



Rental Rehabilitation Deferred Loan (RRDL) Pilot Program

October 2011

Program Objective: The RRDL pilot program will assist local communities throughout Greater Minnesota, in their efforts to rehabilitate their existing affordable rental housing stock. The RRDL program will provide rental property owners access to moderate rehabilitation loans accessible through a local administrative network. The RRDL program is available to affordable rental property owners outside of the seven county metropolitan area. Preference is given to applications targeting properties outside of the HOME Entitlement areas of the state.

Access to Funds: Program funds are available through a separate annual Request for Proposal (RFP) process outside of the annual Multifamily Consolidated Request for Proposals (Consolidated RFP). RRDL projects may not concurrently apply for Consolidated RFP funding and will not be eligible for additional RFP or RRDL funding for at minimum of 5 years of a RRDL funding award.

Eligible applicants include - Housing & Redevelopment Authorities (HRAs), Community Action Programs (CAPs), local non-profit housing providers, units of local and tribal governments, and joint powers board of two or more of the aforementioned entities.

Funding Activities: RRDL funding is available for both **Specific Project** and **Program Model** activities through the RFP. Applicants may submit more than one application for multiple projects or program models.

Specific Projects- An Applicant may apply for funding for the rehabilitation of one specific property which they own or work on behalf of an owner as the processing agent.

Program Models- An Applicant may submit a proposal to deliver a Program Model that is designed to provide rehabilitation activities to number of properties in specific geographic areas as defined by the Applicant. Minnesota Housing encourages Applicants to be innovative in designing a Program Model, including partnering or collaborating, when appropriate, and leveraging other rehabilitation resources to create the most significant impact possible.

Selection: Applications for either funding activity will be evaluated for overall feasibility, the applicant's capacity and ability to meet the proposed outcomes, including, but not limited to, total units rehabilitated. The Agency will also consider outreach and marketing plans, property selection criteria and program administration when reviewing applications.

Program Model applicants must outline a specific target delivery area, and explain how their selection criteria and application process will support local area jobs and utilize existing infrastructure.

Priority will be given to proposals that best address the greatest number of Minnesota Housing's strategic and funding priorities. For example, applicants that leverage RRDL funds with private, local, or owner funds will receive preference for funding.

The Minnesota Housing Rental Rehabilitation Loan program (6% amortizing loan) is an acceptable form of leverage available that could be utilized to help deepen the rehabilitation scope of work, including, but not limited to, additional energy conservation improvements.

Eligible Properties: Residential rental property including single family homes, duplex or larger apartments, as long as four or more units or single family homes are located within a single community or county program area.

Funds may be used for moderate rehabilitation of structurally sound residential rental properties where at least 51% of the space will be utilized for rental housing.

Rehab Standards: To ensure rehabilitated housing is sustainable, energy efficient and cost effective to operate, all rehabilitation work shall conform to Minnesota Housing's Green (Sustainable) Housing Standards including all items scheduled for replacement.

Rehabilitation performed must conform to the Minnesota State Building Code, local codes or regulations, or the Minnesota Housing Rehabilitation Standards, whichever is most restrictive.

Funds Available: Up to \$10 million is available for the period between October 2011 and June 2013. Approximately \$4.5 million will be available per biennium thereafter, depending on state appropriations.

Loan Terms: The funding is offered as an interest free deferred loan with principal due and payable in full at the end of the loan term.

- The minimum loan is \$25,000.
- The maximum loan per unit is \$25,000. However, for single family homes and duplexes, the limit is \$35,000 per unit.
- The maximum loan is \$300,000 per project.
- The loan will be non-recourse to the property owner.
- Minnesota Housing may adjust the loan term based on requirements and conditions of other funding sources related to loan term.

Loan Terms for **Program Model** borrowers:

- The loan may be structured as either an end loan or construction loan.
- The loan term is 10 years for loans under \$100,000 and 15 years for loans of \$100,000 to \$300,000.

Loan Terms for **Specific Project** borrowers:

- The loan will be structured as an end loan.
- The loan term is 30 years.

Rent Limits: RRDL Rent Limits based upon data on wages (2010 average) from the MN Department of Employment and Economic Development (DEED). The RRDL affordable rent is the *lesser* of rents based on 30 percent of wage data and rents based on affordability at 80 percent AMI.

Income Limits: All households occupying assisted units, including those at the time of closing on the loan, must have household incomes at or below 80% of the greater of state or area median income, not adjusted for family size.

RRDL rent and income limits are available on the Minnesota Housing Web site.

Loan Servicing and Monitoring: The income and occupancy requirements for all assisted properties will be monitored by Minnesota Housing for the full term of the loan.

Partial Loan Forgiveness:

For properties that maintain use restrictions and have been compliant with monitoring requirements throughout the loan term, five percent (5%) of the loan principle will be forgiven each year of the last five years of the loan term, up to a maximum of twenty five percent (25%) of the initial loan amount.

Loan Term Extension:

The term of the loan may be extended to 30 years. The owner must agree to maintain the use restriction and report annually for the duration of the extended loan term.

Loss of Affordability Premium:

The loan may be prepaid in full early; however, compliance with rent and occupancy restrictions is effective for a minimum of 5 to 15 years, depending on the loan amount. In some circumstances, the owner may appeal for release from all loan requirements prior to the end of the minimum compliance period. If the request is approved by Minnesota Housing, the borrower may pay a premium in addition to the full loan amount and be released from the compliance and reporting requirements immediately.

Property Monitoring:

Minnesota Housing will inspect the property every five years in accordance with Minnesota Housing's Multifamily Deferred Loan monitoring policy.

Borrower Compliance Reports:

The Borrower must certify to Minnesota Housing that the project has complied with RRDL Program restrictions. The annual certification form requires the owner to certify compliance with rent, income and property insurance requirements, and identify any changes in ownership, management, and/or service provider.

Administrator Monitoring and Reporting:

Minnesota Housing will monitor the local administrator's performance and inspect records and properties in accordance with provisions of the RRDL Program Guide.

Program Benefits:

- Dedicated funds for the preservation of affordable rental units in Greater Minnesota.
- Flexible terms and activities with a streamlined process.
- No federal crosscutting standards or requirements.
- Awards based on need as demonstrated in competitive applications.
- Reimbursement is provided to help offset the Administrator's costs.

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