



Preservation Affordable Rental Investment Fund  
(PARIF) Program

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Minnesota Housing is an equal opportunity employer.

This information will be made available in alternative format upon request.

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## **Introduction**

### **Mission Statement**

Minnesota Housing finances and advances affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster strong communities.

### **Background**

The Minnesota Housing Finance Agency (Minnesota Housing) was established by the 1971 session of the Minnesota Legislature to finance the construction and rehabilitation of housing for families of low and moderate income. In addition to providing financing for multifamily rental units, single family mortgage loans and home improvement loans and grants, the Agency participates in and administers other programs which assist in increasing or improving affordable housing for Minnesota residents.

## Chapter 1 – Program Purpose and Background

Minnesota Housing's authority to develop the Preservation Affordable Rental Investment Fund (PARIF) Program is provided in Minnesota Statute Section 462A.

The purpose of the program is to provide funding to assist in the preservation of federally assisted permanent rental housing where the federal subsidies are at risk of being lost. Risk of loss may be due to one or more of the following factors:

- deteriorating physical condition,
- diminished owner capacity,
- conversion to market rates

Effective July 1, 2004, this appropriation may also be used to finance the acquisition, rehabilitation, and debt restructuring of existing supportive housing properties. For this purpose, supportive housing means affordable rental housing with linkages to services necessary for individuals, youth, and families with children to maintain housing stability.

## Chapter 2 – Eligibility Criteria

### A. Owner/Sponsor

#### 1. Eligible applicants include

- A nonprofit organization, as defined in Minnesota Statutes, section 462A.03, subdivision 22;
- A city, as defined in Minnesota Statutes, section 462A.03, subdivision 21;
- A joint powers board established by two or more cities that owns or will own the housing;
- A public housing agency that owns or will own the housing;
- An Indian tribe or tribal housing corporation that owns or will own the housing;
- A natural person who owns or will own the housing;
- A private developer, as defined in Minnesota Rules, 4900.3610, subpart 17.

#### 2. Priority

- Priority is given among comparable proposals to developments that are or will be owned by a local government unit, housing and redevelopment authority, or a nonprofit housing organization.
- Other factors to be considered in selection of comparable proposals include:
  - a. Risk of Loss: The extent to which the development is at risk of losing federal assistance. Risk of loss may be due to mortgage prepayments or expiring rental assistance which would lead to conversion to market rate use; or due to physical deterioration or deterioration of capacity of current owner/management entity which would lead to a loss of federal subsidies, or a combination of any of these. Minnesota Housing, at its sole discretion, must agree that a market exists for conversion to market rate housing.

For supportive housing developments, the extent to which the existing supportive housing is at risk of being lost.

- b. Cost/Benefit Analysis: How the costs of preserving the development compare to the benefits of preserving the federal assistance.
- c. Impact on Residents; The impact on the residents of preserving or losing the federal assistance or supportive housing; including the availability of other affordable housing in the market.
- d. Physical Condition: The extent to which the development will provide housing that is safe and in good physical condition for the term of the agreement.

- e. **Ownership and Management:** The record of the current or proposed ownership and management in terms of quality property management, positive working relationships with residents, and responsible operations. Whether transfer of ownership or management to another was entity considered, if deemed necessary for the long term viability of the development.

## **B. Use and Level of Funding**

### **1. Eligible Uses of Funds**

- Acquisition, rehabilitation, equity take-out and debt restructuring of permanent rental housing with existing federal subsidies that are at risk of being lost.
- Acquisition, rehabilitation and debt restructuring of existing permanent supportive housing.
- Developments must contain a minimum of four units.

### **2. Level of Funding**

In determining the amount of the loan, Minnesota Housing will review cost reasonableness on a per-unit and total development cost basis. Minnesota Housing will also analyze the developmental and operational costs to ensure that the amount of funds provided to the development is not more than is necessary to make the development financially and/or physically feasible.

## **C. Design and Construction Review**

Refer to the [Consolidated Request for Proposal Guide](#) and the [Multifamily Design Standards](#)

## **D. Occupancy Requirements**

### **1. Income Limits**

Units assisted with PARIF funds must be initially occupied by households with incomes up to 80% of Statewide median income, not adjusted by family size. Refer to the [Multifamily Rent and Income Tables](#) for current income requirements.

### **2. Minimum Term**

The income and occupancy conditions for the assisted units are in effect for the life of the loan.

### **3. Monitoring**

The income and occupancy requirements will be monitored by Minnesota Housing for the length of the loan.

Household incomes for all assisted units will be reviewed for compliance by Minnesota Housing through the review and analysis of tenant income verification forms.

As assisted units become vacant, incomes of new households occupying those units will be verified and analyzed and reported to the Agency on an annual basis. Households need only qualify at the time of initial occupancy and do not need to be re-certified thereafter.

**E. Federal Assistance**

Priority is given among comparable properties to properties with the longest remaining term under an agreement for federal assistance.

As a condition of this funding, the owner will be required to enter into an agreement to participate in the applicable federally assisted housing program and to extend any existing low-income affordability restrictions on the housing for the maximum term permitted.

Except for good cause, existing subsidized tenants may not be evicted and must continue to renew leases for those residents.

**F. Supportive Housing**

As a condition of this funding, the owner will be required to enter into an agreement to continue to operate the development as supportive housing for the term of the loan.

## Chapter 3 – General Deferred Loan Characteristics

Minnesota Housing underwriting parameters for all developments will include analysis of financial feasibility, development costs, and review of management, marketability, and architectural requirements. Additional requirements may be imposed based upon the level of assistance requested.

### A. Mortgage Interest Rate and Term

Loans will generally be provided in the form of a 0%, 30 year loan with principal due and payable at the end of the term. The interest rate may be adjusted in order to allow these funds to be utilized with other sources of funding, such as Housing Tax Credits. The loan term may be adjusted based on requirements and conditions of the federal assistance or other funding sources.

Loans will generally be full recourse; however, Minnesota Housing will allow non-recourse debt to single asset entities.

### B. Transfers of Ownership/Prepayment

#### 1. Right of First Refusal

As a condition of funding federally assisted developments, the owner must enter into an agreement that gives local units of government, housing and redevelopment authorities, and nonprofit housing organizations the right of first refusal if the rental property is subsequently offered for sale and a bona fide outside offer is received.

#### 2. Transfers of Ownership

The mortgage loan may be assumed contingent upon:

- a. Minnesota Housing review and approval of the proposed ownership entity;
- b. Assumption of all contractual obligations with Minnesota Housing; and
- c. Payment of a fee equal in an amount equal to the approximate administrative costs incurred by the agency in processing the sale or assumption.

#### 3. Prepayment

The mortgage may be prepaid in full at any time; however, deed restrictions will remain in place for the remaining term of the minimum rental subsidy period. Minnesota Housing will charge a prepayment fee in an amount equal to the approximate administrative costs incurred by the agency in processing the prepayment.

### C. Return on Equity

Agency statutes currently allow a maximum return of 15% based on actual developer equity for development of units on which the Agency has a mortgage.

**D. Management and Operation**

**1. Management and Operating Expense Budget**

The budget submitted in the application will be reviewed and compared to budgets of comparable Minnesota Housing financed developments. Minnesota Housing comparables will be used in the underwriting of the loan and used to project long-term operating costs that will protect the long-term investment being made by the owner. Minnesota Housing approved benchmarks are published in the [Consolidated Request for Proposal Guide](#).

Minnesota Housing reserves the right to reject or adjust the operating and maintenance expense projections based upon the information supplied, specific development type, circumstances and/or significant changes to the economics of the development's current market place.

**2. Marketing**

Owner/Agent shall demonstrate that they have established networks and linkages necessary for residents to maintain housing stability.

**E. Monitoring and Reporting Requirements**

Minnesota Housing actively monitors each development it finances. This includes monitoring of tenant incomes, rents, affirmative action and equal opportunity requirements, and year-end operating reports.

As Assisted Units become vacant, they must be leased to qualified households who must disclose their income at initial occupancy on an "Initial Occupancy Statement by Tenant" form, as provided by Minnesota Housing. This form will be used to ensure that tenants are qualified to occupy the Assisted Unit. In addition, this form will assist in completion of annual reporting of demographic data as requested by Minnesota Housing through a "Characteristics of Tenant Households" form for program evaluation.

Additionally, a Data Practices Act Disclosure Statement will be required for each household that occupies an Assisted Unit. This information is necessary for the administration and management of State or Federal programs that provide housing for low and moderate-income families.

## **Chapter 4 – Contract Compliance Plan**

### **A. Policy**

It is the policy of Minnesota Housing to take affirmative action to provide equal opportunity in all of our projects, programs, and other endeavors. Minnesota Housing's goal is to achieve a client and recipient mix that is representative of the people who live in our state and our communities, so that all employment and contractual benefits that develop as a result of our programs will be shared by all Minnesotans. This policy applies to all Minnesota Housing employees and everyone with whom we do business.

### **B. Purpose**

The purpose of this Plan is to make Minnesota Housing's commitment to act affirmatively to achieve equal opportunity in all facets of its operation, clear to both internal staff and outside parties with whom we do business.

### **C. Goals**

Our goal is to ensure minority and female contractors and subcontractors equal access to business opportunities on Minnesota Housing financed projects and to encourage the presence of minorities and women at all levels, on the staffs of the program participants having contractual agreements with Minnesota Housing. Minnesota Housing's goal is to ensure that the workforces on the projects and programs we finance reflect demographically the area in which they are located. Our goal is to ensure equal business opportunity to minority and female contractors and subcontractors on the projects we finance and equal employment opportunity in the workforces of the firms with whom we sign contractual agreements, in which a contractor commits to meet Minnesota Housing's employment and business goals. These goals will apply for the length of the contract or the life of the mortgage. Minnesota Housing, at its discretion, may set numerical or percentage goals dependent on the location and size of a given project. Current goals will be determined by staff based on the location of the project.

### **D. Requirements**

Minnesota Housing is required to comply with all applicable state, federal and local laws. These requirements are passed on to everyone we do business with, either by contractual agreement or as an Minnesota Housing policy.

**E. Sanctions**

Minnesota Housing has the contractual authority to demand full payment of any loan or grant, stop proceeding with any project at any stage, and cease to do business with any entity or individual that fails to follow our affirmative action policies or fails to meet its/his/her contractual equal opportunity obligations.

**F. Equal Opportunity Laws/Rules**

The operations of the Agency are regulated by the following Equal Opportunity Laws/Rules:

- Executive Order 11246 (Affirmative Action Requirements, Federal and federally derived Contracts)
- Executive Order 11625 (Minority Business Enterprises)
- The Civil Rights Act of 1964 (Title VII)
- Equal Employment Act of 1972
- The Americans with Disability Act of 1990
- Section 504 of the Rehabilitation Act of 1973 as amended
- Minnesota Human Rights Act (Section 363.073)
- Fair Housing Amendments Act of 1988

## Chapter 5 – Minnesota Housing’s Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, family status, or sexual orientation.

Minnesota Housing’s fair housing policy incorporates the affirmative fair housing marketing practices addressed in Title VIII of the Civil Rights Act of 1968 as amended by the Fair Housing Amendment Act of 1988, which state that it is unlawful to discriminate in the sale, rental, and financing of housing based on race, color, religion, sex, handicap, familial status or national origin; as well as the fair housing protections provided by the Minnesota Human Rights Act, which adds creed, marital status, status with regard to public housing, and sexual orientation.

In part, regarding rental housing issues, Title VIII and the Human Rights Act makes it unlawful to: (i) discriminate in the selection/acceptance of applicants in rental of housing units; ii) discriminate in terms, conditions or privileges of rental of a dwelling unit; (iii) engage in any conduct relating to the provision of housing which otherwise make unavailable or denies rental of a dwelling unit; (iv) make or publish (or have anyone else make or publish) advertisements that indicate preferences or limitations based on race, etc.; (v) tell a person that because of race, etc., a dwelling unit is not available when it is; and (vi) deny access to, or membership or participation in, associations or other services organization or facility relating to the business of renting a dwelling or discriminate in the terms or conditions or membership or participation.

Minnesota Housing has a commitment to affirmatively further fair housing for members of the disabled communities by promoting the accessibility requirements set out in the Fair Housing Amendment Act of 1988, which establish design and construction mandates; and provide for the residents’ right to make reasonable accommodations, under certain conditions (applicable to covered multifamily dwellings: buildings consisting of 4 or more units if such buildings have one or more elevators; and ground floor dwelling units in other buildings consisting of 4 or more dwelling units).

All Minnesota Housing programs require owners to market affirmatively, using specific steps geared to the particular program. These steps include:

1. Outreach to all groups protected by the Civil Rights Act of 1968, amended in 1988, and those protected by the Minnesota Human Rights Act;
2. Affirmative marketing strategy that reaches protected groups;
3. Self-analysis to make sure all steps are non-discriminatory; and
4. Upon request by the Agency, the submission of reports and documents that confirm the owner’s fair housing efforts.

Participants will be expected to use affirmative fair housing marketing practices in soliciting renters, determining eligibility, and concluding all transactions.

## **Chapter 6 – Allocation of Funds**

This funding is available on a statewide basis and is made available through Minnesota Housing’s annual Multifamily Consolidated Request for Proposal (RFP) that provides a means of one-stop shopping by consolidating and coordinating multiple programs into one RFP. Applications may also be submitted on a pipeline basis subject to the requirements outlined in the Consolidated Request for Proposal Guide, subject to funding availability. Minnesota Housing will review all proposals submitted, and will attempt to make the best and most appropriate funding choices for each development selected.

## **Chapter 7 – Program Contact**

Contact Kayla Schuchman at (651) 296-3705, Julie LaSota at (651) 296-9827 or the Housing Development Officer identified in your selection letter for questions concerning this program.