



Dakota County
Community Development
Agency

DAKOTA COUNTY CDA

HOUSING TAX CREDIT

2020 QUALIFIED ALLOCATION PLAN (QAP)

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**DAKOTA COUNTY COMMUNITY DEVELOPMENT AGENCY
LOW-INCOME HOUSING TAX CREDIT
QUALIFIED ALLOCATION PLAN FOR 2020**

ARTICLE 1
DEFINITIONS

Section 1.0. The following terms shall have the meanings assigned below for purposes of this Plan and the Procedural Manual.

- a. Act: Minnesota Statutes, Sections 462A.221 through 462A.225, as amended.
- b. Agency: The Dakota County Community Development Agency.
- c. Code: The Internal Revenue Code of 1986, as amended.
- d. Declaration: A Declaration of Land Use Restrictive Covenants in a form acceptable to the Agency, imposing restrictions required by Section 42 of the Code on a particular project receiving Tax Credits.
- e. Federally Assisted Building: As defined by Section 42, 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 (“HUD”) or by the Department of Agriculture Rural Development (“RD”).
- f. Market Study: In accordance with Section 42(m)(1)(A)(iii) of the Code, a comprehensive market study of the housing needs of low-income individuals in the area to be served by the project, conducted before the Tax Credit allocation is made, and at the developer’s expense by a disinterested party approved by the Agency.
- g. MHFA: Minnesota Housing Finance Agency.
- h. Plan: This Qualified Allocation Plan adopted by the Agency pursuant to Section 42(m)(B) of the Code in connection with the allocation of 2020 Tax Credits.
- i. Section 42: Section 42 of the Code, as amended, relating to Tax Credits.
- j. Single Room Occupancy: A unit having one bedroom or less with rents affordable at 30 percent of median income.
- k. Substantial Rehabilitation: Rehabilitation with a minimum cost that:

1. Equals or exceeds \$5,000 per unit, as defined in Minn. Stat. Section 462A.221, Subdivision 5; and
 2. Equals or exceed the greater of:
 - (a) An average qualified basis amount per low income unit for a building which meets the inflation adjusted amount published by the IRS annually in accordance with Section 42(e)(3)(D) of the Code; or
 - (b) An amount that is not less than 20 percent of the adjusted basis of the building, as determined pursuant to Section 42(e)(3) of the Code.
- l. Tax Credit Agencies: Any entity authorized by the State of Minnesota and Section 42 to allocate Tax Credits in Minnesota.
- m. Tax Credits: Low income housing tax credits, within the meaning of Section 42 of the Code.

ARTICLE 2 PURPOSE; AUTHORITY

Section 2.0 Section 42(m) of the Code, requires Tax Credit Agencies to develop and adopt a qualified allocation plan in connection with the allocation of Tax Credits. This Plan for 2020 sets forth selection criteria that are appropriate to local conditions, priorities and procedures to be used by the Agency in the allocation of Tax Credits to projects and provides procedures the Agency will follow with respect to monitoring noncompliance with the provisions of Section 42 of the Code and in notifying the Internal Revenue Service of such noncompliance.

Section 2.1 The Act provides that the amount of Tax Credits available in Minnesota shall be allocated among MHFA and certain cities and counties or their designees, including the Agency as designee for Dakota County. The Agency anticipates that it will be authorized to allocate approximately \$1,037,278 of 2020 Tax Credits pursuant to this Plan.¹

Section 2.2 This Plan was prepared in accordance with the procedures set forth in Section 42(m) of the Code, and is to be construed and governed under Section 42 of the Code, including applicable Treasury Regulations, and the Act. All applicable restrictions and requirements set forth in Section 42 of the Code and the applicable Treasury Regulations are hereby incorporated by reference as if fully set forth herein and to the extent of any inconsistency between this Plan and Section 42 and applicable regulations, the provisions of Section 42 and applicable regulations will govern.

ARTICLE 3

¹ The 2020 Tax Credit amount was updated with the IRS 2019 population update released on March 18, 2019 and includes the 12.5% boost that was approved in the 2018 Spending Bill. The 12.5% boost will be in effect for the 2018, 2019, 2020 and 2021 allocations. Barring an extension, the Tax Credit annual allocation will revert to the previous levels (adjusted for inflation) in 2022.

GENERAL CONCEPTS

Section 3.0. This Plan sets forth selection criteria which reflects the housing policies of the Agency, which will be used to determine the priorities for the allocation of Tax Credits within Dakota County. This Plan gives preferences as required by Section 42 in allocating Tax 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 which are located in a qualified census tract (as defined in Section 42(d)(5)(C), of the Code and contribute to a concerted community revitalization plan.

As part of the evaluation by or on behalf of the Agency of applications for Tax Credits, the applicant must demonstrate, to the satisfaction of the Agency, that the proposed project is marketable and financially feasible.

In addition, this Plan provides a procedure that the Agency (or an agent or other private contractor of the Agency) will follow in monitoring for noncompliance with the provisions of the Code, including but not limited to monitoring for noncompliance with habitability standards through regular site visits, and in notifying the Internal Revenue Service of such noncompliance of which the Agency becomes aware of in accordance with Section 42, Treasury Regulations §1.42-5 and any other applicable regulations.

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

- 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. whether tenant selection will involve special consideration for persons on public housing waiting lists,
- g. tenant populations of individuals with children,
- h. projects intended for eventual tenant ownership,
- i. the energy efficiency of the project, and
- j. the historic nature of the project.

Section 3.2. This Plan provides for the financial feasibility review of each project and its viability as a qualified low-income project throughout the 10-year credit period as of the application date, allocation date, and placed-in-service date, all as required under Section 42(m)(2) of the Code.

Such review is solely for the purpose of allocating Tax Credits and may not be relied upon by an applicant or investor for any other purpose.

As authorized by, the Housing and Economic Recovery Act of 2008, **the Agency** may increase or “boost” the eligible basis of a particular project for purposes of the allocation of Tax Credit by up to 30% (“Basis Boost”) for designated buildings that are located outside of an established Qualified Census Tract (QCT) or Difficult Development Area (DDA). The Agency will review the financial feasibility of the project and the request for additional Basis Boost in accordance with this Plan.

(This Basis Boost does not apply to buildings which receive automatic Tax Credits because they are financed with tax-exempt bonds.) This Plan establishes standards for the Agency to determine which buildings will be designated for such Basis Boost.

Pursuant to the 2015 Protecting Americans from Tax Hikes Act, Congress made permanent the provisions of Code Section 42(b)(2) which provides 9 percent tax credit rate percentage to all non-federally subsidized new buildings which are placed in service on or after January 1, 2015 (the “9% Tax Credit”).

Section 3.3. This Plan also applies to projects that are tax-exempt bond financed as set forth in Section 42(m)(1)(D) of the Code (the “4% Tax Credit”).

ARTICLE 4 APPLICATION ROUNDS

Section 4.0. The Agency will accept applications on the deadline set by MHFA for the first application competition round. The application deadline for 2020 Tax Credits is tentatively scheduled for June 3, 2019, however applicants should confirm the actual deadline prior to submission of an application. All applicants applying for the 9% Tax Credit must meet the minimum threshold requirements set forth in Sections 4.1 and 4.2.

Section 4.1 A project for which 9% Tax Credits are being sought must satisfy the following minimum requirements:

- a. Under the Act and Minnesota Statutes, Sections 462A.222, Subd 3(d) and 383D.41, Subd. 11, all applicants must meet one of the following threshold types:
 1. 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% of the total tax credit units must be Single Room Occupancy, efficiency, or one bedroom units and which are affordable by households whose income does not exceed 30% of the median income;
 2. New construction or Substantial Rehabilitation family housing projects that are not restricted to occupancy by persons 55 years old or older and in which, for the term of the extended use period (term of the Declaration), at least 75% of the tax credit units contain two or more bedrooms and at least one third of the 75% contain three or more bedrooms;
 3. Substantial Rehabilitation projects located in neighborhoods targeted by the applicable city for revitalization;
 4. 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:
 - (a) with a serious and persistent mental illness as defined in Minnesota Statutes Section 245.462, Subd. 20(c);
 - (b) with a developmental disability as defined in the United States Code, title 42, Section 6001 paragraph (8);
 - (c) who have been assessed as drug dependent persons as defined in Minnesota Statutes Section 254A.02, Subd. 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, Subd. 2;
 - (d) with a brain injury as defined in Minnesota Statutes Section 256B.093, Subd. 4(a); or
 - (e) with permanent physical disabilities that substantially limit major life activities, if at least fifty percent (50%) of the units in the project are accessible as provided under Minnesota Rules Chapter 1340.
 5. 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 the conversion of the project to market rate use project or (2) to remedy physical deterioration of the project which would result in loss of existing federal subsidies;

6. Projects financed by Rural Development, which meet state-wide distribution goals;
7. Up to two projects of the following type: new construction or Substantial Rehabilitation multifamily housing projects that are not restricted to persons who are 55 years old or older and that are located within one of the following areas at the time a reservation for Tax Credits is made:
 - (a) an area within one-half mile of a completed or planned light rail transitway, bus rapid transitway, or commuter rail station;
 - (b) an area within one-fourth mile from any stop along a high-frequency local bus line;
 - (c) an area within one-half mile from a bus stop or station on a high-frequency express route;
 - (d) an area within one-half mile from a park and ride lot; or
 - (e) an area within one-fourth mile of a high-service public transportation fixed route stop.

To qualify under this threshold requirement, prior to submitting an application, the applicant must receive written confirmation from the Agency that the project meets the applicable requirements.

For purposes of this threshold requirement, the following terms have the following meanings:

- (1) "high-frequency local bus line" means a local bus route providing service at least every 15 minutes and running between 6:00 a.m. and 7:00 p.m. on weekdays and between 9:00 a.m. and 6:00 p.m. on Saturdays;
- (2) "high-frequency express route" means an express route with bus service providing six or more trips during at least one of the peak morning hours between 6:00 a.m. and 9:00 a.m. and every ten minutes during the peak morning hour; and
- (3) "high-service public transportation fixed route stop" means a stop serviced between 6:00 a.m. and 7:00 p.m. on weekdays and 9:00 a.m. and

6:00 p.m. on Saturdays and with service approximately every 30 minutes during that time.

- b. Each project must satisfy the following additional requirements to the Agency's satisfaction:
 - 1. The Agency's underwriting standards;
 - 2. Preliminary financing commitments must be in place;
 - 3. The owner/sponsor must have substantial experience and track record in developing successful Tax Credit projects, in the judgement of the Agency. Such experience may typically be demonstrated by the owner/sponsor having developed at least five (5) successful tax credit projects, the Agency may also consider other factors including a smaller number of recent tax credit projects;
 - 4. The project must comply with applicable building, land use and zoning ordinances;
 - 5. The project must propose a number of units and otherwise be consistent with a Market Study; and
 - 6. The costs of intermediaries must not be excessive for a project of its nature and in its location.

- c. Applicants must agree to utilize public housing waiting lists in Dakota County in marketing units to the public.

- d. Owners of a Tax Credit project must agree to not refuse to rent a unit to a tenant because that tenant has a Section 8 voucher that would be used for a unit in the project. Language prohibiting discrimination based on Section 8 status must be included in the Declaration entered into by the owner with the Agency.

- e. The applicant must demonstrate by information in the application that each building in the project is a qualified low-income building under Section 42(c)(2) of the Code.

- f. The applicant must agree to enter into a Declaration in form and substance acceptable to the Agency and legal counsel appointed by the Agency. Declarations are enforceable in state court by Housing Credit Agencies and all income-eligible persons and must be recorded in the County in which the project is located.

g. The applicant must agree to resident screening criteria as provided in the Declaration.

h. The applicant (i) for a project applying for 9% Tax Credits, must agree to waive the provisions of Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) which permit the owner to terminate the extended use period, described in Section 42(h)(6)(D) of the Code at the end of the initial 15 year compliance period, and (ii) for a project applying for 4% Tax Credit, must agree not to seek to terminate the extended use period as otherwise permitted under Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) earlier than the later of: (a) 5 years after the close of the initial 15 year compliance period, or (b) if applicant claimed points on the Self-Scoring Worksheet for a longer extended use period, such longer period.

i. The applicant agrees to provide high speed internet access via installation of all appropriate infrastructure and connections for cable, DSL or wireless/data internet service to every unit.

j. The applicant agrees to institute and maintain a written policy prohibiting smoking in all the units and all common areas within the building(s) of the project. The project must include a non-smoking clause in the lease for every unit. Projects will be required to maintain the smoke-free policy for the term of the Declaration.

Section 4.2 All new construction and substantial rehabilitation must meet the basic design requirements set forth in Exhibit C of the Procedural Manual, which include certain energy efficiency standards. Units that are designed to meet the threshold requirements of Section 4.1.a.4. above must comply with 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.

Section 4.3 The Agency will require that the threshold type under which the applicant applies be included as a requirement in the Declaration.

Section 4.4 Under State law, Tax Credits not committed or allocated by the Agency as of the last day of the first round in each year will be returned to the MHFA.

ARTICLE 5 APPLICATION PROCESS

Section 5.0. The application process for awarding the Tax Credits to projects located in Dakota County consists of the following steps:

a. Each applicant shall notify the Agency of its intent to apply.

- b. Each applicant shall complete, sign, date and submit to the Agency no later than the application due date an original application and related documents on forms required by the Agency, including all required fees, deposits and exhibits, all as set forth in the Procedural Manual.
- c. The Agency shall review and evaluate the application to:
 - 1. assure that the application is complete.
 - 2. assure that minimum threshold requirements to qualify for Tax Credits have been satisfied.
 - 3. assign points to the project according to the selection priority section of the Scoring Worksheet attached to this Plan as Schedule 1.
 - 4. determine the minimum amount of Tax Credits necessary to make the project financially feasible and viable pursuant to Code Section 42(m)(2)(B).
- d. Applicants with initial scores sufficient to receive an allocation of Tax Credits will be required to submit a Market Study, as required under Section 42(m)(1)(A) of the Code.
- e. Legal counsel appointed by the Agency shall also review the application.
- f. The Agency shall present the project to the Mayor and the staff of the city in which the project is located for review and comment prior to staff recommendation to the Agency. The Agency will consider comments made by the Mayor and/or city staff.
- g. The Agency shall make a determination whether to approve or deny a commitment of Tax Credits to the project based upon the findings and selection priority criteria and the requirements of this Plan and the Procedural Manual, provided, however that the Agency 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 5 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 Agency shall provide a written explanation, available to the general public, for any allocation of Tax Credits which is not made in accordance with the priorities and selection criteria set forth in this Plan.

- h. The applicant shall be required to pay the application, commitment and allocation fees in the amounts and at the times described in the Procedural Manual in effect at the time of application, commitment or allocation, respectively.
- i. The applicant shall certify that the project has been placed in service.
- j. The Agency shall reevaluate the amount of Tax Credit for the project based on final information provided by the applicant and the final costs at the time the building is placed in service pursuant to Section 42(m)(2)(B) of the Code.
- k. Legal counsel appointed by the Agency shall conduct a final review of the application.
- l. The Agency issues IRS Form 8609, Low Income Housing Credit Allocation and Certification.
- m. Evaluations of the amount of Tax Credit for a project may be completed by a fiscal consultant engaged to act on behalf of the Agency.
- n. Applicants with initial scores sufficient to receive an allocation of Tax Credits and which have an identity of interest will be required to provide an as-is appraisal acceptable to the CDA to substantiate the acquisition price reflected in the application.

Section 5.1. The Agency will evaluate project proposals to determine the amount of Tax Credits to be allocated pursuant to Section 42(m)(2)(B) of the Code. In determining the amount of Tax Credits to be allocated, the Agency will consider: the Market Study, the sources and uses of funds and the total financing planned for the project, proceeds or receipts expected to be generated by reason of tax benefits; the percentage of the Tax Credits used for project costs other than costs of intermediaries, and the reasonableness of the developmental and operational costs of the project.

The Agency will also evaluate project proposals to determine whether the Basis Boost is needed for a project to be financially feasible. In making such determination, the Agency will consider whether: (i) the project meets the housing priorities identified by the Agency, as evidenced by a 9% Tax Credit score; and (ii) any funding gaps remain for such projects.

In any event, the Agency will not allocate more Tax Credits to a project, whether or not it is designated for a Basis Boost, than the amount necessary for the financial feasibility of the project and its viability as a qualified low-income housing tax credit project throughout the 10- year credit period.

The Agency's evaluation of projects and determination of the amount of Tax Credits necessary for the feasibility of the project as provided above shall not be relied upon by any developer or

investor or used in connection with any offering of interests in the entity owning the project, and shall not be construed as a representation or warranty as to the feasibility or viability of the project. There will be three (3) such evaluations prior to delivery by the Agency of executed IRS 8609 Form(s) for the project, which are as follows:

- a. At the time of the initial application for a commitment of Tax Credits;
- b. At the time of any carryover allocation of Tax Credits; and
- c. At the time of the issuance of Form 8609, following the time the building is placed in service.

Prior to each evaluation, the applicant will be required to submit the most recent information about the project and fees as required by the Procedural Manual. Any federal, state or local subsidies anticipated must be documented to the satisfaction of the Agency. Misrepresentations of information will result in failure to issue IRS Form 8609, debarment from participation in the Low Income Housing Tax Credit Program, and possible criminal penalties. At each evaluation, the Agency may reduce the amount of Tax Credits to be allocated to the project or may revoke any Commitment to allocate Tax Credits to the project if it determines that the financial feasibility or viability of the project does not justify the original Tax Credits applied for or committed Tax Credit amount or that the criteria and requirements of this Plan have not been satisfied.

Section 5.3. Selected applicants failing to place a project in service in the year in which a commitment is made may be awarded a carryover allocation of Tax Credits if the Section 42 requirements and the requirements set forth in the Procedural Manual are met, including the Agency's review and approval of the following documentation:

- a. A written attorney's opinion letter or title policy verifying that the developer is the owner, for tax purposes, or has continued site control of the land and depreciable real property that is be expected to be part of the project; and
- b. Either (i) a written certification from a certified public accountant verifying that the owner has incurred costs in an amount greater than ten percent (10%) of the reasonably expected basis of the project determined as of the close of the second calendar year following the year in which the commitment was made, or (ii) evidence acceptable to the Agency that the owner expects to incur such costs by the date which is nine (9) months after the later of the date that the allocation is made or the close of the calendar year in which the allocation is made. The certification must include a statement by the certified public accountant that they are not affiliated with the developer and/or owner of the project.

If the final carryover basis and expenditure information is not available at the time the carryover application is due, the carryover application must include a written estimate of this information prepared by the owner. Final certified public accountant certifications of this information must

be submitted to the Agency prior to the deadlines established under Section 42 and by no later than the submission deadline identified in this Plan and in the Procedural Manual.

Section 5.4. The Agency reserves the right to not allocate any Tax Credits in 2020.

ARTICLE 6

ADDITIONAL ADMINISTRATIVE PROCEDURES

Section 6.1 No application will be considered for an existing project that contains units that are subsidized by state or federal resources except for (a) troubled projects, as defined by the Agency, the occupancies and/or net revenues of which need to be stabilized, or (b) projects for which the Agency is provided evidence that such project would convert to market rate units if Tax Credits are not awarded.

Section 6.2 As described above, the Agency may elect to give priority in the award of Tax Credits to a project that previously received an award of Tax Credits and has an annual tax credit shortfall of at least 5 percent, but not more than 50 percent of the total qualified annual Tax Credit amount, and that demonstrate readiness to proceed by having city approvals and all funding commitments in place (other than the Tax Credits the applicant is presently requesting).

Section 6.3 No project may be divided into two or more projects during a single application round to receive Tax Credits. Multiple applications, determined by the Agency to be one project, will be returned to the applicant and all fees forfeited. The Agency will consider such factors as ownership entities, affiliated partnerships, sponsor relationships, and the location of projects, if a contiguous site, to determine if multiple applications exists.

Section 6.4 The Agency may elect to not award a partial allocation of Tax Credits to a higher-ranking application but to award the Tax Credits to the next ranking application that can use the balance of the Tax Credits.

Section 6.5 The Agency has no jurisdiction to interpret or administer Section 42 of the Code, except in those instances where it has been delegated under the Code.

Section 6.6 The Agency may consult with MHFA, local communities, PHAs, HRAs, RD and HUD to determine the marketability of projects. The Agency may decline to award Tax Credits to a project if, in the Agency's discretion, the award of Tax Credits could be materially detrimental to an existing rental property. If necessary, the Agency may require an additional, updated Market Study and will evaluate it using the data from other sources, including Tax Credit project saturation in a community.

Section 6.7 The Agency reserves the right to adjust fees due to changing circumstances in order to cover its costs associated with producing and delivering its Tax Credit Program.

ARTICLE 7
CREDITS FOR BUILDINGS FINANCED BY TAX-EXEMPT BONDS

Section 7.0. Section 42 of the Code provides a separate set of procedures for awarding 4% Tax Credits for projects financed with the proceeds of tax-exempt bonds that receive an allocation of private activity volume cap under Section 146 of the Code. Although such Tax Credits are not counted against the tax credit ceiling cap for the State of Minnesota, developers should be aware that:

- a. Section 42(m)(1)(D) of the Code provides, for a project to receive an allocation of 4% Tax Credits, the applicable allocating agency must determine that the project satisfies the requirements for an allocation of 4% Tax Credits under its qualified allocation plan. This Plan applies to all tax exempt bond-financed projects located within Dakota County, other than projects financed with bonds issued by MHFA.

Note: Bond volume cap will not be issued in an amount greater than is financially needed or reasonable for a project to be successful.

An initial determination of whether a project complies with the requirements in this Section 7.0.a will be made by the Agency, and the Agency will issue a letter pursuant to Section 42(m)(1)(D) of the Code, confirming such determination, prior to the issuance of the tax exempt bonds.

The threshold requirements in Section 4.1.a of this Plan do not apply to projects financed with tax-exempt bonds using the 4% Tax Credits. Other threshold requirements that do apply to projects financed with tax-exempt bonds, include, without limitation, the requirement in Section 4.1.h that projects financed with tax-exempt bonds must agree to not seek to terminate the extended use period as otherwise permitted under Section 42(h)(6)(E)(i)(II) and 42(h)(6)(F) any earlier than the later of: (i) 5 years after the close of the initial 15 year compliance period, or (ii) if the applicant claimed points on the Self-Scoring Worksheet for a longer extended use period, such longer period.

In addition, to meeting the threshold requirements set forth in Article 4, the owner must also demonstrate that the project is eligible for not fewer than 15 points to qualify for the 4% Tax Credits under this Plan

Important: To begin the above application process, the developer must submit to the Agency all documents required for an application of Tax Credits as established by this Plan and the Procedural Manual and any additional information requested by the Agency. The developer must also submit to the Agency the required application fees identified in this Plan and the Procedural Manual.

- b. Section 42(m)(2)(D) of the Code provides that in order for a tax-exempt bond financed project to receive an allocation of 4% Tax Credits, the issuer of the bonds must make a determination that the Tax Credit amount does not exceed the amount that the issuer determines is necessary for the financial feasibility of the project and its viability as a qualified housing project throughout the 10-year credit period. The determination by the issuer shall be made in a manner consistent with this Plan and the Procedural Manual. Section 42 requires that the issuer of bonds must consider the following in making such determination:
1. the sources and uses of funds and the total financing planned for the project;
 2. any proceeds or receipts expected to be generated by reason of tax benefits;
 3. the percentage of the Tax Credit amount used for project costs other than the cost of intermediaries;
 4. the reasonableness of the developmental and operational costs of the project; and
 5. a comprehensive Market Study of the housing needs of low-income individuals in the area to be served by the project, conducted before the Tax Credit allocation is made, and at the developer's expense by a disinterested party approved by the Agency.

This determination must be made prior to the issuance of the tax exempt bonds. To the extent the Agency is also the bond issuer, it will issue the letter required by Section 42(m)(2)(D) of the Code.

- c. The owner must enter into a Declaration.
- d. Subsequent to the project being placed in service, the owner must submit to the Agency an application and appropriate fees for Form 8609 meeting the requirements of this Plan and the Procedural Manual. The owner must also submit to the Agency any other related fees identified in this Plan and the Procedural Manual.

ARTICLE 8 PROJECT SELECTION

Section 8.0 *Selection Priorities*: The Agency's selection priorities are set forth in the Scoring Worksheet attached hereto as Schedule 1, provided however, that the Agency reserves

the right (but shall not be obligated) to grant priority over higher ranking projects to projects that: (i) have previously received an award of Tax Credits and have an annual Tax Credit shortfall of at least 5 percent, but no more than 50 percent, of the total qualified annual Tax Credit amount and (ii) demonstrate readiness to proceed by having all city approvals and all funding commitments in place (other than the Tax Credits the applicant is presently requesting).

Section 8.1 *Preference Priorities:* The Agency's preference priorities shall be as set forth in the Scoring Worksheet attached hereto as Schedule 1.

Section 8.2 *Tie Breakers:* If two or more projects have an equal number of points, the following will be used to determine selection:

- a. The first tie breaker will be the total number of points in the preference priority selection.
- 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 Agency shall select the project which best meets the Agency's housing priorities and Dakota County's underserved communities.

ARTICLE 9

MONITORING COMPLIANCE WITH LOW-INCOME HOUSING CREDIT REQUIREMENTS

Section 9.0 The Agency will monitor compliance for each project to which it allocates Tax Credits in accordance with Section 42(m)(1)(B)(iii) of the Code and Treasury Regulation Section 1.42-5. To the extent that any provision of this Plan is inconsistent with the provisions of Treasury Regulation Section 1.42-5, as the same may be modified or amended from time to time, the provisions of Treasury Regulation Section 1.42-5 shall govern. This Article 9 is also subject to provisions of the Agency's compliance monitoring manual and to guidance issued by the Internal Revenue Service regarding compliance monitoring and reporting of non-compliance.

Section 9.1 RECORDKEEPING AND RECORD RETENTION PROVISIONS.

- a. RECORDKEEPING. During the 15-year compliance period, the owner of a low-income housing project is required each year to collect and retain records of the following information for each qualified low income building in the project:

1. 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);
2. The number of occupants in each low-income unit, including minors, but only if rent is determined by the number of occupants in each unit under Section 42(g)(2) (as in effect before the amendments made by the Omnibus Budget Reconciliation Act of 1989). Housing information concerning race, ethnicity, family composition, age, income, use and amount of Section 8 rental assistance or similar assistance, disability status and monthly rental payments of households residing in the project, which information will be required to be provided annually to HUD, beginning in the first quarter of 2010;
3. The percentage of residential rental units in the building that are low-income units, models, offices and management units;
4. The rent charged on each residential rental unit in the building (including any utility allowances), and documentation, including rent rolls, leases and utility allowances per Internal Revenue Service Notice 94-60 issued June 1994;
5. The low-income unit vacancies in the building and information that shows when, and to whom, the next available units were rented;
6. The annual income certification of each low-income tenant per unit;
7. The annual student certification of each low income tenant;
8. Documentation to support each low-income tenant's income certification (for example, a copy of the tenant's federal income tax return, Forms W-2, or verifications of income from third parties such as employers or state agencies paying unemployment compensation). 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 annually recertified for continued eligibility. (i.e., 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 are in the Procedural Manual. Tenant income is calculated in a manner consistent with the determination of annual income under Section 8 of the United States Housing Act of 1937 (Section 8), not in accordance with the determination of gross income for federal income tax liability. In the case of a tenant receiving housing assistance payments under Section 8, the documentation requirement of this

paragraph is satisfied if the public housing authority provides a statement to the building owner declaring that the tenant's income does not exceed the applicable income limit under Code Section 42(g);

9. The character and use of the nonresidential portion of the building included in the building's eligible basis under Code 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);
 10. The eligible basis and qualified basis of the building at the end of the first year of the 10-year credit period; and
 11. Any additional records necessary to verify compliance with additional restrictions included in the carryover agreement or Declaration.
- b. RECORD RETENTION. The owner of a low-income housing project is required to retain the records described in paragraph 9.1.a of this section for each building in the project for at least six (6) years after the due date (with extensions) for filing the federal income tax return for that year. The records for the first year of the Tax Credit period, however, must be retained for at least six (6) years beyond the due date (with extensions) for filing the federal income tax return for the last year of the 15- year compliance period with respect to the building.
- c. INSPECTION RECORD RETENTION PROVISION. Under the inspection record retention provision, the owner of a low-income housing project is required to retain the original local health, safety or building code violation reports or notices that were issued by the state or local government unit for the Agency's inspection under this section. Retention of the original violation reports or notices is not required once the Agency reviews the violation reports or notice and completes its inspection, unless the violation remains un-corrected.

Section 9.2 CERTIFICATION AND REVIEW

- a. CERTIFICATION. The owner of a low-income housing project shall certify at least annually to the Agency that, for the preceding 12-month period --
1. The project meets the requirements of the 20-50 test under Code Section 42(g)(1)(A), the 40-60 test under Code Section 42(g)(1)(B) or the average income test under Code Section 42(g)(1)(C), whichever minimum set-aside test is applicable to the project, and if applicable to the project, the 15-40 test under Code Sections 42(g)(4) and 142(d)(4)(B) for "deep rent skewed" projects;

2. The project complies with the requirements for special set-aside on which the Tax Credit allocation was based;
3. There was no change in the applicable fraction (as defined in Code Section 42(c)(1)(B)) of any building in the project, or that there was a change, and the description of the change;
4. The owner has received an annual income certification from each low-income tenant and documentation to support that certification, or, in the case of a tenant receiving Section 8 housing assistance payments, the statement from a public housing authority described above, or the owner has a re-certification waiver letter from the IRS in good standing;
5. Each low-income unit in the project is rent restricted under Code Section 42(g)(2);
6. No tenants in low-income units were evicted or had their tenancies terminated other than for good cause and no tenants had an increase in the gross rent for a low-income unit not permitted by Section 42.
7. All units in the project are for use by the general public and were used on a non-transient basis (except for transitional housing for the homeless provided under Code Section 42(i)(3)(B)(iii) or single-room-occupancy units rented on a month to month basis under Code Section 42(i)(3)(B)(iv));
8. No finding of discrimination under the Fair Housing Act, 42 U.S.C.A. §§ 3601 – 3619, has occurred for the project. A finding of discrimination includes: an adverse final decision by the Secretary of Housing and Urban Development (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.A. §3616a(a)(1), or an adverse judgment from a federal court;
9. Each building and each low-income unit in the project is 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. If a violation report or notice was issued by the governmental unit, the owner must attach a statement summarizing the violation report or notice or a copy of the violation report or notice to the annual certification submitted to the Agency under this section. In addition, the owner must state whether the violation has been corrected;

10. There has been no change in the eligible basis (as defined in Code Section 42(d)) of any building in the project, or that there has been a change, and the nature of the change (e.g., a common area has become commercial space, or a fee is now charged for a tenant facility formerly provided without charge);
11. All tenant facilities included in the eligible basis under Code Section 42(d) of any building in the project, such as swimming pools, other recreational facilities, and parking areas, are provided on a comparable basis without charge to all tenants in the building;
12. If a low-income unit in the project became vacant during the year, that 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 in the project were or will be rented to tenants not having a qualifying income;
13. If the income of tenants of a low-income unit in the project increases above the limit allowed in Code Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the project was or will be rented to tenants having a qualifying income;
14. An extended low-income housing commitment as described in Code Section 42(h)(6) was in effect (for buildings subject to Section 7108(c)(1) of the Revenue Reconciliation Act of 1989, 103 Stat. 2106, 2308-2311), and the project meets the provisions, including any special provisions, of the extended low-income housing commitment, including the requirement under Code 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 of 1937, 42 U.S.C.A. § 1437s (for buildings subject to Section 13142(b)(4) of the Omnibus Budget Reconciliation Act of 1993, 107 Stat. 312, 438-439);
15. The project complies with the requirements for all applicable federal or state housing programs (e.g. FmHA assistance, HOME, Section 8 or tax-exempt financing), as applicable;
16. The project is otherwise in compliance with the Code, including any Treasury Regulations, the applicable Qualified Allocation Plan, and all other applicable laws, rules and regulations; and
17. There has been no change in the ownership or management of the project.

b. REVIEW. The Agency shall review the certifications submitted under Section 9.2(a) above for compliance with the requirements of Section 42 of the Code. In addition:

1. An owner of a low-income housing project must submit to the Agency a completed, Agency signed copy of IRS Form 8609 for the first year of the credit period, together with Form 8609-A and Form 8586.

2. The Agency will conduct on-site inspections of all buildings in the project by the end of the second calendar year following the year the last building in the project is placed in service and inspect at least twenty percent (20%) of the project's low-income units, and review the low-income certifications, the documentation supporting the certifications, and the rent records for the tenants in those units

3. The Agency will inspect low-income housing projects once every three (3) years, and review the tenant income certifications for at least twenty percent (20%) of the tenants (and previous tenants, to the extent necessary) and the documentation the owner has received to support those certifications. All projects shall have their first compliance inspection by no later than the year following the first year of the credit period.

4. Projects to be inspected must 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. The Agency may give an owner reasonable notice that an inspection will occur so that the owner may assemble records (i.e. 30 days advance notice of inspection).

c. FREQUENCY AND FORM OF CERTIFICATION. The certifications of and review of this section shall be made at least annually through the end of the 15-year compliance period under Section 42(i)(1) of the Code and shall be made under penalty of perjury.

Section 9.3. INSPECTION PROVISION. The Agency shall have the right to perform an on-site inspection of any project at least through the end of the term of the Declaration. An inspection will include a physical inspection of any building(s) in the project, as well as a review of records described above. The auditing provision of this paragraph is required in addition to any inspection of low-income certifications, supporting documents and rent records under Section 9.2.b above.

Section 9.4 NOTIFICATION OF NONCOMPLIANCE

- a. GENERAL. The Agency shall provide the owner of the project notice of noncompliance as set forth in Section 1.42-5(e)(2) of the Treasury Regulations and notice to the Internal Revenue Service as set forth in Section 1.42-5(e)(3) of the Treasury Regulations.
- b. NOTICE TO OWNER. The Agency shall provide prompt written notice to the owner of a project if the Agency does not receive the certification described in Section 9.2.a hereof or discovers in an audit, inspection or review, or in some other manner, that the project is not in compliance with the Section 42 of the Code.
- c. NOTICE TO INTERNAL REVENUE SERVICE. Within 45 days after the expiration of the correction period, the Agency will file Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance, with the Internal Revenue Service (as described in Section 9.5 hereof, including extensions permitted under that paragraph). The Agency must check the appropriate box on Form 8823 indicating the nature of the noncompliance or failure to certify and indicating whether or not the owner corrected the noncompliance or failure to certify. If the Agency reports on Form 8823 that a building is entirely out of compliance and will not be in compliance at any time in the future, the Agency need not file Form 8823 in subsequent years to report that building's noncompliance.

Section 9.5 CORRECTION PERIOD. The correction period shall be that period specified in the notice to the owner during which an owner will have the opportunity to supply any missing certifications or bring the project into compliance with the provisions of Section 42. The correction period will be set by the Agency and will not exceed 90 days from the date of the notice to the owner described in 9.4.b. The Agency may extend the correction period up to six (6) months, but only if the Agency determines there is good cause for granting an extension.

Section 9.6 AUTHORITY RETENTION OF RECORDS. The Agency must retain records of noncompliance or failure to certify for six (6) years beyond the Agency's filing of the respective Form 8823. In all other cases, the Agency must retain the certifications and records described in paragraph 9.2.a of this Plan for three (3) years from the end of the calendar year the Agency receives the certifications and records.

Section 9.7 DELEGATION OF AUTHORITY.

- a. GENERAL. The Agency 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 Agency to monitor compliance, except for the responsibility of notifying the Internal Revenue Service under Section 9.4.c hereof. For example, the Authorized Delegate may be delegated the responsibility of reviewing tenant certifications and documentation under Section 9.2.b hereof, the right to inspect buildings as described in Section 9.3 hereof, and the responsibility of notifying building owners of lack of certification of noncompliance under Section 9.4 hereof.
- b. LIMITATIONS. In the event the Agency delegates compliance monitoring to an Authorized Delegate, the Agency shall use reasonable diligence to ensure that the Authorized Delegate properly performs the delegated monitoring functions. Delegation by the Agency of compliance monitoring functions to an Authorized Delegate shall not relieve the Agency of its obligation to notify the Internal Revenue Service of any noncompliance of which the Agency becomes aware of.

Section 9.8 LIABILITY. Compliance with the requirements of Section 42 is the responsibility of the owner of the building for which the Tax Credit is allowable. The Agency’s obligation to monitor for compliance with the requirements of Section 42 does not make the Agency liable for an owner’s noncompliance under Section 42 or the Declaration.

ARTICLE 10
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 Section 42 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 as may be approved by the Executive Director.

SCHEDULE 1

SELF-SCORING WORKSHEET 2020 Housing Tax Credit Program



Applicant Name _____

Project Name _____

Project Address/Location _____

Project City _____

Please note the following:

1. Documentation of Points

Indicate the selection and/or preference priority points expected for your project. Where multiple points per section are available please check the appropriate box () for points claimed. **Attach directly to this self-scoring worksheet, a separate detailed sheet and documentation that clearly supports points claimed.** The Agency will determine the actual selection points awarded. Points will not be awarded unless documentation is provided along with the application to justify the points claimed.

2. Extended Duration

Projects requesting 9% Tax Credits: Such projects must maintain the low-income use for a minimum of 30 years. The owner agrees that IRC Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which would permit the owner to terminate the restrictions under the Declaration at the end of the 15- year compliance period in the event the Agency 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 rent restrictions shall apply for the period of 30 years beginning with the first day of the 15- year compliance period in which the building is part of a qualified low income housing project.

Tax-exempt bond financed projects requesting 4% Tax Credits: Such projects must maintain the low-income use for a minimum of 20 years, or such longer period for which the applicant claims points on the Self-Scoring Worksheet. The owner agrees that they will not seek to terminate the extended use period as otherwise permitted under IRC Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) earlier than the later of: (a) 5 years after the close of the initial 15 year compliance period, or (b) if the owner claims points on the Self-Scoring Worksheet for a longer extended use period, such longer period.

3. Design Standards

The project must meet the tax credit Design Standards as specified in the Procedural Guide and be evidenced by a Design Standards Certification form executed by the owner and architect.

4. Declaration of Land Use Restrictive Covenants

A Declaration covering the rent and income limits and occupancy requirements must be placed on the building(s) and recorded in the county in which the project is located.

5. Section 8 Voucher Acceptance

Owners of a Tax Credit project must agree to not refuse to rent a unit to a tenant because that tenant has a Section 8 voucher that would be used for a unit in the project. Language prohibiting discrimination based on Section 8 status must be included in the Declaration entered into by the owner with the Agency. Declarations are enforceable in state court by housing credit agencies and all income-eligible persons.

MINIMUM THRESHOLD REQUIREMENTS

All applicants must meet one of the seven (7) following threshold types. **To qualify for threshold #7 the applicant must have written approval from the CDA prior to submission of the application.** Check one box for project type 1-7 below. In the event Minnesota Statutes are modified to allow additional threshold requirements, this worksheet will be modified accordingly.

| | | |
|----|--------------------------|--|
| 1. | <input type="checkbox"/> | New construction or Substantial Rehabilitation of projects in which, for the term of the Declaration), at least 75% of the total Tax Credit units are Single Room Occupancy, efficiency, or one bedroom units and which are affordable by households whose income does not exceed 30% of the median income. |
| 2. | <input type="checkbox"/> | New construction or Substantial Rehabilitation family housing projects that are not restricted to occupancy by persons 55 years old or older and in which, for the term of the extended use period (term of the Declaration), at least 75% of the tax credit units contain two or more bedrooms and at least one third of the 75% contain three or more bedrooms. |
| 3. | <input type="checkbox"/> | Substantial Rehabilitation projects in neighborhoods targeted by the applicable city for revitalization. |
| 4. | <input type="checkbox"/> | <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), a percentage of the units are set aside and rented to (check one, if applicable):</p> <ul style="list-style-type: none"> <input type="checkbox"/> Persons with a serious and persistent mental illness as defined in Minnesota Statutes Section 245.462, Subd. 20(c); <input type="checkbox"/> Persons with a developmental disability as defined in the United States Code, Title 42, Section 6001(8); <input type="checkbox"/> Persons who have been assessed as drug dependent persons as defined in Minnesota Statutes Section 254A.02, Subd. 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, Subd. 2; <input type="checkbox"/> Persons with a brain injury as defined in Minnesota Statutes Section 256B.093, Subd. 4(a); <u>or</u> <input type="checkbox"/> Persons with permanent physical disabilities that substantially limit major life activities, if at least fifty percent (50%) of the units in the project are accessible as provided under Minnesota Rules Chapter 1340 |
| 5. | <input type="checkbox"/> | 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 to prevent conversion to market rate use or to remedy physical deterioration of the project which would result in loss of existing federal subsidies. |
| 6. | <input type="checkbox"/> | Projects financed by Rural Development which meet state-wide distribution goals. |
| 7. | <input type="checkbox"/> | <p>Up to two projects that are new construction or Substantial Rehabilitation multifamily housing projects that are not restricted to persons 55 years of age or older and that are located within one of the following areas at the time a reservation for Tax Credits is made:</p> <ul style="list-style-type: none"> <input type="checkbox"/> an area within one-half mile of a completed or planned light rail transitway, bus rapid transitway, or commuter rail station; <input type="checkbox"/> an area within one-fourth mile from any stop along a high-frequency local bus line; |

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| | | <input type="checkbox"/> an area within one-half mile from a bus stop or station on a high-frequency express route; <input type="checkbox"/> an area within one-half mile from a park and ride lot; <u>or</u> <input type="checkbox"/> an area within one-fourth mile of a high-service public transportation fixed route stop; For purposes of this section, the following terms have the meanings given them: (1) "high-frequency local bus line" means a local bus route providing service at least every 15 minutes and running between 6:00 a.m. and 7:00 p.m. on weekdays and between 9:00 a.m. and 6:00 p.m. on Saturdays; (2) "high-frequency express route" means an express route with bus service providing six or more trips during at least one of the peak morning hours between 6:00 a.m. and 9:00 a.m. and every ten minutes during the peak morning hour; and (3) "high-service public transportation fixed route stop" means a stop serviced between 6:00 a.m. and 7:00 p.m. on weekdays and 9:00 a.m. and 6:00 p.m. on Saturdays and with service approximately every 30 minutes during that time. |
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ADDITIONAL THRESHOLD REQUIREMENTS

All applicants must meet the following additional threshold requirements. Check boxes below to indicate the acceptance of these requirement:

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| 8. | <input type="checkbox"/> | <input type="checkbox"/> The project satisfies the Agency’s underwriting standards and the Agency determines the owner has sufficient experience. <input type="checkbox"/> The application demonstrates reasonable operating expenses relative to comparable projects in the past, <input type="checkbox"/> The project complies with applicable building, land use and zoning ordinances, <input type="checkbox"/> The project is consistent with a Market Study, <u>and</u> <input type="checkbox"/> The costs of intermediaries meet the criteria set forth in the Procedural Manual. |
| 9. | <input type="checkbox"/> | Applicants must agree to utilize public housing waiting lists in Dakota County in marketing units to the public. |
| 10. | <input type="checkbox"/> | The owner agrees to not refuse to rent a unit to a tenant because that tenant has a Section 8 voucher and that language prohibiting discrimination based on Section 8 status will be included in the Declaration. |
| 11. | <input type="checkbox"/> | The applicant demonstrates by information submitted in the application that each building in the project is a qualified low-income building under Section 42(c)(2) of the Code. |
| 12. | <input type="checkbox"/> | The applicant agrees to enter into a Declaration in form and substance acceptable to the Agency and legal counsel appointed by the Agency. |
| 13. | <input type="checkbox"/> | The applicant agrees to apply resident screening criteria as provided in the Declaration. |
| 14. | <input type="checkbox"/> | For 9% Tax Credit projects, the applicant agrees to waive the provisions of Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) which permit the owner to terminate the rent and income restrictions under Declaration at the end of the initial 15-year compliance period. For 4% Tax Credit projects, the applicant agrees to not seek to terminate the Declaration as permitted under Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) earlier than the later of (i) 5 years after the close of the 15 year compliance period, or (ii) such longer period for which applicant claims Tax Credits under the “Long Term Affordability, Tax Exempt Bond Projects Only” category under Selection Priorities. |
| 15. | <input type="checkbox"/> | The applicant agrees to provide high speed internet access via installation of all appropriate infrastructure and connections for cable, DSL or wireless/data internet service to every unit. |

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| 16. | <input type="checkbox"/> | <p>The applicant agrees to institute and maintain a written policy* prohibiting smoking in all the units and all common areas within the building/s of the project. The project must include a non-smoking clause in the lease for every household. Projects will be required to maintain the smoke-free policy for the term of the Declaration.</p> <p>*A written policy must be submitted with the application and should include procedures regarding transitioning to smoke-free for existing residents and the establishment of smoking areas outside of units and common areas, if applicable. Consequences for tenants violating the smoke-free policy will be determined by the owner and must be included in the written policy for the project.</p> |
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SELECTION PRIORITIES

| a. Selection Criteria | <u>Developer Claimed</u> | <u>Agency Awarded</u> |
|---|---|-----------------------|
| New Construction (10 Points) | | |
| 1. | New construction which increases the supply of affordable rental housing in Dakota County (10 points). | |
| Preservation and Stabilization of Affordable Housing (Up to 25 Points) | | |
| 2. | <p>Preservation of Affordable Housing:</p> <p><input type="checkbox"/> Preservation of Federally Assisted Housing (25 Points): Points are awarded to projects that preserves low-income housing receiving assistance under Section 8 or Section 236 which, due to mortgage prepayments or expiring rental assistance, would convert to market rate use. The Agency in its sole discretion must agree that a market exists for a conversion to market rate housing.</p> <p>OR</p> <p><input type="checkbox"/> Preservation (10 Points): Points are awarded to projects that preserve the rent and income restrictions under an existing use agreement which, due to expiring affordability periods or proposed Tax Credit qualified contract applications, would convert to market rate use. The Agency, in its sole discretion, will verify that a market exists for a conversion to market rate housing.</p> <p>Applicant must agree in writing to continued renewals of the existing project-based housing subsidy payment contract for as long as assistance is available.</p> | |
| 3. | <p>Stabilization of Affordable Housing (5 Points) Points are awarded to projects with existing federally assisted units or previously funded by Tax Credits or deferred loans from the Agency or other public entity, that are not also claiming points in the Preservation of Affordable Housing category which are experiencing trouble with occupancies and/or net revenues which need to be stabilized.</p> <p>Applicants must provide narratives to support the approach of a planned, long term and cost effective stabilization that meets all of the following criteria:</p> <p>i) Suitability for long term stabilization:</p> <p>a. 15 or more years have passed since initial loan closing or most recent Tax Credit placement in service date; and</p> <p>b. Operating feasibility shows duration of at least 20 years.</p> | |

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| | <p>AND</p> <p>ii) Collaborative relationship in place; points claimed and deemed eligible in the following selection priorities:</p> <p>a) Financial Readiness to Proceed, minimum of 6 points; and</p> <p>b) Federal/State/Local/Philanthropic/Other Contributions, minimum of 4 points;</p> <p>AND</p> <p>iii) Affordability and Cost Effectiveness</p> <p>a) Points claimed and deemed eligible in Preference Priorities b.2 (Serves Lowest Income Tenants/Rent Reduction)</p> | | |
| Readiness to Proceed (Up to 20 Points) | | | |
| 4. | Points are awarded to new construction projects that have received all land use and zoning approvals at the time of application. (5 points) | | |
| 5. | <p>Financial Readiness (up to 15 points).</p> <p>Points are awarded to projects that have secured funding commitments for permanent funding sources or have no funding gap at the time of application. Words synonymous with “consider” or “may” award are not valid or acceptable.</p> <p>The calculation below must exclude all first mortgage financing and anticipated Tax Credit proceeds from the current Tax Credit request. Committed syndication proceeds from previously reserved Tax Credits may be included in the calculation.</p> <p>Acceptable documentation of syndication proceeds from Tax Credits awarded in a previous cycle/round is an executed agreement or letter of intent from a syndicator/investor which is acceptable to the Agency. The executed agreement or letter of intent must: (1) be current and dated within 15 days of application; (2) contain a projected closing date; (3) contain a projected equity rate for the purchase of the Tax Credits; and (4) contain a detailed explanation of the assumptions being used by the syndicator/investor to arrive at the projected equity price.</p> <p>Total eligible funding secured, awarded or committed (exclude first mortgage and syndication proceeds as described above) \$ _____</p> <p>Divided by total development cost less first mortgage and excluded syndication proceeds \$ _____</p> <p>Equals percentage of funds committed, rounded to the nearest tenth _____ %</p> <p>Check box that applies:</p> <p><input type="checkbox"/> 70.1% or more of gap funds committed or no gap (15 points)</p> <p><input type="checkbox"/> 50.1 – 70.0% of gap funds committed (10 points)</p> <p><input type="checkbox"/> 30.1 – 50.0% of gap funds committed (6 points)</p> <p><input type="checkbox"/> 10.1 – 30.0% of gap funds committed (2 points)</p> <p>The documentation must be in the form of a project specific Letter of Intent, city or council/board resolution, letter of approval, or statement of agreement or eligibility. Commitment documentation must state the amount, terms and conditions and be executed or approved by the lender</p> | | |

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| | <p>or contributor and the applicant. Please see the Procedural Manual Section VIII. A. for additional details.</p> <p>If points are claimed and the funding is returned/not used the affordability requirements for that (those) funding source(s) will be included in the Declaration.</p> | | |
| Federal/State/Local/Philanthropic/Other Contributions (Up to 10 Points) | | | |
| <p>6.</p> | <p>Points are awarded to projects receiving non-capital contributions from a governmental unit; an area employer; and/or a private philanthropic, religious or other charitable organization. Calculate the total using the formula below, and then select the appropriate option.</p> <p>Identity of Interest exclusion: Contributions from any part of the ownership entity will be considered general partner cash and excluded from the calculation unless the contributions are awarded by a nonprofit charitable organization pursuant to a funding competition or local units of government.</p> <p>Total non-funding contributions from federal/ State/local/philanthropic/other sources \$ _____</p> <p>Divided by Total Development Cost \$ _____</p> <p>Equals percentage pf funding from contributions, rounded to the nearest tenth _____ %</p> <p>Check box that applies:</p> <p><input type="checkbox"/> 20.1% and above of total development costs (10 points)</p> <p><input type="checkbox"/> 10.1-20.0% of total development costs (6 points)</p> <p><input type="checkbox"/> 5.1-10.0% of total development costs (4 points)</p> <p>At the time of application, written documentation from the contributor justifying the amount and the terms of the contribution must be provided and be consistent with current market comparable costs. The documentation must be in the form of a project specific Letter of Intent, local governmental resolution, letter of approval, statement of agreement or eligibility, or a memorandum of understanding. The value assigned to donations and in-kind contributions must be consistent with comparable market costs for materials and services.</p> <p>The documentation must state the amount, terms and conditions and must be executed or approved at a minimum, by the contributor. Documentation containing the words synonymous with “consider” or “may” (as in “may award”) regarding the contribution will not be acceptable. Please see the Procedural Manual Section VIII. A. for additional details.</p> <p>NOTE: Contributions claimed in this selection criterion cannot be claimed for the permanent sources in the Financial Readiness to Proceed selection criterion.</p> <p>If points are claimed and the funding is returned/not used the affordability requirements for that (those) funding source(s) will be included in the Declaration.</p> | | |

| Community Priority Locations (10 Points) | | |
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| 7. | Points are awarded to projects located on property owned by the Agency, Dakota County, or a municipality in Dakota County at the time of application. | |
| Accessible Units (5 Points) | | |
| 8. | At least 25% of the units in the project are designed, equipped and set aside for the developmentally, physically or mentally disabled and there is a referral and marketing plan that includes an agreement with an established organization to provide services for such persons. | |
| Owned by Non-Profit or Governmental Unit (5 Points) | | |
| 9. | <p>A qualified non-profit or a governmental unit is the sole general partner.</p> <p>The non-profit must be organized and incorporated in the State of Minnesota and have at least five-year's experience in Minnesota owning and operating at least 100 units of affordable Tax Credit housing. For a non-profit, a copy of the Certificate of Incorporation from the Secretary of State of Minnesota must be submitted at the time of application. Points will only be given to a local non-profit. To be eligible for points, the non-profit must have Code Section 501(c)(3) approval from IRS at the time of application, and meet the requirements of Section 42(h)(5)(C) of the Code.</p> <p>These points are awarded because the Agency has an assumption that such organizations have a mission that results in perpetual affordability of the units. Points will not be awarded if the non-profit/governmental organization has been a project sponsor or general partner of a project that had units convert to market rate units in the past three years without the consent of the issuing public agency within Minnesota.</p> | |
| Intermediary Costs (Up to 15 Points) | | |
| 10. | <p>Points are awarded to projects with the lowest intermediary costs on a sliding scale based on the percentage of total development costs. For applicants receiving points under this item, this percentage will be enforced at issuance of IRS Form 8609.</p> <p>Total intermediary costs \$ _____</p> <p>Divided by Total Development Cost \$ _____</p> <p>Equals percentage of costs toward intermediaries, rounded to the nearest tenth _____ %</p> <p>Check box that applies:</p> <p><input type="checkbox"/> 0 – 15.0% of total development cost (15 points)</p> <p><input type="checkbox"/> 15.1 – 20.0% of total development cost (10 points)</p> <p><input type="checkbox"/> 20.1 – 25.0% of total development cost (2 points)</p> <p> Over 25.0% of total development cost (0 points)</p> | |

| Homelessness (Up to 15 points) | | | |
|---|---|--|--|
| | These units must provide rental assistance or for those units occupied by households without rental assistance that are seeking these points, the gross rent, including an allowance for tenant-paid utilities, cannot exceed the greater of 30 percent of the household's monthly income or the most current supportive housing standard for the unit size as published by MHFA. Owners must establish and implement policies and procedures to specify the calculation method used to determine the appropriate rent amount and the periodic income recertification used when adjusting rents. | | |
| 11. | <p>Permanent Supportive Housing Units. Points are awarded to projects that commit suitable Tax Credit units with supportive services for occupancy by households who are experiencing homelessness. Projects must receive support in writing from the Suburban Metro Area Continuum of Care (SMAC). Applicants claiming points for providing homeless units will be requested to work with the SMAC Homeless Coordinated Entry System, as is reasonable and feasible, to fill those units. Applicants must also provide a written commitment from an appropriate social service agency to provide support services. Contracts for supportive services must be in place prior to closing or Tax Credit commitment.</p> <p><input type="checkbox"/> Set aside 5% to 9.99%, but no fewer than 2 Tax Credit units (5 points)</p> <p><input type="checkbox"/> Set aside 10% to 49.99%, but no fewer than 5 Tax Credit units (10 points)*</p> <p><input type="checkbox"/> Set aside 50% or more, but no fewer than 20 Tax Credit units (15 points)*</p> <p>*Applicants with a set aside of 10% or more units must also provide a written commitment from an appropriate social service agency to provide on-site support services.</p> | | |
| Rehabilitation Under Community Revitalization Plan (5 Points) | | | |
| 12. | Rehabilitation of existing housing as part of a community revitalization plan and that is contributing to the revitalization. | | |
| Eventual Tenant Ownership (1 Point) | | | |
| 13. | This point is awarded to projects that include a plan for eventual tenant ownership of 100% of the units. | | |
| Unacceptable Practices (Up to -50 Points) | | | |
| 14. | Unacceptable Practices, includes the transfer of ownership of the owner and displacement of Section 8 tenants as described in Section IV.F of the Procedural Manual. | | |

| Access to Transit (Up to 15 Points) | | | |
|---|--|--|--|
| 15. | <p>Points are awarded to projects located within <u>walking distances</u> of public transit stations and stops. (up to 5 points)</p> <p><input type="checkbox"/> Project is located within ½ mile of Red Line transitway stations (including the Burnsville Center station and all stations north) or Orange Line transitway stations (including the Apple Valley Transit Station and all stations north) (5 points); or</p> <p><input type="checkbox"/> Project is located within ½ mile of a park and ride (with bus service), a bus route stop, or a Minnesota Valley Transit Authority (MVTA) bus route where the bus is able to stop (3 points).</p> <p>At the time of application, the applicant must submit a map identifying the location of the project with exact <u>walking distances</u> to the eligible public transit station/stop and include a copy of the route.</p> | | |
| 16. | Ten (10) points are awarded to projects approved by the Agency to qualify under the minimum threshold requirement #7. | | |
| Long Term Affordability, Tax Exempt Bond Projects only (5 or 10 Points) | | | |
| 17. | <p>Applications seeking 9% Tax Credits are not eligible to claim points through this Long Term Affordability criteria. Only applications seeking 4% Tax Credits are eligible to claim points under this criteria.</p> <p>Points are awarded to 4% Tax Credit projects which agree to extend the long term affordability of the project and maintain the duration of the low-income use for:</p> <p><input type="checkbox"/> A minimum of 25 years (i.e. a 10-year extended use period) to receive 5 points; or</p> <p><input type="checkbox"/> A minimum of 30 years (i.e., a 15-year extended use period) to receive 10 points.</p> | | |

| b. | <u>PREFERENCE PRIORITIES</u> | <u>Developer Claims</u> | <u>Agency Awarded</u> |
|----|---|-------------------------|-----------------------|
| 1. | Previous Tax Credit Commitment/Reservation. Points are awarded to projects that have a prior commitment/reservation of Tax Credits, were not fully funded in a previous round, and require additional Tax Credits to make the project feasible. (30 points) | | |

| | | | |
|----|--|--|--|
| 2. | <p>Points are awarded to projects that will serve the lowest income tenants (50% or less of area median adjusted by unit size) with gross rents not to exceed 30% of income. <i>(Up to 15 Points)</i></p> <p>Applicants may choose any combination of the following rent limitations for the project, but may not count any unit more than once. This selection will restrict rents only (tenant incomes will not be restricted to the following levels by claiming points in this section).</p> <p>Check the box that applies.</p> <p><input type="checkbox"/> 100% of Tax Credit units at the rents for 50% of AMI: 15 points</p> <p><input type="checkbox"/> 75% of Tax Credit units at the rents for 40% of AMI: 15 points</p> <p><input type="checkbox"/> 75% of Tax Credit units at the rents for 50% of AMI: 10 points</p> <p><input type="checkbox"/> 50% of Tax Credit units at the rents for 40% of AMI: 10 points</p> <p><input type="checkbox"/> 50% of Tax Credit units at the rents for 50% of AMI: 5 points</p> | | |
| 3. | <p>Points will be awarded to projects located in a Qualified Census Tract and are part of a cooperatively developed plan that provides for community revitalization. <i>(5 Points)</i></p> | | |

IMPORTANT:

All units with rents restricted per b.2. above must meet the applicable area median rent for a minimum of ten (10) years. After the expiration of the first ten (10) year period rents may be increased up to the 60% rent limit (or 50%, if the minimum set-aside election was for a project with at least 20% of the units for families at 50% of area median income) over the following periods with increases not to exceed the amount listed in the table below.

| Year | 30% of 50% AMI Rent Levels | 30% of 40% AMI Rent Levels |
|--------|----------------------------|----------------------------|
| 1 - 10 | 30% of 50% | 30% of 40% |
| 11 | 30% of 53% | 30% of 45% |
| 12 | 30% of 57% | 30% of 50% |
| 13 | 30% of 60% | 30% of 55% |
| 14 | - | 30% of 60% |

| | | |
|----------------------|-----------------------------------|---------------------------------|
| TOTAL POINTS: | <u>Developer</u> <u>Claims</u> | <u>Agency</u> <u>Awarded</u> |
| | _____ | _____ |

SELF-SCORING WORKSHEET CERTIFICATION:

Under penalty of perjury, the Applicant hereby certifies the information provided in the Self-Scoring Worksheet is true and accurate.

By: _____
Signature

Print or type name and title of signatory

Of: _____
Name of Managing/General Partner

Date: _____