



Minnesota

Low Income Housing Preservation in 2010

Low Income Housing Tax Credits (9% Tax Credits)

Minnesota's 2011 QAP requires applicants to meet at least one out of five threshold requirements. One of these threshold requirements is: properties which preserve existing subsidized housing, if the use of tax credits is necessary to (1) prevent conversion to market rate use or (2) to remedy physical deterioration of the property which would result in loss of existing federal subsidies.

Minnesota awards 10 selection points for the preservation of existing tax credit apartments and 20 preference points for the preservation of federally assisted apartments. 10 points are also awarded for rehabilitation properties that meet certain minimum criteria, with 2 additional points if the proposal is part of a community revitalization plan. In order to receive preservation points, applicants must demonstrate that, without tax credit allocation, the affordable units would be lost either through the loss of subsidies within the next two years, conversion to market rate, or deterioration.

Minnesota awards 3 selection points to applications proposing to acquire and rehabilitate a Foreclosed Property or are located in a Foreclosure Priority Area identified by Minnesota Housing that has been heavily impacted by the foreclosure crisis.

Allocations (2003-2009)

Properties Preserved: 45

Apartments Preserved: 2,741

Additional Info: From 2008 - 2009, MN allocated 9% tax credits to help preserve more than 900 affordable apartments. While the state does not have an explicit preservation set-aside, it has targeted more than 25% of their allocations to preservation during that 2 year period.

Private Activity Bonds with 4% Tax Credits

In order to qualify for 4% credits under Minnesota Housing's QAP, a developer must demonstrate that the project is eligible for not less than 40 points. The threshold requirements in Article 6 of the QAP and Chapter 6(A) of the Housing Tax Credit Procedural Manual do not apply to tax-exempt bond financed projects using credits not counted in the state's volume cap.

Allocations (2003-2009)

Properties Preserved: 44

Apartments Preserved: 2,850

Housing Trust Funds

The Minnesota Housing Trust Fund, overseen by the HFA, provides capital financing for the acquisition, construction and rehabilitation of affordable and/or permanent supportive housing. Revenues come from interest on the real estate broker's trust account (about \$300,000 in 2006), interest on bond application fees (about \$60,000 in 2006) and state appropriations (more than \$4 million in 2006). The Trust Fund is devoted to the preservation of existing affordable housing stock as well as the new construction of permanent supportive housing. The legislature also prompted the Trust Fund to provide temporary rental assistance (both tenant and project based) with this funding source. MacArthur awarded \$600,000 to this trust fund in 2009.

Trust Funds (continued)

Minneapolis

Administered by the Minneapolis Department of Community Planning and Economic Development, the Affordable Housing Trust Fund combines housing revenue bond fees (\$2 million in 2006) with federal HOME and CDBG funds. The AHTF Program provides gap financing for affordable and mixed-income rental housing, housing production and preservation projects. Program funds are offered through an annual competitive RFP process. The purpose of this program is to finance the production and preservation/stabilization of affordable and mixed-income rental housing projects in Minneapolis. Approximately \$9.0 million was available April 2010.

PLEASE NOTE: Some of the information on housing trust funds included in this report was generously provided by the Center for Community Change (Housing Trust Fund Project).

Other Preservation Incentives

With the support of the MacArthur Foundation, the state will enhance its system for detecting properties at risk of losing their affordability in order to direct assistance and new funding towards preserving these affordable rental homes. Over the next ten years, 52,000 units of subsidized rental housing in Minnesota, nearly two-thirds of the total stock in the state, are at risk of being lost as subsidy contracts expire, properties physically deteriorate and financial pressures increase.

Minnesota dedicated \$15 million under the New Issue Bond Program for the preservation of a 300 unit Section 8 development in Minneapolis.

In March 2008, Minnesota expanded the scope of the "4d" tax classification, called the Low Income Rental Classification. Projects under this classification must be rent-restricted and face lower state property taxes. Under the new law, the percentage of affordable units required to qualify for 4d decreased from 75% to 20% and projects receiving only local (rather than state or federal) subsidies qualify for the first time. The reduction is valued at approximately \$6 million.

MHFA's Preservation Affordable Rental Investment Fund Program (PARIF) is currently a \$3.217 million program (down from \$9m in 2008) subject to biennial appropriations. PARIF is a statewide program that provides low interest-deferred loans to help cover the costs of preserving permanent affordable rental housing with long term project-based federal subsidies that are in jeopardy of being lost. The program provides funds to help cover the costs of acquisition, rehabilitation and debt restructuring of federally assisted developments, as well as equity take-out deferred loans. Eligible developments are those which receive project-based federal subsidies. The subsidies must be at risk of loss within two years, due to owner cancellation, a failing physical inspection and/or diminishing ownership capacity. Since 1998, MHFA's PARIF program has awarded more than \$83 million to over 103 developments containing 7,586 apartments.

MHFA also invests its earnings back into housing, devoting \$30 million annually in Agency resources to the preservation of federally-assisted housing in that state.

MHFA uses its HOME funding as well as state appropriations to provide long term deferred no or low interest loans to promote the development or redevelopment of the state's affordable housing stock. The HOME Rental Rehabilitation Loan program offers deferred payment loans of up to \$14,000/unit for properties which meet MHFA rehab and energy standards and maintain affordability for 5 years. Recent expenditures have concentrated about 40% of it's funding on Rural Development preservations.

MHFA has a Redefined Equity II program and also a bond refunding program for FAF developments. Both of these programs are very economical ways to provide financial incentives to owners of federally assisted housing in exchange for longer term commitments to remain in the federally assisted programs. Through the Spring of 2006, MHFA preserved 31 developments with over 1,800 apartments, with a PV of \$94 million in Section 8 payments over the course of the preservation, with no financial outlay to the MHFA.

Other Preservation Incentives (continued)

The Family Housing Fund pools its dollars with other private and public funds to subsidize the production and preservation of affordable rental housing. The Fund makes grants and low-interest deferred loans to developers who create rental housing by rehabilitating housing or building new apartments and townhomes. The Fund also provides support to preserve existing affordable rental housing in need of repairs or financial stabilization and received over 1.6 million dollars from the MacArthur Foundation to support these efforts.

Green Multifamily Preservation Initiatives

Green Incentives in State Tax Credit Allocation Plan

All developments are required to meet Enterprise National Green Communities Energy Efficiency standards with the Minnesota Overlay. New construction and rehabilitation developments are required to meet different portions of the Energy Efficiency section.

Other Green Incentives Relevant to Preservation

Incentives include a sales tax exemption for renewable systems, a property tax exemption for renewable systems, state loans for green construction projects, and a rebate program for PV installations.

Minnesota Housing is working with the Minnesota Office of Energy Security to increase the amount of Weatherization Assistance Program funds used in affordable multifamily housing. At least 10 of the 32 weatherization providers across the state are working towards weatherizing at least one multifamily property. For complete information on MN's Weatherization program see: <http://www.waptac.org/grantee-contacts.aspx>.

For additional information on green initiatives, visit www.aceee.org for more on policies related to energy efficiency or www.dsireusa.org for programs that may be available to developers to incentivize renewable energy or energy efficiency.

Sustainable Communities & Transit-Oriented Development Incentives

Minnesota's 2011 QAP awards 2 points for rehabilitation proposals which are part of Community Revitalization Plans. 1 point is available for projects located in qualified census tracts and which support community revitalization plans. Additionally, the scoring guide awards 10 points to developments located in one of the top ten job or household population growth counties, and 5 points to developments located in one of the top twenty, but not in the top ten, job or household population growth counties.

In Minnesota's 2011 QAP provides a point incentive for developments near transit - three (3) points will be awarded for developments located within walking distance of public transit stations and stops, and that meet some additional criteria.