2008), including the requirement that no finding of discrimination under the Fair Housing Act, 42 U.S.C. §§ 3601-3619, occurred for the project. A finding of discrimination includes an adverse final decision by the Secretary of HUD (24 C.F.R. § 180.680), an adverse final decision by a substantially equivalent state or local fair housing agency (42 U.S.C. § 3616a(a)(1)), or an adverse judgment from a federal court;
  - (vi) each building and the low income units in the project are and have been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards) 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 or low income unit in the project;

- (vii) there has been no change in the eligible basis (as defined in Section 42(d)) of any building in the project since the last certification submission;
- (viii) all tenant facilities included in the eligible basis under Section 42(d) of any building in the project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the building;
- (ix) if a low income 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 were or will be rented to tenants not having a qualifying income;
- (x) if the income of tenants of a low income unit in the building increased above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the building was or will be rented to tenants having a qualifying income;
- (xi) the project meets the provisions, including any special provisions, as outlined in the extended low income housing commitment (not applicable to buildings with tax credits from the years 1987-1989), including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act (for buildings subject to Section 13142(b)(4) of the Omnibus Budget Reconciliation Act of 1993);
- (xii) all low income units in the project are and have been used on a non-transient basis (except for transitional housing for the homeless provided under Section 42(i)(3)(B)(iii) or Single Room Occupancy units rented on a month-by-month basis under Section 42(i)(3)(B)(iv) of the Code);
- (xiii) the project complies with the requirements of all federal or state housing programs (e.g., FmHA assistance, HOME, Section 8 or tax exempt financing), as applicable;
- (xiv) the owner received its Credit 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;

- (xv) the project is otherwise in compliance with the Code, including any Treasury Regulations, this Plan, and all other applicable laws, rules, and regulations; and
  - (xvi) there has been no change in the ownership or management of the project.
- (b) Review. The Authority shall review the certifications submitted under Section 10.2(a) above for compliance with the requirements of Section 42. Under the review procedure:
- (i) the Authority shall require an owner of a low income housing project to submit to the Authority a completed, signed copy of IRS Form 8609 for the first year of the Credit period, together with Schedule A and Form 8586; and
  - (ii) the Authority shall inspect low income housing projects once every three years, and review the low income tenant income certifications for each low income tenant in at least 20 percent of the low income units in those projects and the documentation the owner has received to support that certification. All projects shall have their first compliance inspection no later than the year following the first Credit period.

The low income housing projects to be inspected shall be chosen in a manner that will not give owners of low income housing projects advance notice that their records for a particular year will or will not be inspected. However, the Authority 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.

**Section 10.3.** Auditing Provision. The Authority shall have the right to perform an audit of any low income housing project at least through the end of the Declaration compliance period of the buildings in the project. An audit includes an inspection of any building in the project, as well as a review of the records described in Section 10.1. The auditing provisions of this Section 10.3 are required in addition to any inspection of low income certifications and documentation under Section 10.2(a) above.

**Section 10.4.** Notification of Noncompliance.

- (a) General. The Authority shall give the notice described in paragraph (b) of this section to the owner of a low income housing project and the notice described in paragraph (c) of this section to the IRS.
- (b) Notice to Owner. The Authority shall provide prompt written notice to the owner of a low income housing project if the Authority does not receive the certification described in Sections 10.2(a) or 10.3, is not permitted to audit or inspect the tenant income certifications, supporting documentation and rent records described in Section 10.2(b) or (c) hereof, or discovers by audit, inspection, review or some other manner that the project is not in compliance with the provisions of Section 42 of the Code.

- (c) Notice to IRS. The Authority shall file Form 8823, 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. The Authority 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 Section 42(c)(1)(A) is noncompliance that must be reported to the IRS under this paragraph. If the Authority reports on Form 8823 that a building has gone entirely out of compliance and will not be in compliance at any time in the future, the Authority need not file Form 8823 in subsequent years to report that building's noncompliance.
- (d) Correction. Project owners shall provide to the Authority any evidence of noncompliance correction and correspondence to or received from the IRS with respect to any reported noncompliance. The owner must supply any missing certifications and bring the project into compliance with the provisions of Section 42 of the Code within a period specified by the Authority in the notice, not exceeding 90 days from the date of notice to the owner described in paragraph (b) of this Section 10.4. The Authority may extend the correction period for up to six months, but only if the Authority determines there is good cause for granting the extension.

**Section 10.5. Delegation of Authority.**

- (a) General. The Authority may retain an agent or other private contractor (the "Authorized Delegate") to perform compliance monitoring. The Authorized Delegate must be unrelated to the owner of any building that the Authorized Delegate monitors. The Authorized Delegate may be delegated all of the functions of the Authority to monitor compliance, except for the responsibility of notifying the IRS under Section 10.4 of this Section. For example, the Authorized Delegate may be delegated the responsibility of reviewing tenant certifications and documentation under Section 10.2(b) hereof, the right to audit buildings as described in Section 10.3 hereof, and the responsibility of notifying building owners of lack of certification or noncompliance under Section 10.4 hereof. The Authorized Delegate must notify the Authority of any noncompliance or failure to certify.
- (b) Limitations. In the event the Authority delegates compliance monitoring to an Authorized Delegate, the Authority shall use reasonable diligence to ensure that the Authorized Delegate properly performs the delegated monitoring functions. Delegation by the Authority of compliance monitoring functions to an Authorized Delegate shall not relieve the Authority of its obligation to notify the IRS of any noncompliance of which the Authority becomes aware.

- (c) Liability. Compliance with the requirements of Section 42 is the responsibility of the owner of the building for which the Credit is allowable. The Authority's obligation to monitor for compliance with the requirements of Section 42 does not make the Authority liable for an owner's noncompliance.

## **ARTICLE XI** **Amendments to Plan**

This Plan is subject to modification or amendment at any time to ensure that the provisions contained herein conform to the requirements of the Code, applicable state law, and all official interpretations thereof. Such modifications or amendments and the manner of adoption thereof shall not be inconsistent with the Code. Amendments required solely to comply with the Code, applicable regulations, or applicable state law may be approved by the Executive Director.

## **ARTICLE XII** **Credits for Buildings Financed by Tax-Exempt Bonds**

Section 42(h)(4) of the Code provides that under certain circumstances buildings or a portion thereof financed with tax-exempt bonds which require a bond volume cap allocation may qualify under Section 42 of the Code without receiving an allocation of Credits. In order to qualify for this exemption from credit volume cap, the taxpayer/owner must enter into an Extended Use Agreement as described in Article IX, Section 9.1(g). Section 42(h)(6)(C)(ii) provides that the Credit amount claimed by the taxpayer/owner under this exemption may not exceed the amount necessary to support the applicable fraction specified in the Extended Use Agreement. In order to qualify for the exemption from the credit volume cap, Section 42(m)(1)(D) provides that the project must satisfy the requirements for allocation of Credits under the qualified allocation plan applicable to the area in which the project is located. In order to qualify for the exemption from the credit volume cap, Section 42(m)(2)(D) provides that the governmental unit which issues the bonds (or on behalf of which the bonds were issued) must make a determination that the Credit amount to be claimed does not exceed the amount necessary for the financial feasibility of the project and its viability as a qualified low income housing project throughout the Credit period.

The Authority will use procedures in the Manual, or supplement thereto, for reviewing applications to the extent required by the above provisions. Such procedures will require that the taxpayer/owner (a) submit an application on forms provided by the Authority or Minnesota Housing containing substantially the same information as required for Credit applications to the extent determined to be necessary to make the determinations required above; and (b) submit nonrefundable application review fees and Tax Counsel fees as determined by the Authority, not to exceed the fees established in the Manual; provided, however, that Tax Credits may only be allocated if the project satisfies the requirements of this Plan, as required by Minnesota Statutes section 462A.222, subdivision 3(c). In order to satisfy the requirements of this Plan, the developer must demonstrate that the project is eligible for not less than 40 points. The threshold requirements of Article IX, Section 9.1(a) do not apply to tax-exempt bond financed projects using Credits not counted in the state's volume cap.

**EXHIBIT A**

**Self-Scoring Worksheet for Selection Points**

*[See Attached]*

**WASHINGTON COUNTY HOUSING AND REDEVELOPMENT AUTHORITY  
LOW INCOME HOUSING TAX CREDIT PROGRAM  
2012 SELF-SCORING WORKSHEET FOR SELECTION POINTS**

Development Name: \_\_\_\_\_

Address: \_\_\_\_\_ City: \_\_\_\_\_

Please indicate below the selection and/or preference priority points expected for your development. Where multiple points per section are available, please check the appropriate box(es) () for points claimed. The Washington County Housing and Redevelopment Authority (the "Authority") will determine actual selection points awarded, based on the application and additional documentation you have submitted to justify the points claimed. (Attach separate details sheet).

**ROUND 1 – MINIMUM THRESHOLD REQUIREMENTS**

For applications submitted in Round 1, all applicants statewide must meet one of the following threshold types. If you are applying in Round 1, please indicate the threshold type you meet:

A. In the Metropolitan Area:

- New construction or Substantial Rehabilitation of projects in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), at least 75 percent of the total tax credit units are Single Room Occupancy units which are affordable by households whose income does not exceed 30 percent of the median area income;
- New construction or Substantial Rehabilitation of Family Housing 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 of Land Use Restrictive Covenants), at least 75 percent of the tax credit units contain two or more bedrooms and at least one-third of the 75 percent contain three or more bedrooms; or
- Substantial Rehabilitation projects in neighborhoods targeted by the city for revitalization.

B. Outside the Metropolitan Area:

- Projects which meet a locally identified housing need and which are in short supply in the local housing market as evidenced by credible data submitted with the application. (For Threshold Letter – Sample Format, see the Authority's Procedural Manual.)

C. 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 of Land Use Restrictive Covenants), a percentage of the units are set aside and rented to persons:

- with a serious and persistent mental illness as defined in Minnesota Statutes section 245.462, subdivision 20, paragraph (c);
- with a developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended through December 31, 1990;
- who have been addressed as drug dependent persons as defined in Minnesota Statutes section 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes section 254A.02, subdivision 2;
- with a brain injury as defined in Minnesota Statutes section 256B.093, subdivision 4, paragraph (a); or
- with permanent physical disabilities that substantially limit major life activities, if at least 50 percent of the units in the project are accessible as provided under Minnesota Rules Chapter 1341;

D. Projects that Preserve Existing Subsidized Housing:

- Projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the use of tax credits is necessary (1) to prevent conversion to market rate use or (2) to remedy physical deterioration of the project which would result in loss of existing federal subsidies; or

E. Rural Development:

- Projects financed by the Farmers Home Administration, or its successor agency, which meet statewide distribution goals.

<b><u>SELECTION PRIORITIES</u></b>	<b>DEVELOPER POINTS CLAIMED</b>	<b>AUTHORITY STAFF AWARDED</b>
<p>(a) <b>Large Family Housing.</b> <span style="float: right;"><b><u>10 Points</u></b></span></p> <p>A project that provides Family Housing that is not restricted to persons 55 years old or older. At least 75 percent of the total tax credit units must contain two or more bedrooms and at least one-third of the 75 percent must contain three or more bedrooms. To receive these points, the project must meet the minimum design features for family projects and be evidenced by a certification of compliance executed by the owner and architect.</p>		
<p>(b) <b>Single Room Occupancy Housing.</b> <span style="float: right;"><b><u>10 Points</u></b></span></p> <p>At least 75 percent of the total tax credit units must be one bedroom or less with rents affordable to households whose income does not exceed 30 percent of median area income.</p>		
<p>(c) <b>Strategically Targeted Resources.</b> <span style="float: right;"><b><u>10-12 Points</u></b></span></p> <p><input type="checkbox"/> The proposal is for the rehabilitation of an existing structure. <span style="float: right;">(10 points)</span></p> <p>Note that to be awarded above rehabilitation points, the amount of rehabilitation expenditures must meet or exceed:</p> <p>(i) \$5,000 per unit for the project; and</p> <p>(ii) the greater of:</p> <p style="padding-left: 40px;">(A) \$6,000* in qualified basis per low income unit per building; or</p> <p style="padding-left: 40px;">(B) an amount that is not less than 20 percent of the adjusted basis of the building.</p> <p>A qualified preservation project that receives full points for “Preservation of Federally Assisted Units” may qualify if rehabilitation exceeds the greater of (ii)(A) or (B) above.</p> <p>Calculation is based on rehabilitation hard costs and cannot include intermediary costs or soft costs identified in the HTC-1 Application; plans and/or scope of work must be provided at time of application.</p> <p>* Inflation Adjustment – Starting in calendar year 2010, the \$6,000 minimum expenditure requirement for projects placed in service shall be adjusted annually by the cost-of-living adjustment pursuant to Section 42(e)(3)(D) of the Code.</p>		

<b><u>SELECTION PRIORITIES</u></b>	<b>DEVELOPER POINTS CLAIMED</b>	<b>AUTHORITY STAFF AWARDED</b>
<p><input type="checkbox"/> If the proposal is part of a community revitalization or stabilization plan, the proposal must be evidenced by a letter from the city verifying that the proposed project is part of an approved community revitalization area as established by resolution or other legal action.  (an additional 2 points)</p> <p style="text-align: center;">-OR-</p> <p><input type="checkbox"/> The proposal is for new construction and will utilize existing sewer and water lines without substantial extensions.  (10 points)</p>		
<p>(d) <b>Special Populations.</b> <span style="float: right;"><b><u>3-10 Points</u></b></span></p> <p>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 of Land Use Restrictive Covenants), a percentage of the units are set aside and rented to persons with the following disabilities:</p> <ul style="list-style-type: none"> <li>(i) a serious and persistent mental illness as defined in Minnesota Statutes section 245.462, subdivision 20, paragraph (c);</li> <li>(ii) a developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended through December 31, 1990;</li> <li>(iii) assessed as drug dependent as defined in Minnesota Statutes section 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes section 254A.02, subdivision 2;</li> <li>(iv) a brain injury as defined in Minnesota Statutes section 256B.093, subdivision 4, paragraph (a); or</li> <li>(v) permanent physical disabilities that substantially limit major life activities, if at least 50 percent of the units in the project are accessible as provided under Minnesota Rules Chapter 1341.</li> </ul> <p><input type="checkbox"/> A project in which at least 50 percent of the total units are set aside and rented to such persons; or (10 points)</p>		

<b><u>SELECTION PRIORITIES</u></b>	<b>DEVELOPER POINTS CLAIMED</b>	<b>AUTHORITY STAFF AWARDED</b>
<p><input type="checkbox"/> A project in which at least 25 percent of the total units are set aside and rented to such persons. (3 points)</p> <p>A commitment from a public or private social services agency to provide services consistent with applicable state licensing requirements for the services must be included with the application. If licensing is not required, the application must include an acceptable service plan describing the services offered, the funding sources for the services, how residents will be connected to the services, staffing, security measures, crisis and emergency measures, and documentation of the effectiveness of the services that will be implemented.</p>		
<p>(e) <b>Economic Integration.</b> <span style="float: right;"><b><u>0-2 Points</u></b></span></p> <p>1 or 2 points will be awarded to projects that meet one of the following:</p> <p><input type="checkbox"/> The proposed housing provides project economic integration by providing at least 25 percent of the total units in the project as unrestricted/market rent units.* (2 points)</p> <p>OR</p> <p>To promote economic integration, projects are awarded points for being located in higher income communities that are close to jobs (refer to the “Community Economic Integration Methodology, Maps and Census Tracts” list located on the Minnesota Housing website).</p> <p><input type="checkbox"/> The proposed housing is located in a census tract eligible for 1 point. (1 point)</p> <p><input type="checkbox"/> The proposed housing is located in a census tract eligible for 2 points. (2 points)</p> <p>* The corresponding Housing Tax Credit applicable fraction will be based on the number of Housing Tax Credit low income units to total units in the project and will be enforced at the time the Carryover Allocation and IRS Form 8609 are prepared to determine the maximum tax credit allocation for the project.</p>		
<p>(f) <b>Rental Assistance.</b> <span style="float: right;"><b><u>4-18 Points</u></b></span></p> <p>Priority will be given to an owner that has a previously issued and fully executed commitment with a local housing authority to</p>		

<u>SELECTION PRIORITIES</u>	DEVELOPER POINTS CLAIMED	AUTHORITY STAFF AWARDED
<p>receive project based rental assistance or that has entered into negotiations with a local housing authority to receive other rental assistance. The assisted units must be located in buildings on the project site.</p> <p>Rent for assisted units must be at or below fair market rents (FMRs) (or appropriate payment standard for the project area). Receiving these points and agreeing to a minimum number of assisted units does not release owners from their obligation under the Minnesota Human Rights Act and Section 42 prohibiting refusal to lease to the holder of a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937 because of the status of the prospective tenant as such a holder.</p> <p><b>Note: If points are claimed/awarded for (i), (ii), (iii) or (iv) below, then no points may be claimed/awarded from the preference priority category of “Serves Lowest Income Tenants/Rent Reduction” (Preference Priority (a)) for the same units.</b></p> <p>Minnesota Housing Trust Fund (HTF) Rental Assistance is not eligible for these rental assistance points.</p> <p>Indicate the applicable combinations of the below components. Points for (i) and (ii) or (iii) and (iv) cannot be claimed in combination.</p> <p><input type="checkbox"/> (i) For developments agreeing to set aside at least 20 percent of the total units for project based rental assistance. (10 points)</p> <p style="text-align: center;">- OR -</p> <p><input type="checkbox"/> (ii) For developments agreeing to set aside at least 10 percent but less than 20 percent of the total units for project based rental assistance. (6 points)</p> <p><input type="checkbox"/> (iii) For developments that have a commitment of a minimum 10 year term for either (i) or (ii) above. (an additional 4 points)</p> <p style="text-align: center;">- OR -</p> <p><input type="checkbox"/> (iv) For developments that have a commitment of a 5-9 year term for either (i) or (ii) above. (an additional 2 points)</p>		

<b><u>SELECTION PRIORITIES</u></b>	<b>DEVELOPER POINTS CLAIMED</b>	<b>AUTHORITY STAFF AWARDED</b>
<p><input type="checkbox"/> (v) For developments that cooperatively develop a housing plan to provide <b>other</b> rental assistance (e.g., Section 8, RAFs project or tenant based, Shelter Care, portable tenant based or other similar rent assistance programs approved by the Authority) to meet the existing need as evidenced at application by a letter of intent signed by both the applicant and the local housing authority.</p> <p style="text-align: right;">(4 points)</p> <p>To receive these points, the applicant must comply with all program requirements for the assistance for which priority points were given, including maintaining rents within the appropriate payment standard for the project area in which the project is located for the full compliance and extended use period of the housing tax credits.</p> <p>For project based rental assistance, at the time of application, the applicant must submit a letter of intent to submit an application for HUD project based assistance which is signed by the local housing authority. As a condition of carryover or Form 8609, whichever occurs first, the applicant must submit a fully executed copy of the HUD approval for the project based assistance to be included in the development.</p> <p>For other rental assistance (e.g., Section 8, RAFs, Shelter Plus Care, portable tenant based or other similar rent assistance programs approved by the Authority), at the time of application, the applicant must submit a letter of intent to develop a cooperative agreement which is signed by the applicant and local housing authority, along with the completed Agreement to Utilize Public Housing and Section 8 Waiting Lists. As a condition of carryover or Form 8609, whichever occurs first, the applicant must submit a fully executed copy of the cooperatively developed housing plan.</p>		
<p>(g) <b>Regulatory Cost Avoidance/Reduction.</b> <span style="float: right;"><b><u>1-6 Points</u></b></span></p> <p>One or more of the following (one point each, with a maximum of 6 points – documentation must be provided):</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Donation or waiver of development specific local governmental development fees;</li> <li><input type="checkbox"/> Donation or waiver of assessments or infrastructure costs;</li> </ul>		

<u><b>SELECTION PRIORITIES</b></u>	<b>DEVELOPER POINTS CLAIMED</b>	<b>AUTHORITY STAFF AWARDED</b>
<ul style="list-style-type: none"> <li><input type="checkbox"/> Density bonus (i.e., increase in density otherwise allowed in zoning district granted under zoning ordinance);</li> <li><input type="checkbox"/> Flexibility in zoning code requirements (exclusive of any density bonus);</li> <li><input type="checkbox"/> Water/Sewer Availability Charge (WAC/SAC) reductions; and/or</li> <li><input type="checkbox"/> Fast-track permitting and approval.</li> </ul> <p>Provide specific details to justify points claimed.</p> <p>To receive these points, the primary financing proposed must meet the Authority’s underwriting standards or demonstrate to the sole satisfaction of the Authority that the development can remain financially feasible for the entire duration of the housing tax credit use. Assistance from the Authority and related joint funders <b>is not</b> eligible for inclusion in this Section.</p> <p>Documentation of the amount and the terms of assistance must be provided from the provider of the assistance at the time of application in the form of a project specific letter of intent, city council resolution, letter of approval, statement of agreement or eligibility, or memorandum of understanding. In the case of below market rate financing, the applicant must secure a firm financing commitment signed by both the applicant and the lender. The applicant must also provide the calculation method and expected dollar amount of the cost savings for the proposal. The value of the donations and in-kind contributions assistance must be consistent with current market comparable costs for materials and services. Within 6 months of selection, the applicant must provide the Authority with a firm schedule containing specific benchmark dates and actions for the finalization of securing the assistance. If the documentation provided involves words synonymous with “consider” or “may” (as in, “may award”) regarding the amount and term of the assistance, these points will not be awarded.</p>		
<p>(h) <b>Cost Reduction/Contributions.</b> <span style="float: right;"><u><i>2-16 Points</i></u></span></p> <p>Select one or more of the following:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The project is receiving funds from an area employer (that is not also considered a philanthropic group, religious organization, or charitable organization for points claimed in this section below). <span style="float: right;">(4 points)</span></li> </ul>		

<b><u>SELECTION PRIORITIES</u></b>	<b>DEVELOPER POINTS CLAIMED</b>	<b>AUTHORITY STAFF AWARDED</b>
<p><input type="checkbox"/> The project is receiving funds from the local municipality or county. The minimum contribution from a municipality or county, which may include any combination of the following sources, must be \$50,000. (4 points)</p> <p>Funds from local municipalities may include any of the following, for example:</p> <ul style="list-style-type: none"> <li>(i) tax increment financing;</li> <li>(ii) reservation land not subject to local property taxes;</li> <li>(iii) reservation land with long-term low cost leases;</li> <li>(iv) monetary grants or loans with a minimum term that is co-terminus with the Declaration of Land Use Restrictive Covenants at an interest rate at or below Applicable Federal Rate;</li> <li>(v) tax abatement; or</li> <li>(vi) land donation or write down of the development site.</li> </ul> <p><input type="checkbox"/> The project is receiving funds from state, federal, or other local government sources. (4 points)</p> <p><input type="checkbox"/> The project is receiving further funds from a philanthropic group, religious organization, or charitable organization. (additional 2 points)</p> <p><input type="checkbox"/> The project is receiving historic tax credits. (additional 2 points)</p> <p>To qualify for cost reduction points using historic credits and tax abatement, there must be satisfactory documentation that the resource will provide additional positive investment capital to the development that will reduce the demands on state and federal housing resources. For tax increment financing to qualify for cost reduction points, there must be satisfactory documentation that the resource is committed to the development at application.</p> <p>Documentation as to the amount and terms of assistance must be provided from the provider of the assistance at the time of application in the form of a development specific letter of intent. In the case of below market rate financing, the applicant must secure a firm financing commitment signed by both the applicant and the lender. The value of the donations and in-kind contributions assistance must be consistent with current market comparable costs for materials and services. If the documentation</p>		

<u>SELECTION PRIORITIES</u>	DEVELOPER POINTS CLAIMED	AUTHORITY STAFF AWARDED
<p>provided involves words synonymous with “consider” or “may” (as in, “may award”) regarding the amount and term of the assistance, these points will not be awarded.</p> <p>No contribution from any part of the ownership entity will be considered a contribution, except for grants from local units of government or charitable organizations in an amount of at least \$50,000.</p>		
<p>(i) <b>Readiness to Proceed.</b> <span style="float: right;"><u><i>2-26 Points</i></u></span></p> <p>The Authority shall award points to applicants who have secured funding <b>commitments*</b> for funding for one or more funding sources at the time of application. The documentation must state the amount, terms and conditions and be executed or approved by the lender or contributor and the applicant. Documentation containing words synonymous with “consider” or “may” (as in “may award”) regarding the commitment will not be considered acceptable.</p> <p>* Excludes all first mortgage financing and any anticipated proceeds from the current tax credit request.</p> <p>Option 1 – Total eligible funding secured, awarded or committed \$ _____ Divided by Total Development Costs \$ _____ equals Percentage of Funds Committed _____% (rounded to the nearest tenth).</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> 50% or more funding secured, awarded or committed. (10 points)</li> <li><input type="checkbox"/> 40% to 49.9% or more funding secured, awarded or committed. (8 points)</li> <li><input type="checkbox"/> 30% to 39.9% or more funding secured, awarded or committed. (6 points)</li> <li><input type="checkbox"/> 20% to 29.9% or more funding secured, awarded or committed. (4 points)</li> <li><input type="checkbox"/> 10% to 19.9% or more funding secured, awarded or committed. (2 points)</li> <li><input type="checkbox"/> 9.9% or less funding secured, awarded or committed. (0 points)</li> </ul>		

<b><u>SELECTION PRIORITIES</u></b>	<b>DEVELOPER POINTS CLAIMED</b>	<b>AUTHORITY STAFF AWARDED</b>
<p style="text-align: center;">- OR -</p> <p>Option 2 – Projects with no funding gap exclusive of first mortgage funding requested from Minnesota Housing and proceeds from tax credits requested at the time of this application. A subsequent request for additional deferred funding prior to issuance of Form 8609 may result in the reevaluation and adjustment of the tax credit award, up to and including the total recapture of tax credits. (20 points)</p> <p>Verification of any syndication proceeds will be required. Acceptable verification will include:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> An executed syndicator agreement or an executed Letter of Intent from a syndicator which is acceptable to the Authority.</li> <li><input type="checkbox"/> The executed syndicator agreement or Letter of Intent must: <ul style="list-style-type: none"> <li>○ Be current within 15 days of submission of the application;</li> <li>○ Contain a projected closing date for the development;</li> <li>○ Contain a projected equity price for the purchase of the credit; and</li> <li>○ Contain a detailed explanation of the assumptions being used by the syndicator to arrive at the projected equity price.</li> </ul> </li> </ul> <p>An additional 0-6 points may be given to projects that satisfy the following non-financial Readiness to Proceed components:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Land use and zoning approvals. (2 points)</li> <li><input type="checkbox"/> Title work and survey completed.* (2 points)</li> <li><input type="checkbox"/> Verification that all infrastructure for the project is complete. (2 points)</li> </ul> <p>* The survey does not need to be current if the legal description or building footprint has not changed since the survey was completed for a rehabilitation development. Only a survey is required if project is located on tribal trust land.</p>		



<b><u>SELECTION PRIORITIES</u></b>	<b>DEVELOPER POINTS CLAIMED</b>	<b>AUTHORITY STAFF AWARDED</b>
commitments by the limited partnership owner (refer also to the Authority's Procedural Manual for additional information).		
<p>(m) <b>Authority Property.</b> <span style="float: right;"><b><u>15 Points</u></b></span></p> <p>Any acquisition, rehabilitation, or redevelopment of an existing property owned by the Authority.</p>		
<p>(n) <b>Households Experiencing Long-Term Homelessness.</b> <span style="float: right;"><b><u>5 or 10 Points</u></b></span></p> <p>Projects that set aside Tax Credit units for Households Experiencing Long-Term Homelessness will be awarded up to 10 points if the project meets the following criteria:</p> <ul style="list-style-type: none"> <li>(i) Sets aside 5% to 49.99%, but no fewer than 4 housing tax credit units = 5 points; <u>or</u></li> <li>(ii) Sets aside 50% to 100%, but no fewer than 20 housing tax credit units = 10 points; <u>and</u></li> <li>(iii) meets the goals of the City/County Task Force Plan on Homelessness or has a letter of support from the area's Continuum of Care committee; <u>and</u></li> <li>(iv) provides a plan for resident support services (i.e. information and referral, advocacy, case management, self-reliance training, resident association and community building activities) contingent upon an agreement with an established organization providing such services to residents and financial plans demonstrating feasibility; <u>and</u></li> <li>(v) includes an agreement to pursue and continue renewal of rental assistance payment or operating assistance contracts for as long as the assistance is available.</li> </ul> <p>To receive points under this category, an applicant must submit documentation at application, including a plan outlining the services to be provided, a budget to support the plan, and such other items as are required by the Authority for applications serving Households Experiencing Long-Term Homelessness.</p> <p>The Authority recognizes that rental assistance is necessary to effectively serve Households Experiencing Long-Term Homelessness. If federal rental assistance for tenants who previously experienced long-term homelessness is not available at</p>		

<b><u>SELECTION PRIORITIES</u></b>	<b>DEVELOPER POINTS CLAIMED</b>	<b>AUTHORITY STAFF AWARDED</b>
<p>the end of the rental assistance period, owners may phase out targeting Households Experiencing Long-Term Homelessness and convert rents to affordable tax credit limits and retain the tax credit allocation.</p>		
<p>(o) <b>High Speed Internet Access in Units.</b> <span style="float: right;"><b><u>1 Point</u></b></span></p> <p>A point is awarded to proposals that agree to install high speed internet cable or wireless/data networked system access in every unit.</p>		
<p>(p) <b>Environmental Efficiency.</b> <span style="float: right;"><b><u>1 Point</u></b></span></p> <p>A point is awarded to proposals that comply with the current Enterprise Green Communities Criteria for energy efficiency.</p>		
<p>(q) <b>Transit-Oriented Development.</b> <span style="float: right;"><b><u>3 Points</u></b></span></p> <p>Development located within walking distance to public transit stations and stops. To receive points, the development must be:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Located within ½ mile radius from a Red Line station identified in the Metropolitan Council maps; or</li> <li><input type="checkbox"/> Located within ¼ mile radius from a Blue Line public transit fixed route stop identified in the Metropolitan Council maps; or</li> <li><input type="checkbox"/> Located within ½ mile radius of an Express Bus station/park and ride identified in the Metropolitan Council maps; or</li> <li><input type="checkbox"/> Located within a Transit Improvement Area designated by MN Department of Employment and Economic Development (DEED).</li> </ul> <p>At the time of application, the applicant must submit a map identifying the location of the project with exact distances to the eligible public transit station or stop and include a copy of the route, span and frequency of service.</p>		
<p>(r) <b>Smoke Free Buildings</b> <span style="float: right;"><b><u>1 Point</u></b></span></p> <p>A point will be awarded for projects that will institute and maintain a written policy* prohibiting smoking in all the units and common areas within the building(s) of the project. The project</p>		

<b><u>SELECTION PRIORITIES</u></b>	<b>DEVELOPER POINTS CLAIMED</b>	<b>AUTHORITY STAFF AWARDED</b>
<p>must include a non-smoking clause in the lease for every household.</p> <p>Projects awarded a point in this scoring criteria will be required to maintain the smoke-free policy for the term of the Declaration of Land Use Restrictive Covenants.</p> <p>* The written policy must be submitted with the application and should 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 owner, but must be included in the written policy.</p>		

<b><u>PREFERENCE PRIORITIES</u></b>	<b>DEVELOPER POINTS CLAIMED</b>	<b>AUTHORITY STAFF AWARDED</b>
<p>(a) <b>Serves Lowest Income Tenants/Rent Reduction.</b> <i>5-13 Points</i></p> <p>Scores are based on gross rent level including utilities before rental assistance. Eligible units must have rents affordable to households whose incomes do not exceed 30 percent or 50 percent of Area Median Gross Income (AMGI or AMI) without rental assistance.</p> <p>In addition to the elected income limit of 50 percent or 60 percent AMGI for the full term of the Declaration of Land Use Restrictive Covenants (refer to the minimum set-aside in Chapter 4.I of the Authority’s Procedural Manual), the applicant agrees to maintain deeper rent structuring for which selection points are requested.</p> <p>Applicants may choose either option 1 or 2 and, in addition, option 3 for the development. This selection will restrict rents only (tenant incomes will not be restricted to the 50 percent or 30 percent income level by claiming points in this section).</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Option 1 - A project in which 100 percent of the HTC unit rents representing ____ units are at the county 50 percent HUD area median rent limit; (50 percent rent restricted units) (10 points)</li> </ul> <p style="text-align: center;">- OR -</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Option 2 - A project in which at least 50 percent of the HTC unit rents representing ____ units are at the county 50 percent HUD area median rent limit. (50 percent rent restricted units) (5 points)</li> </ul> <p style="text-align: center;">- PLUS -</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Option 3 - In addition to Option 1 or 2, a project which further restricts 15 percent of the above restricted units to the county 30 percent HUD area median rent limit representing ____ units. (30 percent rent restricted units) (Additional 3 points)</li> </ul> <p><b>Note: If points are claimed/awarded for this category, then no points may be claimed/awarded from the selection priority category of Rental Assistance for the same units.</b></p>		

<b><u>PREFERENCE PRIORITIES</u></b>	<b>DEVELOPER POINTS CLAIMED</b>	<b>AUTHORITY STAFF AWARDED</b>															
<p>All 50 percent rent restricted units must meet the 50 percent area median rent for a minimum of five years beginning from the placed in service date.* After the five year period has expired, rent may be increased to the 60 percent rent limit over a three-year period with increases not to exceed the amount listed in the table below, provided that more restrictive threshold, selection priority or funding requirements do not apply.</p> <p>All 30 percent rent restricted units must meet the 30 percent area median rent for a minimum of five years beginning from the placed in service date.* After the five year period has expired, rent may be increased to the 40 percent rent limit over a three-year period with increases not to exceed the amount listed in the table below, provided that more restrictive threshold, selection priority or funding requirements do not apply.</p> <table border="0" data-bbox="321 852 927 1142"> <thead> <tr> <th><u>Year</u></th> <th><u>30% of 50% Rent Levels</u></th> <th><u>30% of 30% Rent Levels</u></th> </tr> </thead> <tbody> <tr> <td>1 - 5</td> <td>30% of 50%</td> <td>30% of 30%</td> </tr> <tr> <td>6</td> <td>30% of 53%</td> <td>30% of 33%</td> </tr> <tr> <td>7</td> <td>30% of 57%</td> <td>30% of 37%</td> </tr> <tr> <td>8</td> <td>30% of 60%</td> <td>30% of 40%</td> </tr> </tbody> </table> <p>* If there is more than one placed in service date for the project, the latest placed in service date will mark the beginning of the five year period.</p> <p>The Authority will incorporate these restrictions into the project's Declaration of Land Use Restrictive Covenants.</p> <p>The applicant must demonstrate to the sole satisfaction of the Authority that the project can achieve these reduced rents and remain a financially feasible project per Section 42(m)(2) of the Code.</p> <p>Points are contingent upon financial plans demonstrating feasibility, positive cash flow on a 15-year pro forma, and gaining Authority management approval (for management, operational expenses, and cash flow assumptions).</p>	<u>Year</u>	<u>30% of 50% Rent Levels</u>	<u>30% of 30% Rent Levels</u>	1 - 5	30% of 50%	30% of 30%	6	30% of 53%	30% of 33%	7	30% of 57%	30% of 37%	8	30% of 60%	30% of 40%		
<u>Year</u>	<u>30% of 50% Rent Levels</u>	<u>30% of 30% Rent Levels</u>															
1 - 5	30% of 50%	30% of 30%															
6	30% of 53%	30% of 33%															
7	30% of 57%	30% of 37%															
8	30% of 60%	30% of 40%															
<p>(b) <b>Preservation of Federally Assisted Building.</b> <u>20 Points</u></p> <p>Preserves Federally Assisted Building which, due to mortgage prepayments or expiring rental assistance, would convert to</p>																	

<b><u>PREFERENCE PRIORITIES</u></b>	<b>DEVELOPER POINTS CLAIMED</b>	<b>AUTHORITY STAFF AWARDED</b>
<p>market rate use or, due to physical deterioration or deterioration of capacity of current ownership/management entity, would lose its federal subsidies. The Authority, in its sole discretion, must agree that a market exists for a conversion to market rate housing.</p> <p>In order to obtain the above points, the federally assisted housing must meet the following criteria:</p> <ul style="list-style-type: none"> <li>(i) Units must be considered at risk of losing assistance within two years of the Housing Tax Credit Application date as supported by information contained in the application and with final determinations made by the Authority.</li> <li>(ii) Applicant must agree to continue renewals of existing project based housing subsidy payment contracts for as long as the assistance is available.</li> <li>(iii) Applicant must agree to maintain the Housing Tax Credit Units in the development for at least 30 years.</li> </ul> <p>Except for “good cause,” applicant must not evict existing subsidized residents and must continue to renew leases for those residents.</p> <p>If the acquisition of the property is not an arm’s length transaction, an appraisal that supports the acquisition price will be required to be submitted within three months of the date the tax credits are awarded.</p>		
<p>(c) <b>QCT/Revitalization.</b> <span style="float: right;"><b><i>1 Point</i></b></span></p> <p>A point is awarded to projects that are located in a Qualified Census Tract and are part of a concerted plan that provides for community revitalization. This must be evidenced by a letter from the city verifying that the proposed project is part of an improved community revitalization area as established by resolution or other legal action.</p>		
<p>(d) <b>Project Location.</b> <span style="float: right;"><b><i>4-15 Points</i></b></span></p> <p>Increases the supply of low income housing units in cities where there is a demonstrated demand for low income housing based on the 2007 Maxfield Housing Demand Study for Washington County. If communities are not in compliance with the Livable Communities Act goals or thresholds, a project located in said community may receive an additional 5 points. See Exhibit B to</p>		

<b><u>PREFERENCE PRIORITIES</u></b>	<b>DEVELOPER POINTS CLAIMED</b>	<b>AUTHORITY STAFF AWARDED</b>
the Authority's Qualified Allocation Plan for a listing of cities and points associated therewith.		
(e) <b>Project Previously Allocated Credits.</b> <i><u>10 Points</u></i>  Project has previously been allocated Credits, was not fully funded in previous allocation, and additional Credits are needed to make project feasible.		
(f) <b>Elderly/Assisted Housing.</b> <i><u>20 Points</u></i>  Increases the supply of elderly and/or assisted housing units in cities underserved or not previously served by Credits for elderly housing where there is a demonstrated need for elderly housing.		
	<b>DEVELOPER POINTS CLAIMED</b>	<b>AUTHORITY STAFF AWARDED</b>
<b><u>TOTAL POINTS</u></b>		

**Under penalty of perjury, the Developer hereby certifies the information provided herein is true and accurate.**

**Date:** \_\_\_\_\_

**Name of Developer:**

By: \_\_\_\_\_  
(Signature)

Of: \_\_\_\_\_  
(Name of Legal Entity)

Its: \_\_\_\_\_  
(Title) (Managing / General Partner)

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(Print or type name of signatory)

Note: During the competition process, the Authority's review of the submitted Self-Scoring Worksheet for Selection Points is only to validate that the points claimed are eligible, to reduce points claimed if not eligible, and to determine points awarded. The Authority will not award additional points which are not initially claimed by the Applicant/Developer. Many performance obligations are created by the claiming of certain scoring points. As such, the Authority cannot and will not assume the position of creating any such performance obligations on behalf of the Applicant/Developer.

## EXHIBIT B

### Project Location

<b>City / Market Area</b>	<b>10 Year Total Projected Rental Demand Units</b>	<b>Number of Points</b>
1. Woodbury	270	10
2. Cottage Grove	160	5
3. Hugo	110	5
4. Lake Elmo	110	5
5. Stillwater	95	5
6. Forest Lake	90	5
7. Oakdale	65	4
8. Other		2

This exhibit does not include senior housing

- Source: 2007 Maxfield Study