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Date: January 15, 2025

To: Representative Howard, Housing Finance and Policy
Representative Igo, Housing Finance and Policy
Representative Gomez, Taxes
Representative Davids, Taxes
Senator Port, Housing and Homelessness Prevention
Senator Lucero, Housing and Homelessness Prevention
Senator Rest, Taxes
Senator Weber, Taxes

From: Jennifer Lemaile Ho, Commissioner, Minnesota Housing

A handwritten signature in blue ink, appearing to read 'Jennifer Ho'.

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 rental and homeownership projects. Funding for this program is unique because the loans 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](#).

Program Requirements

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 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 and signed documents by the deadline
- Receive a tax credit certificate

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 general contribution pool. Funds in the general contribution pool will be awarded to projects through a competitive application process.

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.

2024 State Housing Tax Credit Request for Proposals (RFP)

On July 9, 2024, Minnesota Housing announced funding for multifamily housing development in the amount of \$1,434,646 through the SHTC RFP and \$478,215 to be awarded through the Community Initiatives Impact Fund RFP for homeownership projects. Minnesota Housing

received seven applications to the SHTC RFP for a total request of nearly \$3.8 million. Selections will be announced at the January 2025 Minnesota Housing board meeting.

Contribution Summary

In 2024, requests for state housing tax credits exceeded the \$9.9 million available. State housing tax credits were issued on a first-come, first-served basis based on the date of the request (also called the contribution application date). Minnesota Housing received 782 applications to contribute to the State Housing Tax Credit program and receive state housing tax credits, totaling \$13.3 million in contribution applications requesting \$11.3 million in state housing tax credits. Minnesota Housing accepted contributions totaling \$11,647,058 and issued \$9.9 million in state housing tax credit certificates. Taxpayers who submitted a timely application but were unable to receive tax credits due to limited availability were given the option to transfer their application to 2025 for processing. The majority of the contributions were received in the last two months of the year.

Table 1: 2024 Contribution Summary

Contribution Type	Number of Contributions	Total Contribution Amount
General Contribution Pool	213	\$987,213
Designated Contributions	319	\$10,659,845
Total	532	\$11,647,058

Table 2: State Housing Tax Credit 2024 Contributions by Amount

Contribution Amount	Number of Contributions	Percent of Contributions #	Total \$	% of \$
\$0-\$2500	321	60.3%	\$419,274	4%
\$2,501-\$5,000	90	16.9%	\$386,200	3%
\$5001-\$10,000	50	9.4%	\$457,713	4%
\$10,001-\$20,000	27	5.1%	\$482,400	4%
\$20,001-\$50,000	24	4.5%	\$848,000	7%
\$50,001-\$100,000	7	1.3%	\$627,000	5%
\$100,001-\$500,000	9	1.7%	\$3,000,000	26%
\$500,001-\$1,000,000	2	0.4%	\$1,900,000	16%

\$1,000,001-\$1,500,000	0	0.0%	0	0%
\$1,500,001-\$2,000,000	2	0.4%	\$3,526,471	30%
Total	532	100%	\$11,647,058	100%

Project Information

In 2024, seven SHTC projects closed and 48 projects received designated contributions. Each project has 24 months from the receipt of the first designated contribution to request the funds and enter into a loan agreement. Many projects are using the SHTC program as an ongoing fundraising tool and we expect there may be 12-24 months between receipt of the first contribution and the project closing. Some of the closings in 2024 received designated contributions in 2023.

Table 3: State Housing Tax Credit 2024 Closings

Region	Total Loan \$	Loan #	# Units
7 County Metro	\$5,982,132	5	477
Northeast	\$100,000	1	1
Central	\$21,000	1	1
Total	\$6,103,132	7	479

Table 4: 2024 State Housing Tax Credit Designated Contribution Projects by Region

2024 Designated Contributions				
Region	Total Number of Projects	Total Contributions	# Homeownership Projects	# Rental Projects
Metro	16	\$ 6,560,280	1	15
Central	10	\$ 1,485,615	7	3
Northeast	4	\$ 133,500	3	1
Northwest	2	\$ 2,010,000	1	1
Southeast	9	\$ 174,800	9	0
Southwest	2	\$ 46,000	2	0
West Central	5	\$ 249,650	5	0
Totals	48	\$ 10,659,845	28	20

Outreach and Technical Assistance

In 2024, program staff held over thirty technical assistance meetings with various stakeholders and developers, hosted two live webinars and presented at multiple stakeholder groups. Receiving frequent feedback from stakeholders allowed Minnesota Housing to make process improvements throughout the year resulting in easier program administration. In 2025, staff will continue meeting with stakeholders to receive feedback and make improvements.

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