

DRAFT



Self-Scoring Worksheet ARRA – TCAP & Exchange Programs

Development Name: _____

Development Location/City: _____

Previous credit award year/s and amount: _____

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 detail sheet and documentation that clearly supports points claimed. Minnesota Housing will determine 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:

- All projects with the exception of those obtaining tax credits in association with Tax Exempt Bonds over and above the State's allocation of Housing Tax Credits must maintain the duration of low-income use for a minimum of 30 years. The owner agrees that the provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project, and that the Section 42 income and rental restrictions shall apply for the period of 30 years beginning with the first day of the compliance period in which the building is a part of a qualified low income housing project.

3. Design Standards:

- The project must meet the HTC Design Standards and be evidenced by a Design Standards Certification form executed by the owner and architect. Additional design requirements will be imposed if Large Family Housing points are claimed/awarded or points are claimed/awarded which require specific design elements (i.e. High Speed Internet).

4. A Declaration of Land Use Restrictive Covenants:

- Covering the rent restrictions and occupancy requirements presented at the time of the original HTC selection and agreed to in the Reservation and Binding Agreement must be placed on the building(s).

Selection Priorities	Developer Claimed	Minnesota Housing Awarded
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1. Project Expected Completion by February 16, 2012 5 to 15 Points

Points will be awarded to projects that are expected to be completed by February 16, 2012. The applicant shall attach a project timeline showing at a minimum project construction benchmarks and timetables of when the applicant can expend 25/50/75/100% of the TCAP and/or Exchange program funds. The applicant shall provide monthly progress reports to the Agency. If the Agency deems that significant progress is not made towards project completion, any portion or all of the awarded TCAP, Exchange Program Funds or HTC award may be subject to recapture by the Agency and redistributed to other eligible HTC developments.

- Project is expected to be completed by February 16, 2010 – 15 points
- Project is expected to be completed by February 16, 2011 – 10 points
- Project is expected to be completed by February 16, 2012 – 5 points

2. Readiness to Proceed 5 to 50 Points

Points will be awarded to developments that evidence readiness to proceed by submitting verification of the following

- Agency architect approved architectural drawings or Agency architect approved plans and specs for rehabilitation projects – 5 points
- Land use and zoning approvals – 5 points
- Completion of environmental reviews in accordance with NEPA requirements – 5 points
- Executed AIA Construction Contract incorporating Davis Bacon requirements if applicable – 5 points
- Title work and Survey – 5 points
- Verification that all infrastructure for the project is complete – 5 points
- Building permits – 5 points
- Executed firm commitment letters from the providers of all other funding sources which is acceptable to Minnesota Housing – 5 points
- Executed letter of intent from the syndicator which is acceptable to Minnesota Housing. – 5 points

The executed letter of intent must*:

- Be current within 15 days of submission of the ^{TCAP}~~tax credit~~ application
- Contain a projected closing date for the development
- Contain a projected equity price for the purchase of the credit
- Contain a detailed explanation of the assumptions being used by the syndicator to arrive at the projected equity price – or –

- Executed Syndicator Agreement* – 10 points

* Points cannot be taken for both the Executed Letter of Intent from the syndicator and the Executed Syndicator Agreement.

Selection Priorities	Developer Claimed	Minnesota Housing Awarded
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3. Leverage of Investor Equity 7 to 30 Points

Priority will be given to projects that leverage as much investor equity as possible based on credit price and amount

- Syndicator commitment for 100% of awarded tax credits at a price of at least \$.65 – 20 pts
- Syndicator commitment for 75-99.99% of awarded tax credits at a price of at least \$.65 – 15 pts
- Syndicator commitment for 50-74.99% of awarded tax credits at a price of at least \$.65 – 10 pts
- Syndicator commitment for 25%-49.99% of original award of tax credits at least \$.65 – 5 pts
- No Syndicator Commitment or price below \$.65 – 0 points (no equity investor disqualifies the project for TCAP Funding)

Bonus points will be awarded to projects that are able to secure a higher credit price

- Credit price of at least \$.80 – 10 bonus points
- Credit price at \$.70 -\$.79.9 – 5 bonus points
- Credit price at \$.65-\$.69.9 – 2 bonus points

NOTE: At closing you will be required to provide at least the amount of volume and the credit price for which you are taking points for this criteria.

4. Owner Experience & Capacity 5 to 15 Points

Priority will be given to projects developed by experienced owners and management companies that have demonstrated experience developing and managing projects that are similar to the type of project that is proposed. Provide a detailed list of the projects and describe the similarities to the proposed project.

- Developed and managed at least 20 similar tax credit projects – 15 points
- Developed and managed 10 – 19 similar tax credit projects – 10 points
- Developed and managed 5 – 9 similar tax credit projects – 5 points

5. Leverage 3 to 10 Points

Points are awarded for leveraging requested TCAP & Exchange program funding with other sources of funding.

Total TCAP &/or Exchange program Funds request \$____ divided by Total Development Cost \$____ equals Leverage Ratio ____% (rounded to the nearest tenth.)

- 0 – 10% – 10 points
- 10.1 – 20% – 6 points
- 20.1 – 30% – 3 points
- 30.1% and above – 0 points

Preference Priorities	Developer Claimed	Minnesota Housing Awarded
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TOTAL POINTS	Developer Claimed	Minnesota Housing Awarded
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Under penalty of perjury, Owner hereby certifies the information provided herein is true and accurate.

Name of Owner:

By: _____
(Signature)

Of: _____
(Name of Legal Entity)

Its: _____
(Title) (Managing General Partner)

(Print or type name of signatory)

Note: During the competition process, Minnesota Housing's review of the submitted self-scoring worksheet is only to validate that the points claimed are eligible, to reduce points claimed if not eligible, and to determine points awarded. Minnesota Housing will not award additional points which are not initially claimed by the Applicant/Owner. Many performance obligations are created by the claiming of certain scoring points. As such, Minnesota Housing cannot and will not assume the position of creating any such performance obligations on behalf of the Applicant/Owner.

American Recovery & Reinvestment Act (ARRA) Minnesota Housing's Draft Implementation Plan

On Tuesday, February 17, 2009, President Obama signed the American Recovery and Reinvestment Act which was an unprecedented effort to stimulate the economy and save or create millions of jobs. The purpose of ARRA is to preserve and create jobs and promote economic recovery in the near term and to invest in infrastructure that will provide long-term economic benefits. The funding from ARRA in combination with the provisions passed through the 2008 Housing and Economic Recovery Act (HERA) provides Minnesota with the necessary tools and resources to bring "shovel ready" projects to production and close financing gaps in these projects created by reduced credit pricing and lack of syndicator equity.

Funding Availability & Distribution

Minnesota Housing was designated by the Minnesota Legislature as the primary allocating Agency of Housing Tax Credits (HTC) in Minnesota. Qualified local cities and counties have also been designated by the Legislature as suballocators of the HTC.

It is anticipated that Minnesota Housing will select and administer TCAP and Exchange Program funds on behalf of the Joint Powers Suballocating agencies of St. Cloud, Rochester and Duluth. It is anticipated that Minneapolis, Saint Paul, Dakota County and Washington County will receive a portion of the state's allocation based on Minnesota State statutory formula for tax credits to administer TCAP and Exchange Programs within their respective jurisdictions subject to HUD approval of suballocator selection criteria and process.

Minnesota Housing administered funds will be distributed to Greater Minnesota in accordance with the Geographic Distribution plan outlined in the Qualified Allocation Plan. For Greater Minnesota the percentage is 38 percent, and for the Metropolitan Area the percentage is 62 percent.

Applicants who have previously received HTC awards from Minnesota Housing will apply to Minnesota Housing, those receiving HTC awards from suballocators will contact and apply to the appropriate suballocating agency directly. It is important to note that suballocating Agencies may have different selection priorities and timelines for award of the funds.

Tax Credit Assistance Program (TCAP)

TCAP Distribution	
MN Housing Administered – Greater MN	\$10,804,967
MN Housing Administered – Metro	\$ 8,444,192
Minneapolis	\$ 3,233,539
Saint Paul	\$ 2,410,081
Washington County	\$ 1,243,913
Dakota County	\$ 2,297,431
Total Metro and Greater Minnesota	\$28,434,123

Minnesota Housing will award TCAP funds in the form of a (loan/grant????)

Section 1602 Tax Credit Exchange Program (Exchange Program)

The state may request a grant from the Treasury an amount that does not exceed 85% of

1) 10 times 100 percent of (a) the unused State housing credit ceiling (if any) of the State for calendar year 2008 and (b) the amount of State housing credit ceiling returned in 2009 plus

2) 10 times 40 percent of (c) the greater of \$230 multiplied by the State population or \$2,665,000 and (d) unused housing credit carryover allocated to the State in the 2009 National Pool.

The State of Minnesota forward selects its projects for awards of HTC and the majority of the 2009 State Housing Credit ceiling has been awarded to projects. In order for the Agency to return funds to the Treasury for cash grants in lieu of tax credits, project owners receiving an allocation of credits will need to voluntarily and irrevocably return a portion or all of their credits that they are unable to syndicate. Projects that return their credits are not guaranteed a subaward and Minnesota Housing reserves the right to subaward less than \$.85 per dollar of tax credits to those selected for exchange funds. Minnesota Housing will only award an amount necessary to make the development financially feasible.

There will be no penalty for projects that voluntarily return their credits simultaneously with their application for funding. Project owners that fail to return their credits in a timely manner and put the State at risk of losing credits, TCAP or Exchange Program funds will be subject to penalty including negative points in future application submission rounds and/or being barred from the tax credit program for a period of up to 10 years.

Minnesota Housing and the suballocators will subaward Exchange Program funds as grants to eligible projects.

Recapture Provision

Projects receiving TCAP or Exchange Program funds will be required to meet the conditions of selection as detailed in the projects Reservation and Binding agreement and if applicable, Carryover Agreement. The funds will be subject to recapture if the project does not remain a qualified low-income building and meet the restrictions of the Declaration of Land Use Restrictive Covenants during the 15 year compliance period and extended use agreement under Section 42(h)(6)(B) of the Code.

Guiding Principal

To produce as much quality affordable housing as possible and stimulate the economy by creating as many jobs as quickly as possible while optimizing the use of all rental housing resources available.

Maximizing the use of the ARRA funds will require taking a comprehensive view of all resources available which will require re-underwriting each project and looking at potential uses of equity, TCAP funds, exchange funds, appropriated and partner funds, etc.

Minnesota Housing reserves the right to award TCAP and/or exchange funds or adjust existing Minnesota Housing funding awards in an effort to maximize the use of the federal and state appropriated funds.

Eligible Projects

Rental housing projects that received or will receive an award of Low Income Housing Tax Credits (LIHTC) under Section 42(h) of the Internal Revenue Code of 1986, as amended, during the period from October 1, 2006 to September 30, 2009.

The date of the award of tax credits is defined as the date the Minnesota Housing Finance Agency Board of Directors approves the selection of the project for Housing Tax Credits (HTC).

Projects will be required to meet the conditions of the original selection as detailed in the project's Reservation and Binding agreement and if applicable, Carryover Agreement. A Declaration of Land Use Restrictive Covenants covering the rent restrictions and occupancy requirements must be placed on the building(s).

For projects awarded 4% HTCs in conjunction with tax exempt bond financing where Minnesota Housing is the allocator of the credits, the award date is defined as the date of the issuance of the 42(m) letter. Tax exempt bond projects with a suballocator as the allocator of the credits will need to apply to the suballocator if eligible in accordance with the suballocator requirements for TCAP or exchange funds.

Eligible Use of Funds

TCAP Funds may be used for capital investment in eligible HTC projects. Capital investment means costs that are included in the 'eligible basis' of a project under Section 42 of the Internal Revenue Code.

Exchange Program funds may be used to finance the construction or acquisition and rehabilitation of qualified low-income buildings in accordance with Section 1602(c) of the ARRA.

Award of Funds

In an effort to maximize the use of the funds and simplify the process for applicants, applicants shall apply for the amount of the gap created by the reduced price or lack of equity investment and Minnesota Housing shall determine whether TCAP or Exchange program funds will be awarded to each project. Only the minimum amount needed to make the project financially feasible will be awarded. The sponsor/owner shall work closely with equity syndicators to structure the project proforma to ensure long-term viability and financial feasibility as an HTC project while maximizing the use of the scarce federal funds. Syndicator investment in each project is strongly encouraged.

Selection Criteria

All projects must demonstrate:

- Project financial feasibility
- Continuing project specific market feasibility
- Readiness to proceed
- Owner and management company capacity

Projects that are able to show financial and market feasibility, readiness to proceed and organizational capacity will be ranked and selected based on the extent they meet the competition selection criteria as described in the ARRA TCAP & Exchange Program self-scoring worksheet.

Minnesota Housing may decide at its discretion to maintain a waiting list if sufficient funding is no longer available. If Minnesota Housing decides to maintain a waiting list, all applications would be considered at the same time to determine selection when funds become available. If the waiting list is exhausted, Minnesota Housing may accept additional applications.

- Minnesota Housing may elect not to give partial funding to a higher-ranking application but provide the funding to the next ranking application that can use the balance of the funding.
- If two or more proposals have equal number of points, the following will be used to determine selection
 - First tie breaker - Priority will be given to the project that can be completed before February 16, 2012

- Second tie breaker – Priority will be given to a project with the greater number of points in the Readiness to Proceed selection criteria
- Third tie breaker – Priority will be given to projects with the greater number of points in the Leverage of Equity Investment selection criteria; if a tie still remains;
- Fourth tie breaker will be by lot.

Submission Requirements

Applicant must provide:

1. Updated Minnesota Housing Application Form/HTC 1
2. Narrative describing proposed funding structure
3. Demonstration of financial feasibility including a 15 year cash flow proforma
4. An updated project schedule showing at a minimum project construction benchmarks and timetables of when the applicant can expend 25/50/75/100% of the ARRA funding
5. Demonstration of continuing market feasibility – Market study or update to existing market study supported by the owners submission of the Market Qualifications form.
6. 3 years of General Partner financial statements – audited or accountant compilation
7. Describe the ability to meet any federal funds cross/cutting requirements or identify any issues in not being able to meet federal fund requirements as identified in the TCAP guidance Notice CPD-09-03
8. Commitment from Syndicator for equity investment **and/or** demonstration of good faith efforts to obtain investment commitments for reserved/awarded credits
 - a. The owner must demonstrate good faith efforts to obtain investment commitments by submitting:
 - i. Narrative description of efforts to obtain investment commitments, and
 - ii. Two letters from syndicators/investors that indicate
 1. The maximum amount of tax credits the Syndicator/Investor is willing to syndicate (the project is a blend of credits and TCAP or Exchange); or
 2. The equity price the Syndicator/Investor is willing to syndicate is less than \$.65; or
 3. The Syndicator/Investor is not interested in the project at any equity price.

Note: Failure to secure ^{tax credits} ~~an equity investor~~ disqualifies the applicant from receiving TCAP funds.