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## Available Funding

### **What is the Workforce Housing Development Program?**

The Workforce Housing Development Program (WHDP) was established by the Minnesota Legislature to provide funds for the direct development of market rate residential rental properties to increase the availability of rental housing in Greater Minnesota.

### **How much funding is available?**

Minnesota Housing anticipates making approximately \$4 million available for the 2021 RFP.

### **What are the award terms?**

Funds will be awarded to recipients as grants or deferred loans. Applicants must indicate in their applications if they wish to receive an award as a grant or deferred loan. The term will be three years. Deferred loans will have a 0% interest rate and will be forgiven after the three-year term.

### **How many awards does Minnesota Housing expect to provide?**

Minnesota Housing expects to fund multiple projects through the 2021 RFP cycle.

### **When are applications due?**

Applications are due no later than **12:00 p.m. (noon) CT on Tuesday, January 11, 2022.**

### **When will award decisions be announced?**

Awards are expected to be announced in April 2022.

### **Will additional funding rounds be offered?**

Additional funding is subject to legislative approval during the next budget session.

### **If awarded, how will funds be disbursed?**

Funds will be disbursed in three increments, with up to one-third of the award disbursed at each increment:

- An initial disbursement will occur after execution of the grant contract agreement, and once eligibility has been determined.
- An additional one-third will be disbursed during mid-construction.
- The remaining balance of the award will be disbursed at project completion and upon satisfaction of the project closeout requirements.

## Eligible Applicants

## Who can apply?

Eligible applicants/recipients must satisfy the following requirements:

- Must be in an eligible project area
- Must be working with a developer
- Must have a viable proposal for the development of a market rate residential rental property

**NOTE:** Minnesota Housing will not review applications submitted by developers.

## What is an eligible project area?

An eligible project area is any one of the following:

- A home rule charter or statutory city located outside of the metropolitan area with a population exceeding 500
- A community\* that has a combined population of 1,500 residents located within 15 miles of a home rule charter or statutory city located outside the metropolitan area
- An area served by a joint county-city economic development authority

**NOTE:** Priority will be given to applicants located in an eligible project area that has a population below 30,000.

\* A community includes a federally recognized tribal reservation.

## How is the metropolitan area defined?

The metropolitan area is defined as the area over which the Metropolitan Council has jurisdiction, which includes Hennepin, Ramsey, Anoka, Carver, Scott, Dakota, and Washington counties. The following cities within these counties are not defined as part of the metropolitan area and are eligible to apply:

- Northfield
- Cannon Falls
- Hanover
- Rockford
- New Prague

The metropolitan area is not eligible to receive funding under this program.

## What is a joint county-city economic development authority?

A joint county-city economic development authority is an economic development authority formed under Laws 1988, chapter 516, section 1, as a joint partnership between a city and county and excluding those established by the county only.

### **How can I find out if my community qualifies?**

Minnesota Housing has created a list of eligible home rule charter or statutory cities that can be found at <https://www.mnhousing.gov/sites/multifamily/workforce>.

**NOTE:** If you are eligible under the joint county-city economic development authority category, you will need to provide your own supporting documentation demonstrating eligibility.

### **Can an applicant submit more than one application?**

There is no limit to the number of applications that can be submitted by a single applicant; however, an applicant may only submit one application per project.

## **Eligible Uses of Funds**

### **What are qualified expenditures?**

Funds are available for project-specific costs resulting in the direct development of market rate residential rental housing units within properties to serve employees of businesses located in the eligible project area or surrounding area.

### **Are reserves a qualified expenditure under the program?**

The funding of reserves is not an eligible use of funds under this program.

### **What is the definition of a market rate residential rental property?**

A market rate residential rental property is a property that is rented at market value without income or rent restrictions. Market rate residential rental properties may include new modular homes, new manufactured homes, and new manufactured homes on leased land or in a manufactured home park.

### **Is a mix of market rate and income-restricted units allowed?**

Yes. Beginning in 2017, a new statutory provision allows rental developments to have a portion of income-restricted units; however, the statute gives preference to developments with the highest proportion of market rate units.

### **Is a mix of market rate and rent-restricted units allowed?**

For projects funded with Workforce Housing Development Program state appropriations awarded after 2019, a portion of the units may also have rent restrictions. Any project proposing units with rent restrictions must obtain the prior written consent of Minnesota Housing, which consent may be withheld at Minnesota Housing's sole discretion.

## Program Requirements

### What is the maximum award size?

An individual project award cannot exceed 25% of the total development costs.

### Does prevailing wage apply?

Loans and grants under this program are subject to the prevailing wage requirements of [Minn. Stat. §116J.871](#). If the project meets the requirements of that statutory provision, the bid request must state the project is subject to prevailing wages. A person receiving financial assistance under a Grant Contract Agreement/Deferred Loan Agreement must certify to the commissioner of labor and industry that laborers and mechanics at the project site will be paid the prevailing wage rate as defined in [Minn. Stat. §177.42, subd. 6](#). It is a misdemeanor for a person who has certified that prevailing wages will be paid to laborers and mechanics to subsequently fail to pay the prevailing wages. Each day a violation of that requirement continues is a separate offense.

Applicants should direct any questions regarding compliance with [Minn. Stat. §177.42](#) to their attorney.

### What are the contracting and bidding requirements?

Per [Minn. Stat. §471.345](#), grantees that are municipalities as defined in subd. 1 must follow the law.

If a recipient is not a municipality as set forth in [Minn. Stat. §471.345](#) (refer to Section 2.02 of the [Program Guide](#) for a list of eligible recipients), other contracting and bidding requirements apply. Contact Minnesota Housing for more information.

### Is there a specific rental vacancy rate requirement?

Yes, projects are eligible if the average vacancy rate for rental housing located in the eligible project area, and in any other city located within 15 miles of the boundaries of the area, has been 5% or less for at least the prior two-year period. Applicants will need to provide a self-certification form that states the vacancy rate for the prior two years.

### What types of housing developments are eligible?

Eligible types of housing include new construction or acquisition and rehabilitation or reuse of an existing property that is not currently used for housing.

### What is the requirement for matching funds?

Funds must be matched one dollar for every two dollars awarded. Applicants must show a commitment of matched funds for the amount of grant funds being requested. Funds must be matched by a local unit of government, business, or a nonprofit organization. Preference (points) will be given to applicants who have a match commitment higher than the statutory

minimum of one dollar for every two dollars. **NOTE:** The developer or an entity affiliated with the developer cannot be the source of matching funds unless otherwise approved by Minnesota Housing, which determination is made at Minnesota Housing's sole discretion.

### **What do I need to provide to show that we have met the match requirements?**

Applicants need to submit a signed local government resolution certifying that the match amount is available and committed.

### **Where can the match come from?**

A match can come from the local government, a business, or a nonprofit organization. The developer or an entity affiliated with the developer will not qualify as a source for the match.

### **Can matching funds be in the form of a loan?**

The matching funds can be a deferred loan, but the terms must be equal to or more favorable than the terms of the Workforce Housing funds deferred loan option of 0% interest, forgivable after three years.

### **Do resources from tax increment financing (TIF) and/or tax abatement count toward the match requirement?**

Both TIF and tax abatement resources satisfy the match requirement.

### **How do I document tax increment financing (TIF) and/or tax abatement?**

**Tax Abatement** – Provide documentation that the contribution is committed to the development at the time of application. Mixed use projects must provide documentation prorating the tax abatement for the residential portion of the project. The workbook should reflect the prorated amount.

**Tax Increment Financing (TIF)** – Provide documentation that the contribution is committed to the development at the time of application, including a letter from the city and a city council resolution, indicating its intention to provide TIF assistance and the anticipated amount and term. The documentation must include the TIF analysis from the city or its consultant. Mixed use projects must provide documentation prorating the TIF for the residential portion of the project. The workbook should reflect the prorated amount.

### **What do I need to provide to show a community need?**

Applicants must submit a written statement from one or more businesses, located in the eligible project area or within 25 miles of the area that employ a minimum of 20 full-time equivalent employees in aggregate, indicating that the lack of available rental housing has impeded the ability of the business to recruit and hire employees.

### **Would a local school district count as a local business?**

Yes, a local school district counts as a local business when applicants are securing a letter of one or more employers who employ a minimum of 20 full-time equivalent employees.

### **What is the definition of ‘site control’?**

The Application Checklist gives guidance on site control as follows:

- Evidence of site control is not required, but preference (points) will be given to applicants who can demonstrate it.
- Acceptable evidence of site control includes either of the following: (i) a purchase commitment; or (ii) an option or letter of intent from a governmental body for a sole developer. If there is no transfer of ownership, then the warranty deed is acceptable.
- The evidence of site control must be current, fully executed, include the legal description of the land, and extend to the anticipated date of funding recommendation.

### **Would a purchase commitment contingent upon receiving a Workforce Housing award qualify as evidence of site control?**

A purchase commitment contingent upon receiving a Workforce Housing Development Program award qualifies as site control for selection purposes; however, a purchase commitment contingent on other, unsecured financing does not qualify as site control.

### **What are requirements for project readiness?**

Projects must demonstrate that they will be ready to start construction within 12 months of contract execution.

### **If the city is donating land as an in-kind donation toward the match requirement, what supporting documentation should be included with the application to determine value?**

City owned land could be valued using the city’s standard method for regular property valuation. For example, the city assessor could issue a valuation based on similar taxable land valuations. Another option could include an appraisal. Applicants should submit the documentation supporting how the land valuation was determined.

## **Selection Criteria**

### **How will applications be ranked and selected?**

Proposals will be competitively evaluated based on the following threshold categories and selection criteria. Applicants must meet all threshold requirements to be eligible. Applications that meet threshold requirements will then be scored on the selection criteria.

#### **Threshold Requirements**

- Eligible Project Area



- Rental Vacancy Rate has been 5% or less for at least the prior two-year period
- Eligible Uses: Funds will result in the direct development of rental housing, which means they will be used on qualified expenditures
- Match/Community Support
- Community Need
- Funding request does not exceed 25% of total development costs

#### **Selection Criteria**

- Readiness to Proceed (20 points available)
- Market Characteristics (15 points available)
- Leverage (25 points available)
- Community Size (15 points available)
- Located in an Opportunity Zone (3 points available)
- Geographic Preference (10 points available)

#### **Who Can I Contact with Questions?**

Email questions to Sara Bunn at [workforcehousingdevprog.mhfa@state.mn.us](mailto:workforcehousingdevprog.mhfa@state.mn.us).