



400 Wabasha Street North, Suite 400
St. Paul, MN 55102
P: 800.657.3769
F: 651.296.8139 | TTY: 651.297.2361
www.mnhousing.gov

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To: Representative Howard, Chair, Housing Finance and Policy
Representative Johnson, Republican Lead, Housing Finance and Policy
Representative Gomez, Chair, Taxes
Representative Davids, Republican Lead, Taxes
Senator Port, Chair, Housing and Homelessness Prevention
Senator Lucero, Ranking Minority Lead, Housing and Homelessness Prevention
Senator Rest, Chair, Taxes
Senator Weber, Ranking Minority Lead, Taxes

From: Ryan Baumtrog, Assistant Commissioner, Minnesota Housing 

Subject: Annual State Housing Tax Credit Program and Contribution Fund Report

Pursuant to Minnesota Statutes 462A.40, Subdivision 5, Minnesota Housing is required to report on the State Housing Tax Credit Program and Contribution Fund.

Summary of Program

The State Housing Tax Credit (SHTC) program and Contribution Fund is a new way to help finance multifamily and single-family housing. Funding for this program is unique because the loans and grants provided for housing development are not made from state or federal appropriations. Eligible taxpayers, as defined in Minnesota Statutes 290.01, subdivision 6, and 297I.01, subdivision 16, can annually contribute at least \$1,000 but not more than \$2 million to the Contribution Fund. These contributions will fund housing development. In return for the contribution, the taxpayer receives a state tax credit certificate (TCC) that equals 85% of the contribution, which the taxpayer may use to reduce their state tax obligation. Contributions made to the fund are irrevocable. The maximum aggregate amount of tax credits allowed from all eligible contributors is \$9.9 million annually. More information can be on Minnesota Housing's [website](#).

Funding Pools

Under the statute, taxpayers can choose to designate a specific qualified project to receive their contributed funds or for their contributions to go to the the general contribution pool. Funds in the general contribution pool will be awarded to projects through a competitive application process.

Funding in the general contribution pool is subject to set-asides that are specified in law and include:

- Single-family housing (25% of contributions)
- Projects in a township or city with a population of 2,500 people or fewer and that is outside of the metro area (10% of contributions)
- Projects for households earning 50% or less of area median income (35% of contributions)

Designated contributions are not added to the general contribution pool and are separate from the set-asides. After Minnesota Housing receives a designated contribution, staff notify the designee, typically a housing developer. The designee must provide information and documentation indicating that the project is eligible under the SHTC program, and that the designee is eligible to receive the funds. Minnesota Housing holds these funds for up to 24 months, allowing the designee to finalize their remaining financing and schedule the project closing. Designated contributions that are not used or not able to be used by the specified qualified project will be added to the general contribution pool.

Program Requirements

For the general contribution pool contributions, Minnesota Housing may award funding to cities, federally recognized American Indian Tribes, Tribal housing corporations, private developers, nonprofit organizations, housing and redevelopment authorities, public housing authorities and the owner of the housing.

Eligible uses of contributions include gap financing as defined in Minnesota Statute 462A.33, new construction, acquisition, rehabilitation, demolition or removal of existing structures, construction financing and permanent financing.

Income limits for homeownership projects at the time of initial occupancy are 115% of the greater of state or area median income, as determined by the United States Department of Housing and Urban Development (HUD). Income limits for rental housing projects at the time of initial occupancy are 80% of the greater of state or area median income, as determined by HUD.

Tax Credit Certificate Application Process

The high-level process for a taxpayer to contribute is;

- Complete an online application available on Minnesota Housing's website
- Receive an email with documents to sign
- Submit contribution by the deadline
- Receive a tax credit certificate

2023 Summary and 2024 Planning

In August 2023, Minnesota Housing hosted a public webinar that provided information about the proposed program structure and the estimated program development timeline. A public comment period was open from July 28 through August 11, and a total of 11 organizations and individuals provided feedback. Minnesota Housing staff presented program information at four different stakeholder events/webinars in fall of 2023, and met with multiple developers on request to discuss the program. In 2024, staff will continue to present to stakeholder groups, both in person and via webinars.

Minnesota Housing accepted applications for tax credit certificates in 2023 from October 4, 2023 until December 13, 2023. The application period closed in order to complete required activities by year end as required in statute. In total, 382 contributions were received. Of the 382 contributions, 47% (179) were for the minimum contribution amount of \$1,000. The highest single contribution was \$1.5 million and two-thirds of the contributions can from 9 contributors. See Tables 1 and 2 for more detailed contribution information.

Developers or owners of projects that were designated as the intended recipient of contributions will be notified of the amount of contributions received and the steps necessary to request the funds in early 2024. The designees have up to 24 months to provide the due diligence items and enter into a loan agreement. Funds contributed to the general contribution pool will be awarded through a competitive request for proposal (RFP) process at a future date. Minnesota Housing will accept applications for tax credit certifications in early 2024, following a similar application process as 2023 with modifications based on feedback and experiences in the new program.

Table 1 2023 Contribution Summary

Contribution Type	Number of Contributions	Total Contribution Amount	Total TCCs to be issued (85% of contribution)
General Contribution Pool	220	\$1,789,441	\$1,521,025
Designated Contributions	162	\$5,129,940	\$4,360,449
Total	382	\$ 6,919,381	\$5,881,474

Table 2 Contribution Amounts

Contribution Amount	Number of Contributions	Percent of Contributions	Total \$	% of \$
0-\$2500	246	64.4%	\$302,541	4.4%
\$2,501-\$5,000	44	11.5%	\$189,400	2.7%
\$5001-\$10,000	42	11.0%	\$387,382	5.6%
\$10,001-\$20,000	23	6.0%	\$396,000	5.7%
\$20,001-\$50,000	11	2.9%	\$390,000	5.6%
\$50,001-\$100,000	7	1.8%	\$617,058	8.9%
\$100,001-\$500,000	6	1.6%	\$1,537,000	22.2%
\$500,001-\$1,000,000	2	0.5%	\$1,600,000	23.1%
\$1,000,001+	1	0.3%	\$1,500,000	21.7%

Table 3 Contributor Geography

Location of Contributor	# of Contributions	Total Contribution Amount
Region of Minnesota		
Central	11	\$220,000
General Contribution Pool	2	\$101,000
Specific Qualified Project	9	\$119,000
Northeast	1	\$1,000
General Contribution Pool	1	\$1,000
Northwest	1	\$2,000
General Contribution Pool	1	\$2,000

Southeast	8	\$28,100
General Contribution Pool	3	\$22,000
Specific Qualified Project	5	\$6,100
West Central	6	\$17,000
General Contribution Pool	3	\$3,000
Specific Qualified Project	3	\$14,000
7-County Metro	352	\$4,649,781
General Contribution Pool	209	\$1,658,941
Specific Qualified Project	143	\$2,990,840
Out of State*		
General Contribution Pool	1	\$1,500
Specific Qualified Project	2	\$2,000,000
Total	382	\$6,919,381

*While the contributions came from out of state, the contributors have a Minnesota tax obligation.

If you have any questions, please contact Ryan Baumtrog, Assistant Commissioner for Policy at 651-296-9820 or ryan.baumtrog@state.mn.us