What you need to know:
MN Affordable Housing Tax Credit

mhp policy

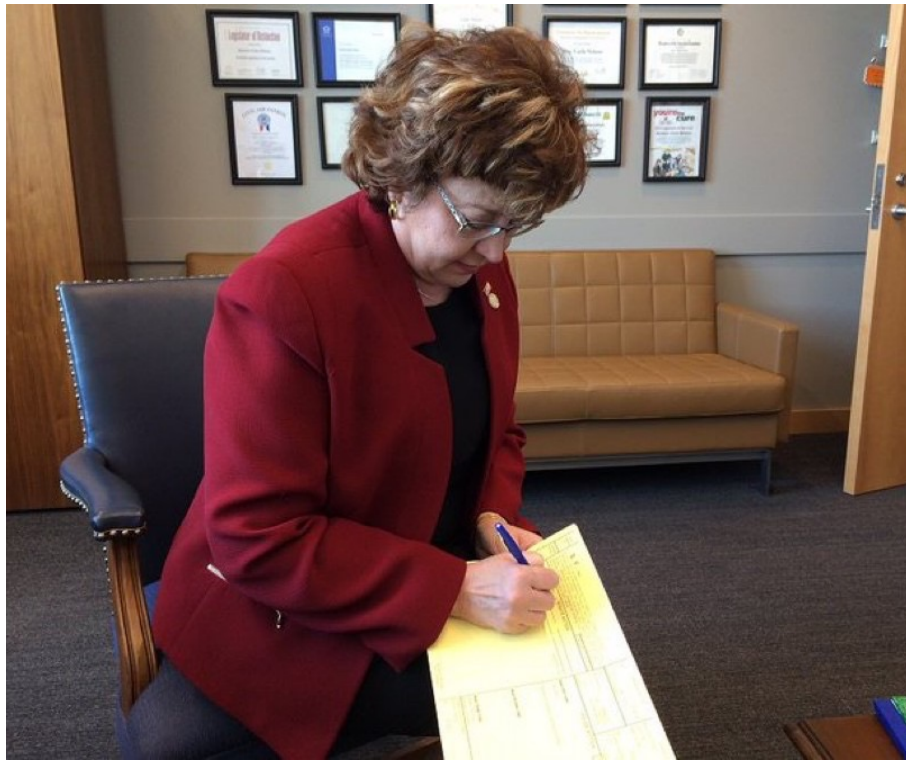
7/15/22

Welcome

Anne Mavity

Minnesota Housing Partnership

Senator Carla Nelson





mhp policy

Minnesota Affordable Housing Tax Credit (AHTC)

Senator Carla Nelson

Taxes Chair

Minnesota Senate

95 University Ave West, Suite 3235, St.Paul, MN 55155

(651) 296-4848 Email: sen.carla.nelson@senate.mn

Why Do We Need This?



- The private market is not supplying housing that is affordable to Minnesota workers.
- 300,000 homes needed by 2030 to meet demand and keep the state strong economically.
- Cities and employers are concerned about the lack of affordable and workforce housing opportunities across Minnesota.
- State, local and private entities all have a role to play in addressing this growing housing need in our communities.

The AHTC…



- The AHTC is a simple, effective, and proven way to boost investment in affordable and workforce housing.
- It is an innovative tool that incentivizes private investment to promote economic development and encourages local businesses, neighbors and employers to invest in their community by creating housing opportunities.
- It will spur the development of affordable and workforce housing for persons and families of low and moderate incomes in Minnesota.

Many Hands Along the Journey

- 2018 Anderson S. HF4072/Nelson SF3301
- 2019 Tabke HF1156/Nelson SF404
- 2021 Howard HF1971/Nelson SF1866
- 2021 1SS Marquart HF9/Nelson SF26
- Signed into Law! HF 9/Chapter 14



The 2021 Minnesota Housing Tax Credit

- Established the Minnesota Housing Tax Credit Contribution Account
- in the housing development fund in the state treasury
- administered by the Minnesota House Finance Agency
- to provide loans or grants for low- and moderate-income housing construction.
- Modeled after North Dakota's successful Housing Incentive Fund (HIF) that has created over 2,500 units across North Dakota since 2011, the Minnesota Housing Tax Credit Contribution Fund is capitalized by contributions from taxpayers with state tax liabilities.

Minnesota Housing Finance Agency

MINNESOTA HOUSING

Largest new & ongoing investment for affordable housing development & preservation since 2013



- $10 million annually
- less $100,000/per year to MHF for administration
- beginning with TY23 and ending June 30 2028
- Participation in the program is simple and the program provides a proven innovative tool to leverage substantial private equity in a way that is flexible and easy to use across the state.

Housing Tax Credit Contribution Account



- 85% nonrefundable tax credit against their state tax liability in exchange for their contribution to the Minnesota Housing Tax Credit Contribution Account.
- Eligible taxpayers individuals and corporations see 290.01 subdiv 6 or section 2971.01 subdiv 16
- Ten year carry over allowed.
- Eligible contributions at least $1000 but not more than $2 million.
- Taxpayers choose to contribute to a qualified specific affordable housing project or to the general loan pool.
- Non residents and part-year residents allocated based on percentage under section 290.06, subdiv 2c, para (e).
- Passed through prorata to partnerships;multiple owners.
- Credit certificate to taxpayer within 30 days of contribution.

Set-asides

Pre Sept. 1 set-asides for use of ACCOUNT funds:

- ❑ At least 10% of account funds for towns and small cities outside metropolitan area
- ❑ At least 35% of account funds for persons/families with income 50% or less of Area Median Income (AMI)
- ❑ At least 25% for single family housing

If MHF does not receive requests to use the amounts in the set-aside categories by Sept 1, then the set-aside amount go into the general “pot.”



No Self Dealing: Disqualified Individual or Business

MHF must not award a grant to an individual or business that:

- ❑ Made a contribution to the Account in the current or prior tax year and received a credit certificate;
- ❑ Own the housing and use it as their domicile;
- ❑ That is an officer or principle of a business entity and the business entity made a contribution to the Account in the current or previous tax year and received a credit certificate; or
- ❑ Own, control, or hold the power to vote at least 20% of outstanding securities of a business entity and the business entity made a contribution to the Account in the current or previous tax year and received a credit certificate.

Dozens of organizations statewide support the

MN Affordable #HousingTaxCredit

HF 1156
SF 404



Homes for All
Where we live impacts everything

mhp
improving home & community

Contact Information

Senator Carla Nelson
Taxes Chair

Minnesota Senate
95 University Ave West, Suite 3235, St.Paul, MN 55155
(651) 296-4848 Email: sen.carla.nelson@senate.mn

Legislative Assistant: Nicole Warrick
(651)-296-7136 or Email: nicole.warrick@senate.mn

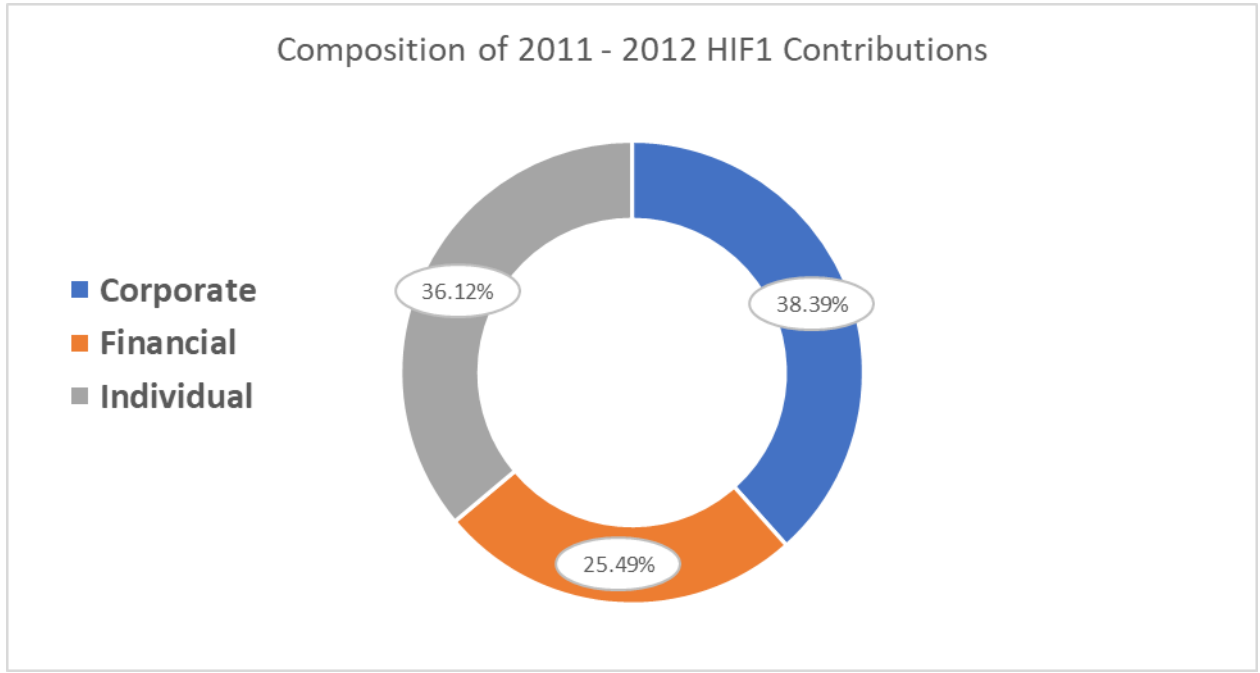


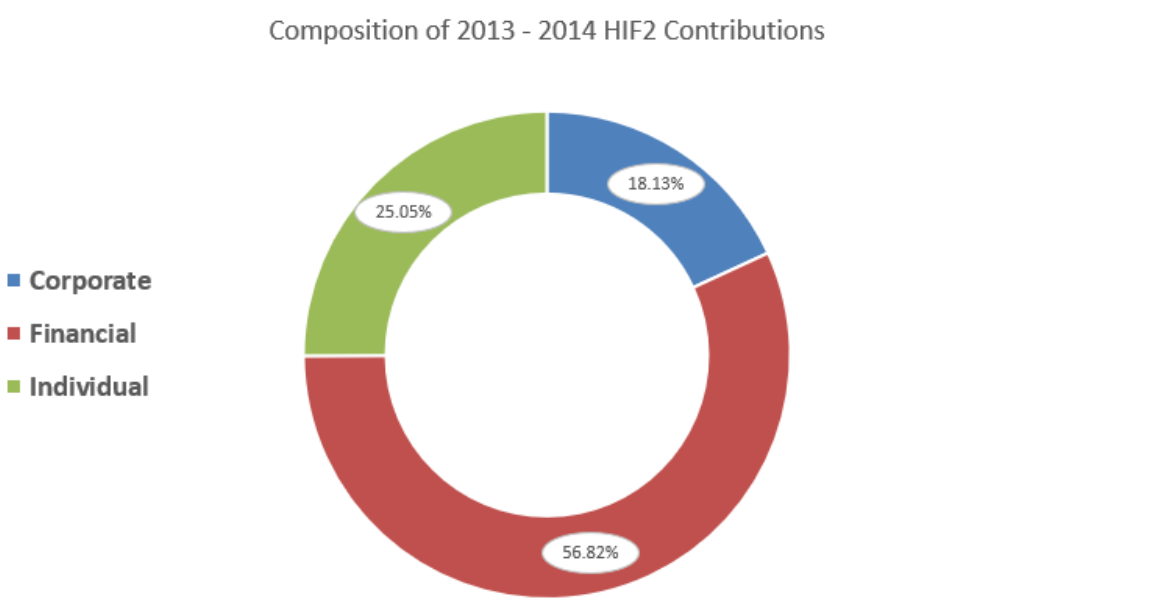
Jennifer Henderson

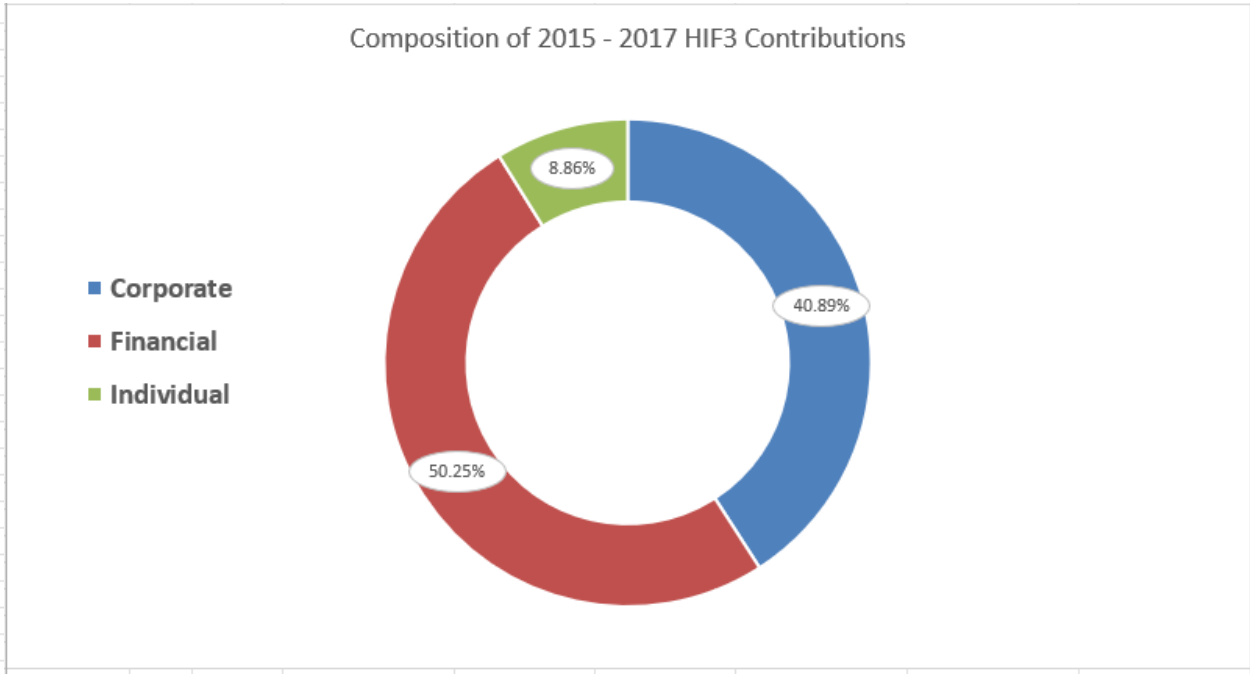
Planning and Housing Development Director

North Dakota Housing Finance Agency

mhp policy







As of: 12/31/2014

	#	Unique	Amount	% of Total #	% of Total $	High	Low	Average
Corporate	126	92	$ 21,636,422	9.50%	34.90%	$ 5,300,000	$ 100	$ 188,119
Financial	76	31	$ 27,587,614	5.73%	44.50%	$ 4,000,000	$ 1,000	$ 347,432
Individual	1124	713	$ 12,777,359	84.77%	20.61%	$ 275,000	$ 1	$ 11,489
Totals	1326	836	$ 62,001,395	100.00%	100.00%		*Overall Average:*	*$ 55,797*

mhp policy

Dan Madler

Chief Executive Officer

Beyond Shelter

mhp policy

Beyond Shelter, Inc. HIF Contributions

HIF FUNDED PROJECTS

Name	LIHTC Dickinson Heritage Hills I	LIHTC Dickinson Heritage Hills II	LIHTC Fargo North Sky II	LIHTC Minot Cook's Court	Non-LIHTC Minot Fieldcrest	Non-LIHTC Burlington The Willows	Non-LIHTC Fargo North Sky I	Totals	%ages
US Bank	$ 50,000	$ 342,000			$ 166,000	$ 100,000	$ 50,000	$ 708,000	23%
Bell State Bank & Trust	$ 44,000			$ 106,000			$ 350,000	$ 500,000	17%
American Bank Center	$ 20,000				$ 30,000	$ 70,000		$ 120,000	4%
Bremer Bank			$ 100,000		$ 175,000	$ 100,000		$ 375,000	12%
Gate City Bank			$ 292,000	$ 342,000				$ 634,000	21%
Marathon Oil	$ 44,000	$ 150,000						$ 194,000	6%
Slawson Exploration Company, Inc.						$ 300,000		$ 300,000	10%
Individual/Busn/Corp					$ 116,200	$ 24,000	$ 57,045	$ 197,245	7%
Total HIF Contributions Rec'd	$ 158,000	$ 492,000	$ 392,000	$ 448,000	$ 487,200	$ 594,000	$ 457,045	$ 3,028,245	100%
57% HIF Funds Needed	$ 114,000	$ 342,000	$ 342,000	$ 342,000	$ 1,316,700	$ 1,710,000	$ 651,045	$ 4,817,745	
Over(under)	$ 44,000	$ 150,000	$ 50,000	$ 106,000	$ (829,500)	$ (1,116,000)	$ (194,000)	$ (1,789,500)	
Reallocation	$ (44,000)	$ (150,000)	$ (50,000)	$ (106,000)	$ 156,000	$ -	$ 194,000	$ -	
57% HIF Funds Still Needed	$ -	$ -	$ (0)	$ -	$ 673,500	$ 1,116,000	$ -	$ 1,789,500	
Housing Incentive Fund Award	**$ 200,000**	**$ 600,000**	**$ 600,000**	**$ 600,000**	**$ 2,310,000**	**$ 3,000,000**	**$ 1,142,184**	**$ 8,452,184**	

mhp policy

Project Narrative

Quality affordable housing is a high priority for the City of Minot. Through collaboration with the Minot Housing Authority (MHA), support from the City of Minot, and support from the State of North Dakota, Beyond Shelter, Inc. (BSI) has the ability and local support to provide the much needed housing. BSI and the MHA are proposing to develop 42 affordable workforce housing units on the North side of Minot. The City of Minot has pledged their support with CDBG/DR funds in the amount of $750,000 to acquire the Fieldcrest Site and will also support the project by investing an additional $100,000 of CDBG/DR funds to complete off-site sanitary sewer extension work. The State of North Dakota has pledged their support with CDBG/DR funds in the amount of $3,200,000 and $2,310,000 in funding from the Housing Incentive Fund (HIF).

Fieldcrest Apartments will be located at the intersection of 36th Avenue NE and 6th Street NE, Minot, ND (the "Project") **The Project will:**

Fieldcrest Apartments will be located at the intersection of 36th Avenue NE and 6th Street NE, Minot, ND (the "Project") **The Project will:**

- Provide 42 homes to 42 family households
- Breakground in the Spring of 2014 with construction completion by the Spring of 2015
- Have a unit mix of 10 1-bedroom units (4 fully accessible), 26 2-bedroom units (3 fully accessible), and 6 3-bedroom units.
- Offer monthly rents currently ranging from $400-$581 for one-bedroom units, $500 - $697 for two-bedroom units, and three-bedroom rents are currently set at $804 per month (Note: all utilities will be paid by the owner except for electricity)
- Have 100% of the unit rent levels within the current MHA Payment Standard
- Will provide 9 Essential Service Worker (ESW) housing units. ESW's are employed by the City, County, School District, Medical, and Long-term Care Facilities.
- Project-Base up to 9 Section 8 Vouchers from the Minot Housing Authority.
- Have the MHA participate in the ownership and be the Property Manager.
- Combine a location, unit plan, and fill a demand brought on by a devastating flood and changing economics.
- Bring a readiness to proceed from a team of developers, city leaders and financial commitments that will fill a portion of the overwhelming market demand.

In order to proceed with a closing and construction start, BSI and the MHA are tasked with raising 57% of the $2,310,000 HIF Award or $1,316,700. To-date, BSI and the MHA have raised $551,000 and still need to raise $765,700 in HIF contributions.

Beyond Shelter, Inc. and the Minot Housing Authority are requesting your consideration of a HIF Contribution in support of the Fieldcrest Apartments Project.

Thank you for your time and consideration.



Beyond Shelter, Inc.

Fieldcrest Apartments

- 42 units
- 10 1bdr, 26 2bdr, & 6 3bdr (7 units fully accessible)
- Rents from $400-$581/month 1brd, $500-$697/month 2bdr, $804/month 3bdr (2014)
- 9 essential worker units
- 9 Section 8 Vouchers
- $2.3M in HIF
- Minot



mhp policy

Fieldcrest Apartments



Fieldcrest Apartments, 42-units
Minot, ND 58701

SOURCES		FINAL	PERCENTAGE
City of Minot - CDBG/DR	$	750,000	9%
State of ND - CDBG/DR	$	3,755,000	46%
Housing Incentive Funds (HIF)	$	2,310,000	28%
Bank Perm Loan	$	780,000	10%
Deferred Developer Fees	$	515,069	6%
Total Sources:	**$**	**8,110,069**	100%
			200%

USES		FINAL	PERCENTAGE
Land	$	750,000	9%
New Construction	$	6,008,865	74%
Financing Costs	$	153,449	2%
Professional Fees	$	319,020	4%
Developer Fees	$	744,100	9%
Project Reserves	$	134,635	2%
Total Uses:	**$**	**8,110,069**	100%

North Sky Apartments



North Sky I Apartments, 24-units
Fargo, ND 58103

SOURCES		FINAL	PERCENTAGE
City of Fargo - NSP	$	175,000	6%
City of Fargo - HOME	$	275,000	10%
Housing Incentive Funds (HIF)	$	1,142,184	40%
Bank Perm Loan	$	840,000	30%
BSI Soft Loan	$	118,276	4%
Deferred Developer Fees	$	284,000	10%
Total Sources:	**$**	**2,834,460**	100%
			200%

USES		FINAL	PERCENTAGE
Land	$	201,000	7%
New Construction	$	2,168,000	76%
Financing Costs	$	106,960	4%
Professional Fees	$	23,000	1%
Soft Costs	$	26,300	1%
Developer Fees	$	284,000	10%
Project Reserves	$	25,200	1%
Total Uses:	**$**	**2,834,460**	100%

Affordable Housing Tax Credit

A flexible fund that provides loans and grants to develop affordable and workforce housing capitalized by contributions from taxpayers

- Effective 2023. Sunsets after 2028.
- $9.9M in tax credits annually. $11.6M in loans and grants.

mhp policy

Benefits

- Funds projects with financial support from the community
- Incentivizes unique private-public partnerships
- Flexible funding outside the RFP
- May incentivize donors to give more
- Easy

mhp policy

Eligible Uses

- Multifamily for households at or below 80%AMI or SMI
- Single-family homes for households at or below 115%AMI or SMI
- Gap financing; new construction; acquisition; rehabilitation; demolition or removal of existing structures; construction financing; permanent financing; interest rate reduction; and refinancing

mhp policy

Set asides

- 35% for households at or below 50% AMI
- 25% for single-family homes
- 10% for housing in small communities outside the metro

mhp policy

Eligible awardees

- Cities; federally recognized American Indian tribe or subdivision; tribal housing corporation; private developer; non-profit organization; housing and redevelopment authority; public housing authority or agency; owner of the housing

mhp policy

How it works for projects

- Apply to Minnesota Housing (MH) w/ or w/o pre-commitments
- Receive a conditional approval of a loan or grant
- Solicit donations
- If the project cannot secure enough in donations, MH can allocate funds from the general contribution fund to the project

mhp policy

How it works for contributors

- Contribute to the general contribution account
- Or contribute to an approved project
- Or pre-commit contributions to a project applying for funds
- Receive a certificate to submit with your taxes

mhp policy

Credit allowed

- $0.85 for every $1
- Minimum contribution is $1,000.
- Maximum credit is $2M (or $2.35M donation)
- 10-year carryover
- Nontransferable
- Against MN state income taxes

mhp policy

Potential contributors

Anyone or any business with state income tax liability

- Individuals
  - Current donors
  - New donors
- Businesses
  - The largest employer in town
  - Small businesses
  - Statewide presence
- Banks – CRA eligible

mhp policy

Unknowns

- Timeline for draft program guidelines, public comment period, and final program criteria
- Priorities among all applications
- Priorities within each set-aside
- Is there a program deadline or is the deadline rolling
- When MH will begin accepting contributions to the geneal account

mhp policy

Next steps

- Submit feedback to MHP
  - Email feedback
  - Set up a 1:1
  - Invite MHP to host a session
- Advisory group submits recommendations to MHFA

Contact MHP's Libby Murphy at libby.murphy@mhponline.org

mhp policy

Thank you!






One in four Minnesota fa
pay more than 30% of
income on hou
These
572,13
households are likely to
basic needs like food and
to pay their rent or mortgage.
23%


Sean Mock





