



**Rental Rehabilitation Deferred Loan
Pilot (RRDL)
Program Guide**

June 2015

MINNESOTA HOUSING – RRDL PROGRAM GUIDE



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Chapter 1 - Program Purpose and Background

On September 22, 2011, the Minnesota Housing board authorized staff to implement the Rental Rehabilitation Deferred Loan Pilot (RRDL) Program for a two year demonstration period. On December 19, 2013, the demonstration period was extended for an additional two years. The RRDL Program's funding source is state appropriations, and the authority to develop and operate the RRDL Program is found in Minnesota Statute §462A.05, subdivision 14 and Minnesota Statute §462A.33.

Outside of the seven county metropolitan area, 61% of rental housing stock was built before 1980 and is potentially at risk of loss or is unsafe due to deferred maintenance and deterioration. The RRDL Program provides financing options for moderate rehabilitation to owners of existing smaller scale, rental housing in Greater Minnesota. The goal is to repair and preserve rental housing stock that is naturally Affordable to the Local Workforce and convenient to jobs, transportation, and essential services.

More than 51% of the rental units in Greater Minnesota are located in properties with 1-4 units. This Program Guide includes the revised procedures approved by the Minnesota Housing board on May 28, 2015 to increase the share of 1-4 unit properties rehabilitated in Greater Minnesota. Administrators may offer owners of these properties a fully forgivable RRDL Loan. The requirements for the fully forgivable loan are detailed in Chapter 4.02b of this Program Guide.

The RRDL Request for Proposal (RFP) will assist in carrying out Minnesota Housing's broad objectives of meeting Minnesotans' access to decent, safe, affordable homes and stronger communities by focusing on the preservation of existing affordable rental housing in Greater Minnesota.

Chapter 2 – Applying for Funds and Selection Process

This Program Guide, including subsequent changes and additions, and your Application for Funds are supplements to the RRDL Loan or Administrative Agreement and are incorporated by reference. All materials, documents, and forms referenced in this Program Guide are located on Minnesota Housing's [RRDL Program webpage](#).

2.01 Access to Funds

An eligible Applicant may apply for RRDL Funds in one of three ways:

- Submit a Program Model application to become an Administrator when Minnesota Housing publishes a Request for Proposals (RFP) notice.
- Submit a Specific Project application directly to Minnesota Housing for:
 - A Project located outside an Administrator's area
 - A Project needing rehabilitation which is beyond the Administrators qualifications
 - A Project owned by an Administrator
- Specific Project Application for Funds are awarded on a first come first served open pipeline basis and are subject to the availability of RRDL Funds.
- Contact the closest Administrator to apply for funding. Refer to the RRDL webpage for a list of participating Administrators.

An Applicant may submit one or more applications for Specific Project and/or Program Model activities.

Note: Applicants may not concurrently apply for Consolidated RFP funding. Projects awarded RRDL Funds will not be eligible for additional RRDL Funds or Consolidated RFP funding for five years from the closing of the RRDL Loan. Projects previously awarded Consolidated RFP funding must wait five years to apply for RRDL Funds. The RRDL Program will not be included in the annual Consolidated RFP.

2.02 Application for Funds

It is the Applicant's responsibility to be aware of all submission requirements needed to submit a complete Application for Funds based on either the Specific Project or Program Model checklist. Applicants must use the most current version of the Application for Funds from Minnesota Housing's website for each funding round. Prior versions of the Application for Funds may not accurately reflect current guidelines and underwriting standards.

The RRDL Program application materials and checklists are located on Minnesota Housing's [RRDL Program webpage](#).

A complete Application for Funds consists of the Qualification Forms, the RRDL Specific Project or Program Model Borrower Application, and all required submission items identified on either the Specific Project or Program Model checklist. All Application for Funds forms and submissions are available through the hyperlinks found on the checklist.

The Application for Funds must be received by Minnesota Housing no later than 5:00 p.m. C.S.T. on Monday August 24, 2015. An electronic copy must be uploaded to Minnesota Housing’s Box.com system, and one original hard copy delivered to:

Minnesota Housing
Attn: RRDL Program
400 Wabasha St. North, Suite 400
St. Paul, MN 55102

Upon delivery of the original hard copy, Applicants may no longer upload or revise submission items on Box.com. Upload instructions and an access code for Box.com will be provided by Minnesota Housing.

If you are having technical difficulties or require assistance with accessing or submitting your Application for Funds, please contact Mary Hieb at 651.296.8185 or mary.hieb@state.mn.us.

2.02a Program Model: Apply to Become an Administrator

An Applicant may submit a Program Model proposal to become an Administrator to provide rehabilitation assistance to Projects in specific geographic areas as defined by the Applicant. Minnesota Housing encourages Applicants to be creative and innovative in designing a Program Model, including partnering or collaborating, when appropriate, and leveraging other rehabilitation resources to create the most significant impact possible.

2.02b Specific Projects: Apply for Funding

RRDL Funds have been reserved for Specific Projects and are available on a first-come, first-served basis. An Applicant may apply for rehabilitation funding for one Specific Project they own or on behalf of an owner for whom the Applicant will act as the Processing Agent. Minnesota Housing will review the Project in accordance with the requirements outlined in this Program Guide.

An eligible Project will comply with Specific Project requirements and the following additional conditions:

- The Project is required to have a minimum of eight units
- The requested amount must be the final funding source needed to complete the financing package
- The Project needing rehabilitation is beyond the Administrator’s qualifications
- The Project must be either located outside an Administrator’s service area or may be owned by an Administrator and located within their service area
- The Project must meet one of the following threshold requirements:
 - The Project requires immediate emergency repairs threatening the health and safety of existing tenants
 - The Project has existing funding commitments that cannot be extended and will be otherwise lost
 - The Project documents a unique housing opportunity that would be lost
 - The Project advances Minnesota Housing strategic priorities as outlined in Chapter 2.07

2.03 Eligible Applicants

Eligible Applicants for Specific Project and/or Program Model funding include:

- Housing and Redevelopment Authorities (HRAs)
- Community Action Programs (CAPs)
- Nonprofit Organizations
- Local Units of Government and Tribal Governments
- A Joint Powers Board

Eligible Applicants for Specific Project funding also include:

- A Natural Person who owns or will own the housing
- Private Developers

2.04 Loan Limits and Terms

Minnesota Housing will provide RRDL Funds as a Deferred Loan. The interest rate is 0% unless a higher rate is necessary to allow the RRDL Funds to be used with other funding sources, such as Housing Tax Credits. Principal and interest, if any, shall be due and payable at the end of the loan term, which is typically 10 to 30 years.

The RRDL Loan will be non-recourse. The loan will be secured by a pledge of collateral through the recording of a mortgage on the Project.

Loan Minimums and Maximums

- The minimum loan is \$25,000.
- The maximum loan per unit is \$25,000. However, for single-family homes and duplexes, the maximum loan is \$35,000 per unit.
- The maximum loan is \$300,000 per Project.

Minnesota Housing may adjust the loan terms based on requirements and conditions of other funding sources for the Project.

2.04a Program Model: Loan Limits and Terms

Loan terms under the Program Model processed by an Administrator:

- Loans of \$100,000 or less qualify for a minimum 10-year term.
- Loans greater than \$100,000 qualify for a minimum 15-year term.
- The loan may be extended to 30 years or for the remaining term of any senior debt in place at the time of closing of the RRDL Loan. The owner must agree to maintain the rent and income restrictions and report annually for the duration of the loan term.
- The loan may be structured as a Construction Loan or an End Loan.

2.04b Specific Projects: Loan Limits and Terms

Loan terms processed by Minnesota Housing under Specific Projects:

- The loan term is 30 years, or it may be extended to the remaining term of any senior debt in place at the time of closing of the RRDL Loan, if longer. The Borrower must agree to maintain the rent and income restrictions and report annually for the duration of the loan term.
- The loan will be structured as an End Loan.

2.05 Selection Standards

All Applications for Funds will be evaluated for overall feasibility, Applicant capacity, and the extent to which they conform to Minnesota Housing threshold requirements, strategic priorities, and funding priorities as described in chapters 2.06, 2.07 and 2.08. Minnesota Housing will also consider the extent to which the Application for Funds addresses the local priorities outlined by the Applicant.

Minnesota Housing will review all proposals submitted and will make funding recommendations for each proposal selected. Funding requests may be adjusted based upon the number of applications received, the amount of RRDL Funds available, and the distribution of RRDL Funds throughout Greater Minnesota.

Among comparable proposals, preference will be given to applications that assist properties in areas of the state not located in HUD HOME Program areas.

2.06 Threshold Requirements

Applicants must satisfy the following threshold requirements:

Overall Feasibility

The following factors shall be considered when determining the overall feasibility of an Applicant's proposal:

- The nature and suitability of the Project site or Program Model service area.
- Whether the proposed housing is needed based upon population, job growth, and rental housing vacancy rates.
- Whether the Project or Program Model is economically viable.

Specific Projects must also consider additional information. See chapter 2.06b.

Applicant Capacity

The following factors shall be considered in determining whether an Applicant has demonstrated sufficient organizational capacity to complete the proposed activity:

- Applicant's purpose and mission.
- Applicant's related housing experience.
- Applicant has successfully completed similar programs or projects or is partnering with other organizations that have successfully completed similar programs or projects.

- Applicant has strong current and expected ongoing capacity to administer the Program Model or complete the proposed Project in a timely manner and maintain the housing for the long-term.

2.06a Program Model: Overall Feasibility and Applicant Capacity

Program Model Applicants must also provide the following:

Overall Feasibility

The administration fees and program budget must be reasonable for all aspects of the Program Model without compromising overall quality and customer service.

Applicant Capacity

Program Model Applicants must also provide the following additional information:

- Satisfactory evidence that the Applicant has the approval of the governing body of the relevant political subdivision. Resolutions from relevant governing bodies are required as due diligence before Administrative Agreements are signed.
- Satisfactory evidence that the Applicant has capacity to provide, or will coordinate with, other qualified agents or sub-contractors to serve the entire proposed Program Model service area.
- Identification of staff who will be directly involved in all aspects of the RRDL Program and a description of their skills and experience.
- Identification of all specific activities to be completed by subcontractors, if any. All subcontractors must be approved by Minnesota Housing and must demonstrate they have the necessary skills and experience.
- Identification of acceptable outreach methods and a marketing plan that reaches target Projects and potential Borrowers and does not exclude any otherwise eligible Borrower from making an application and receiving assistance.
- Applicants, other than Local Units of Government, must submit either a copy of their Affirmative Action Certificate of Compliance from the Minnesota Department of Human Rights or a notarized letter indicating that their organization did not have more than 40 full-time employees at any time within the previous 12 months.
- Availability of other financial resources to provide additional assistance to Projects or to assist in payment of Program Model administration costs.
- Projected application and processing fees the Applicant will charge Borrowers
- Explanation of how the proposed selection criteria and application process will provide rental housing outcomes that support local area markets and utilize existing infrastructure.
- Explanation of the extent to which the proposed selection criteria will incorporate Minnesota Housing strategic and funding priorities identified in Chapter 2.07 and 2.08.
- Satisfactory evidence that the Applicant maintains adequate insurance for its employees, usually in the form of Fidelity and Forgery Bond or other similar insurance providing employee dishonesty coverage.
- Documented procedures for preventing conflict of interest with regard to the selection of applications or allocation of RRDL Funds.

2.06b Specific Projects: Overall Feasibility

Minnesota Housing will also consider whether the rehabilitation costs are reasonable and whether the Applicant demonstrated cost containment efforts for all stages and aspects of the Project without compromising overall quality.

2.07 Strategic Priorities

[Minnesota Housing's 2015 Affordable Housing Plan](#) guides its financing of affordable housing options. Among comparable Projects, those that best meet the following criteria will receive priority:

- **Greater Minnesota Workforce Housing**
Projects that commit to providing rent levels Affordable to the Local Workforce for the term of the RRDL Loan.
- **Preservation**
Preservation of properties that contain Existing Federal Assistance or other critical affordable units at risk of loss.

If selected for funding, the Borrower shall continue renewals of existing project-based housing subsidy payment contract(s) for as long as the assistance is available. Except for “good cause,” the Borrower will not evict existing subsidized residents and must continue to renew leases for those residents.

2.08 Funding Priorities

The following RRDL Program funding priorities are outlined in detail in the RRDL Selection Priorities Checklist. Among proposals that satisfy the selection standards set forth above, Minnesota Housing shall give priority to those proposals that best meet the greatest number of the following priorities:

- **Household Targeting** - Projects that provide housing for large families, single room occupancy, and special populations.
- **Economic Integration** - Projects that provide housing for households with a wide range of incomes and housing needs in mixed-income Projects or within higher income communities.
- **Workforce Housing** - Projects that are located within 35 miles of a Greater Minnesota Workforce Housing City or township.
- **Federal, Local, Philanthropic, Employer Contributions** - Proposals that have secured contributions from the federal government, a Local Unit of Government, an area employer and/or private philanthropic, religious or charitable organization.
- **Private Investment** - Proposals that have secured private investments.
- **Financial Readiness to Proceed** - Proposals that have secured funding commitments for one or more permanent funding sources at the time of application.
- **Preservation** - Proposals that meet the either the Existing Federal Assistance or other critical affordable units at risk of loss criteria, as defined by RRDL Selection Priority Checklist.

- **Location Efficiency** - Projects that are located near jobs and transportation, including regional and interregional transportation corridors and transit ways.
- **Smoke Free Buildings** - Projects that will institute and maintain a written policy prohibiting smoking in all units and common areas.
- **Targeted Rent and Income** - Projects that commit to providing rent levels affordable to the lowest income households, or in Projects meeting the Greater Minnesota Workforce Housing strategic priority and providing Affordable to the Local Workforce rents, for the term of the loan(s) awarded by Minnesota Housing.
- **Rental Assistance** - Projects that provide fully executed commitments for project based rental assistance at the time of application.

2.09 Temporary Funding Priorities

Temporary funding priorities are funding priorities established by the legislature or Minnesota Housing, which reflect unexpected short-term changes in the demand for housing. An example of an unexpected short-term change is the need to direct resources to respond to a natural disaster, such as a flood or tornado.

There are no temporary funding priorities for 2015.

Chapter 3 – Processes and Responsibilities

3.01 Evidence of Misconduct Referred to Attorney General

Minnesota Housing will refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of the RRDL Program to the Minnesota Attorney General’s office for appropriate legal action.

Minnesota Housing may exercise all remedies available to it, both legal and equitable, to recover RRDL Funds from the Administrator and/or the Borrower. This includes all applicable administrative costs and other fees or commissions received by the Administrator in connection with the RRDL Funds and all attorney fees, legal expenses, court costs, or other expenses incurred by Minnesota Housing in connection with the RRDL Funds or recovery thereof.

3.02 Compliance with Privacy Statutes

The Minnesota Government Data Practices Act requires Minnesota Housing and the Administrator to supply Borrowers with the Privacy Act Notice¹ when requesting private data from rental households, including the disclosure of the Borrower’s social security number, if required.

Note: The Borrower’s name, address, and amount of assistance received are public data when a household receives a Deferred Loan and this information may be released.

3.03 Representations and Warranties

Both the Administrator and the Borrower additionally warrant and represent the following:

- The relevant requirements of any local, state or federal laws, rules, regulations, or ordinances have been satisfied.
- They have no knowledge that any improvement funded by RRDL Funds is in violation of any zoning laws, ordinances, or regulations.
- They have complied with all terms, conditions, and requirements of the Administrative Agreement and this Program Guide unless those terms, conditions, and requirements have been specifically waived, in writing, by Minnesota Housing.

3.03a Program Model: Representations and Warranties

The Administrator also warrants and represents the following:

- Fees directly or indirectly collected from the Borrower or any other person are only those fees and/or charges specifically permitted in this Program Guide and the Administrative Agreement.
- Adequate capital and qualified personnel will be maintained to administer and participate in the RRDL Program.

¹ Administrators who are Governmental Entities shall use the form approved by their “Responsible Authority”, as defined in Minnesota Government Data Practices Act Minnesota Statute §13.02, Subd. 16.

3.04 Unauthorized Compensation

Administrators may receive fees approved in this Program Guide. However, Borrowers and Administrators shall not receive or demand from the builder, remodeler, contractor, or supplier any kickbacks, commissions, or other compensation.

In order to reduce the total Project cost, a Borrower may receive discounts from the seller, builder, remodeler, contractor, or supplier.

Note: Discounts must be considered normal and do not constitute a kickback, commission, or compensation for services or products rendered. Any discounts that exceed the norm should be documented as a charitable contribution by the representative of the seller, builder, remodeler, contractor, or supplier providing the discount.

Chapter 4 – Eligibility Criteria

4.01 Eligible Borrowers

- A Nonprofit Organization
- A City
- A Joint Powers Board
- A Tribal Government or tribal housing corporation that owns the housing
- A Natural Person
- A Private Developer

Any employee, agent, consultant, officer, or elected or appointed official of Minnesota Housing, or any Administrator who has responsibilities with respect to the RRDL Program, and their families, may not receive RRDL Funds during their tenure, or for one year after termination of their relationship with Minnesota Housing or the Administrator.

Borrowers who previously received Minnesota Housing assistance and did not successfully maintain RRDL Program compliance may not receive RRDL Funds.

An Administrator may apply to Minnesota Housing to be a Borrower. In this case, Minnesota Housing will process the Application for Funds as a Specific Project.

4.02 Eligible Properties

RRDL Funds must be utilized for the rehabilitation of permanent rental housing. The following properties are eligible:

- Single family and duplex properties are eligible for assistance under the Program Model as long as four or more units or single family homes are located within a single community or within a designated area as identified in the applicable Administrative Agreement. Properties applying for Specific Projects funding must have a minimum of eight units.
- Properties that satisfy Minnesota Housing and Administrator selection standards and funding priorities.
- Properties that are to be used primarily for residential purposes (51% or more of the gross floor area of each structure must be residential rental space).
- Properties that are to be a permanent residential rental structure upon rehabilitation completion.
- Properties that conform to all applicable zoning ordinances and possess all appropriate use permits.
- Properties that are under common ownership, management, and financing and that contain one or more buildings on a single site are considered one Project.

In a mixed income Project, only the units that meet the income and affordability requirements of the RRDL Program will be funded. The Borrower is responsible for funding the non-eligible units and a prorated portion of the common areas. The level of funding will be prorated based on the number of the

RRDL eligible units divided by the total number of units, as long as the level of building quality and amenities are equal for both.

If the units are comparable:

1. Determine the number of units that will be RRDL Program assisted units and divide that by the total number of units in the building to get the percentage of RRDL Program assisted units.
2. Subtract the owner's 3% match from the total development cost to obtain the adjusted total development cost.
3. Multiply the percentage of RRDL Program assisted units by the adjusted total development cost.
4. Subtract the number obtained in #3 above from the full total development cost to calculate the RRDL Program eligible expenses for the Project.

If the units are non-comparable, calculate the prorated level of eligible expenses using the square footage.

4.02a Program Model: Eligible Properties

The following properties are eligible:

- Scattered properties that are located in the same City or county may be combined into one loan when there are at least four units having common ownership, management, and financing, and all housing units are being rehabilitated as part of a single undertaking.

4.02b Program Model: Eligibility for Fully Forgivable Loans

Loans of \$100,000 or less to an eligible Borrower may be fully forgiven when all the following conditions are met:

- The Project contains four or fewer units.
- The owner is a Natural Person, Sole Proprietorship, or legal entity made up of only a Natural Person and his or her spouse, when applicable.
- The RRDL Loan addresses health, safety, and energy conservation improvements.
- The Project is owner-operated.
- The Project is located in a participating Administrator service area.
- The Borrower maintains the applicable income, rent, and compliance requirements for the full 10 year RRDL Loan term.

4.03 Ineligible Properties

- Owner occupied housing (where 51% or more of the space is owner occupied)
- Public Housing Developments
- Projects requiring licensing by the state (e.g., nursing homes, assisted living)
- Projects that have reserves in an amount that is sufficient to cover the cost of the intended rehabilitation, plus an amount sufficient to cover the annual routine maintenance and repairs

- Projects that will not be financially feasible, structurally sound, or suitable for intended occupants post-rehabilitation
- Temporary housing properties such as shelters, transitional housing, or residential hotels

4.04 Income Limits

At the time of initial occupancy, units assisted with RRDL Funds must be occupied by households with incomes that do not exceed 80% of the greater of state or Area Median Income (AMI) for a family of four, not adjusted by family size. The current RRDL income limits for a Project location are available on the [Minnesota Housing Rent and Income Limits](#) or [RRDL webpage](#) on Minnesota Housing Deferred Loan Rent and Income Limits table, Chapter C.

Prior to a commitment of RRDL Funds, each household must disclose their income to the Borrower on an Initial Occupancy Statement by Tenant form, which is entered onto the Owner’s Certification of Rent and Tenant Eligibility Report, to determine unit eligibility. Minnesota Housing will require income limits consistent with those specified in the Borrower’s Application for Funds, provided that they are not higher than the RRDL Program income limits.

4.05 Economic Integration

Integration of economically diverse households is encouraged. The housing shall be marketed for general occupancy and families.

Borrowers shall not refuse to rent to a household solely on the basis of the household’s Section 8 or other tenant-based rental assistance.

In existing rental properties, there may be a mixture of qualifying and non-qualifying household incomes. These Projects are eligible; however, the level of funding will be prorated as specified in Chapter 4.02.

There are no income limits for non-assisted units in a mixed income Project unless dictated by another source of funding.

4.06 Rent Limits

Rents on RRDL Program assisted units may not exceed Affordable to Local Workforce rent limits. Current Affordable to Local Workforce rent limits for each county are available on the [Minnesota Housing Rent and Income Limits](#) or [RRDL webpage](#). Rents are considered affordable to the local workforce when they do not exceed the lesser of 30% of wages paid in the local area or are affordable at 80% of HUD AMI. Affordable to Local Workforce rents for each county are calculated by Minnesota Housing based on data from the Minnesota Department of Employment and Economic Development and data from HUD.

Minnesota Housing will require rent limits consistent with those specified in the Borrower’s Application for Funds, provided these rents are not higher than the RRDL Program rent limits.

4.07 Utility Allowances

Tenant-paid utility allowances are included in the RRDL rent limits. Acceptable utility allowances are those provided by Public Housing Agencies (PHAs) on a Section 8 utility allowance schedule.

Chapter 5 – Eligible Improvements and Expenses

5.01 Eligible Improvements and Expenses

Eligible improvements must be permanent general improvements that have not been started prior to the loan closing.

Permanent general improvements include renovations or repairs to an existing structure that materially preserve or improve the basic livability, safety, conservation, or utility of the property. Replacement of appliances for safety reasons or to improve energy efficiency is also an eligible improvement.

Improvements must be made in compliance with all applicable health, fire prevention, building, housing codes and standards, and Minnesota Housing's [Limited Scope Projects Abbreviated Design Standards and Limited Scope Projects Sustainability Requirements](#).

5.02 Ineligible Improvements and Expenses

The following improvements and expenses are not eligible for RRDL Funds:

- New construction, conversion, or adaptive reuse
- Installation of window air conditioners, unless previously provided and owned by the Project
- Installation of fireplaces or wood burning stoves
- Sweat equity for the property owner's labor
- Owner equity take out
- Materials purchased prior to loan closing
- Acquisition
- Any improvement that is not a permanent fixture to the property (furniture or other personal items are not fixtures under Minnesota law), with the exception of appliances
- Materials, fixtures, or landscaping of a type or quality exceeding what is customarily used in the locality for decent, safe, and sanitary properties of the same general type as the property being improved
- Change orders not approved by Minnesota Housing prior to commencement of work
- Construction of or aesthetic improvements to recreational facilities including, but not limited to, patios, gazebos, tennis courts, hot tubs, swimming pools, playground equipment, and saunas
- Costs associated with a Project that will be incomplete (i.e., framing a room addition)
- Improvements begun prior to loan closing
- Repairs to or construction of outbuildings including, but not limited to, sheds, utility buildings, shops, barns, silos, and underground sprinkler systems
- Borrower's contribution including, but not limited to, expenses exceeding RRDL Program limits
- The construction of public development infrastructure, including, but not limited to, City water, sewer, curbs, and gutters that are not directly related to the rehabilitation of the Project

- Administration costs not connected to the rehabilitation of the Project
- Refinancing of an existing loan
- Community development projects including, but not limited to, parks or community centers
- Improvements for commercial use

Note: Ineligible improvements and expenses may be completed at the expense of the Borrower.

5.03 Eligible Soft Costs

Eligible soft costs include costs to process and settle the financing for a Project, such as:

- Title commitment and insurance policy
- Fees for the Owner's and Encumbrances Report
- Fees for recordation and filing of legal documents
- Building permits
- Attorney fees
- Appraisal and independent cost estimate fees
- Temporary relocation costs
- Lead-based paint risk assessment and lead clearance fees
- Asbestos survey
- Energy audits
- Project Management Fees as defined in Chapter 10.09

5.04 Ineligible Soft Costs

Ineligible soft costs include:

- Application Fees. Although Application Fees may be charged by the Administrator, they may not be paid with RRDL Funds
- Developer fees
- Operating and/or replacement reserves

5.05 Borrower's Contribution

The Borrower is required to contribute to the payment of rehabilitation expenses. The Borrower shall contribute, at a minimum, an amount equivalent to 3% of the total amount of the RRDL Loan.

The Borrower's contribution must be expended before the RRDL Funds will be expended.

Chapter 6 - Loan Review and Underwriting

6.01 Evidence of Site Control and Acceptable Ownership Structures

Borrowers are required to provide evidence of 100% fee simple interest in the Project, with such interest recorded and appearing in the records of the county.

Projects owned by a trust are not eligible to apply for RRDL Funds.

Projects owned through a Contract for Deed are not eligible unless the Applicant or Administrator has secured a written waiver from Minnesota Housing.

A Project financed with a blanket loan (finances multiple properties), and one or more of the properties are not requesting a RRDL Loan, is not eligible to apply for RRDL Funds, unless the following conditions are met:

- The properties are not cross collateralized and the RRDL Mortgage will be filed on only the property to be improved with the RRDL Loan; or,
- The Applicant or Administrator has secured a written waiver from Minnesota Housing

A Project financed with a commercial loan with periodic interest and term adjustments must meet the following requirements to be eligible to apply for RRDL Funds:

- A maximum interest rate cap for the commercial loan shall be established by the lender and set forth in the commercial lender's loan documents.
- The initial loan amortization schedule, as well as any revised or modified amortization schedule, shall be established to fully amortize the commercial loan or provide that no balloon payment shall be due before the maturity date of the RRDL Loan.
- The commercial loan repricing requirements will not require Minnesota Housing to resubordinate the RRDL Loan.

6.02 Organizational Documentation

For purposes of determining whether an organization is an eligible Borrower as outlined in Chapter 4.01, Minnesota Housing requires documentation to evidence the ownership structure (i.e., corporation, general partnership, limited partnership, limited liability company, City, or Local Unit of Government). Minnesota Housing will provide details on required documentation once a Project has been selected for RRDL funding. This information is also available on the [RRDL webpage](#). All borrowing entities must be in existence for at least the term of the RRDL Loan.

6.03 Title Examination Requirements

Title examination must be arranged through a Title Company in the form of an owner's and encumbrances report or issuance of a lender's title insurance commitment/title insurance policy, as follows:

- For loan amounts of \$100,000 or less, an owner's and encumbrances report is acceptable.
- For loan amounts greater than \$100,000, a lender's title insurance policy is required.

The title insurance commitment/title insurance policy must show that the Project is vested in the Borrower and is free from any liens or exceptions to title, other than the lien created by the RRDL Loan and those consented to, in writing, by Minnesota Housing.

6.04 Underwriting Standards and Financial Analysis

Minnesota Housing will not issue a Loan Commitment without sufficient evidence of financial feasibility and credit worthiness.

Financial Analysis

When approving a loan, at a minimum, the following information will be reviewed:

- The completed RRDL Application Workbook (formerly known as the Multifamily Common Application Form (RFP HTC 1)), including but not limited to: estimated rental income, operating expenses, construction costs, and funding sources.
- All debts relating to the Project must be disclosed and documented, including original amount, current balance, and debt service requirements.
- A current appraisal or market analysis, if available. Otherwise a recent property tax statement is acceptable.
- The Project's operating budget for the past two years, vacancy information, and a cash flow analysis demonstrating the Project's ability to remain affordable and sustainable. Operating budgets may be waived for Natural Persons and Sole Proprietorships when tax returns and the application proforma provide required details.
- Any reserves, escrows, and other resources available to make repairs. RRDL Funds shall be the final funding source and will not exceed the amount necessary to fill the funding gap or the RRDL Program limits.

RRDL Loans will be, at a minimum, underwritten consistent with the RRDL Pilot Program Underwriting Standards posted on the RRDL web page and the guidelines below:

- Single Asset Entities are not required for Projects given that RRDL Loans may not exceed \$300,000.
- Vacancy rate will be underwritten at the greater of the market vacancy rate or 5%.
- Cash flow must indicate a historic evidence of cash flow for the Project. The Project's cash flow and debt service coverage should be documented and analyzed. If one of the dwelling units in a Project is occupied by the Borrower, or any of the units are vacant at the time of the Borrower's Application for Funds, the rent that the unit could reasonably be expected to command in the open market may be considered in the Project's cash flow analysis.
- All properties that are eligible for Low Income Rental Classification (LIRC) or Payment in Lieu of Taxes (PILOT) must participate in those programs.

Borrower Credit Worthiness

The Borrower's debt payments in comparison to income receipts must indicate the Borrower's ability to repay the RRDL Loan. The Project file must contain evidence of the Borrower's financial status and credit worthiness. At a minimum, the Borrower will provide the following materials for review:

Individual Borrowers

- Two years of personal tax returns, including IRS Schedules E and K-1. The previous two years' tax returns must be used to verify income of self-employed Borrowers, Borrowers having variable annual incomes, Borrower(s) having other sources of employment, or when income from interest/dividends or income-generating property comprises a significant portion of gross income and property income and operating expenses
- A personal credit report from one of the three large, national credit bureaus. The Project file must include this credit report and any of the following, as required by Minnesota Housing or the Administrator to document the Borrower's creditworthiness:
 - Minimum credit score of 640
 - Written letters of credit experience from creditors
 - Documented telephone conversations with creditors
 - A letter describing the Administrator's own credit experience with the Borrower
 - Evidence of current mortgage payments
 - Evidence of current payment of Real Estate taxes
 - Evidence of current property and liability insurance

Corporations, LLC, LLP, or LP Borrowers

The credit investigation shall include information on all persons required to sign the RRDL Mortgage Note. At a minimum, the following materials will be provided for review:

- Two or more years of accountant prepared financial statements
- Two years of completed tax returns for the Borrower, including IRS Schedules E and K-1

Nonprofit or Governmental Borrowers

- Two or more years of audited financial statements for Local Units of Government and Nonprofit Organizations
- Two years of completed IRS Form 990 for Nonprofit Organizations

Debt Information

The Borrower must list all fixed obligations related to the Project for which the Borrower has assumed personal liability, including but not limited to, all mortgage or contract for deed payments for purchasing Real Estate, installment loans, personal notes, and debts to financial institutions.

Obligations related to the Borrower's business for which he or she is not personally liable should not be considered personal debts, but should be listed on the credit report and identified as business debts. The general financial condition of the Borrower's business should be reviewed to determine whether it is likely to have an adverse effect on the Borrower's ability to repay the loan.

Income Documentation

All sources and amounts of income that comprise a significant portion of the Borrower's projected gross annual income, before taxes and withholding, shall be verified in writing as of the date of the

Application for Funds. Net income from rental or business activities shall be counted after adding back depreciation.

6.05 Project Management and Operation

Management and Operation Budgets

The proposed management and operating expenses should be based on the Borrower's or management company's current portfolio and supported by:

- Actual operating data provided by the Borrower or management company for similar properties
- Circumstances and/or significant changes to the economics of the Project's current marketplace, such as increased utility costs and property insurance
- Operating trends of the Project or management company, if applicable
- Audited financial statements for the proposed Project for the past 3 years, when applicable.

The management and operating budgets provided in the underwriting of the RRDL Loan must indicate Project sustainability, which will protect the long-term investment being made by the Borrower and Minnesota Housing.

For Specific Project Applications for Funds, Minnesota Housing may reject or adjust the operating and maintenance figures based upon the information supplied regarding specific development type, circumstances, and/or significant changes to the economics of the Project's current market place.

Minnesota Housing reserves the right to review and compare budgets of comparable Minnesota Housing financed developments. Additionally and/or in place of using Minnesota Housing comparable, actual year-end financial statements and/or audited management and operating expenses may be used.

Utilization of Units

All units must be rented to family sizes appropriate to the unit size, with a ratio of at least one person per bedroom. If, during the course of tenancy, a family size changes, a household may submit a written request to the Borrower to transfer to another unit or be placed on a waiting list for such transfer. In the event of a decrease in family size, the household may be required to move into the next available, suitably sized, smaller unit.

Any unit funded by RRDL Funds must be subject to a lease that is in compliance with all local, state, and federal rules, regulations, laws, and ordinances.

Marketing

The Borrower shall demonstrate the existence of established networks and linkages necessary to maintain sustainable housing occupancy rates.

Chapter 7 – Loan Commitment

All Projects must enter into a Loan Commitment within 20 months of the date of Minnesota Housing RRDL Funds selection and adoption of the Minnesota Housing board resolution. All Projects not attaining a Loan Commitment within 20 months of the Minnesota Housing board resolution will be cancelled unless extended, in writing, by Minnesota Housing.

RRDL Loans must meet eligibility requirements and be closed no later than the last day a Loan Commitment is valid. A Loan Commitment is valid for 18 months from the respective Loan Commitment date, unless extended, in writing, by Minnesota Housing.

Modifying a Loan Commitment:

- No change is allowed to a Loan Commitment without Minnesota Housing’s written prior approval.
- Changes to the Borrower are not permitted
- RRDL Program funds may be used only for the Project for which a Loan Commitment was issued
- An increase in the loan amount may be allowed if (1) RRDL Funds are available to accommodate the change, (2) the increase does not exceed the RRDL Program limits, and (3) Minnesota Housing approves, at its own discretion, the increase.

Chapter 8 - Loan Servicing and Monitoring

8.01 Minimum Affordability Period

The Minimum Affordability Period begins on the date that the RRDL Loan closes.

The income and rent restrictions for the assisted units are in effect for the RRDL Loan term. However, if the loan is paid in full prior to the maturity date, the income and rent restrictions remain in place as follows:

- Loans with a 10 year term shall have a five year Minimum Affordability Period.
- Loans with a 15 year term shall have a 10 year Minimum Affordability Period.
- Loans with terms exceeding 15 years shall have a 15 year Minimum Affordability Period.

8.02 Partial Debt Reduction

Up to 10% of the debt may be forgiven for maintaining the applicable income, rent, and compliance requirements for the full RRDL Loan term. Five percent will be forgiven each year of the last two years of the RRDL Loan term.

8.03 Full Loan Forgiveness

Loans of \$100,000 or less to eligible Borrowers and Projects, as defined in Chapter 4.02b, may be fully forgiven up to 100% for maintaining the applicable income, rent, and compliance requirements for the full RRDL Loan term. The RRDL Loan must be repaid in full if prepaid or the Borrower does not maintain income, rent, and compliance requirements for 10 years. The loan term will be 10 years and is fully forgiven as further described in the RRDL Mortgage Note.

8.04 Transfers of Ownership

A loan may be assumed contingent upon:

- Minnesota Housing's review and approval of the proposed ownership entity
- Assumption of all contractual obligations with Minnesota Housing
- Payment of a fee equal to the greater of 1/2 of 1% of the outstanding RRDL Loan amount or \$1,500

8.05 Loan Prepayment

The RRDL Loan may be prepaid in full at any time; however, rent and income restrictions will remain in place for the applicable Minimum Affordability Period. Minnesota Housing will charge a prepayment fee equal to the greater of 1/2 of 1% of the outstanding RRDL Loan amount or \$1,500.

8.06 Early Prepayment Premium

In some circumstances, the Borrower may appeal for release from all RRDL Loan rent and income requirements prior to the end of the Minimum Affordability Period. If Minnesota Housing deems the request reasonable, the Borrower shall pay a premium in addition to the outstanding RRDL Loan amount to receive a release from the remainder of the Minimum Affordability Period.

The Borrower will be charged a 3.5% premium fee on the outstanding loan amount for each year remaining of the Minimum Affordability Period, as further described in the RRDL Mortgage Note.

8.07 Rent and Income Monitoring

Minnesota Housing will monitor the Project for the RRDL Loan term. The Borrower must annually certify to Minnesota Housing that the Project has complied with rent, income, property insurance, and identify any changes in ownership, management, and/or service provider(s). The Borrower must annually report occupancy and rent information, and satisfy any other requirements that may be reasonably requested, in a form and manner required by Minnesota Housing.

Household income must qualify at the time of initial occupancy and does not need to be re-certified thereafter. The Borrower must obtain for each household that occupies an RRDL Program assisted unit:

- An Initial Occupancy Statement by Tenant certifying income eligibility
- A Minnesota Government Data Practices Act Disclosure Statement

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

Chapter 9 - Rehabilitation Standards

9.01 General

The Project must comply with the Minnesota State Building Code and any other applicable federal, state, or local codes, ordinances, standards, and regulations at Project completion and throughout the RRDL Loan term.

9.02 Property Selection

Prior to selecting a Project to receive RRDL Funds, the following minimum property standards shall be met or determined capable of being met through proposed improvements:

Marketability

Minnesota Housing reserves the right to evaluate marketability of dwelling units. Barriers to marketability may include location, dwelling unit size, and/or dysfunctional dwelling unit layout.

Access

Each dwelling unit shall comply with the following access requirements:

- Access to and from each dwelling unit must be without unauthorized use of other private properties or private spaces within the dwelling unit, and the building must provide an alternative means of egress in case of fire, which does not require use of other private property, unless otherwise allowed pursuant to the Minnesota State Building Code.
- Each dwelling unit shall have a continuous and unobstructed means of egress to a public way such as a street, alley, or parcel for public use as defined by building code. Basements in dwelling units and every sleeping room shall have at least one operable window or door approved for emergency escape or rescue, which shall open directly onto a public street, public alley, yard or exit court as defined by building code.
- Existing dwelling units that currently have doors and windows for emergency escape that require the use of other private property as an escape route to a public way must be approved by the Local Building Official, Fire Marshall and Minnesota Housing architect. If this escape route becomes obstructed, even through no fault of the Borrower, the dwelling unit will be considered to be in non-compliance and the RRDL Loan may be required to be repaid.

Structural Integrity

The RRDL Program is designed to address moderate rehabilitation needs and is not appropriate for Projects with substantial “gut” rehabilitation needs and Projects requiring major structural modifications.

Municipal Sewer and Water

Any housing that is currently utilizing a private well and/or sewer system must convert to municipal sewer and water if available in an adjacent street, easement, or right-of-way, and doing so is economically feasible.

9.03 Technical Assistance

Minnesota Housing will require the Borrower to hire an architect and/or professional engineer to provide professional services if the Project Scope of Work meets certain criteria or if other conditions apply. Refer to [Minnesota Housing's Architect's Guide](#) for conditions requiring architectural services.

If architectural services are not warranted, a qualified rehab specialist will be required to provide technical assistance that includes the following:

- Conduct a property inspection utilizing Minnesota Housing's approved Physical Needs Assessment Template (PNA)
- Coordinate environmental reviews/remediation
- Conduct an accessibility analysis
- Coordinate other inspections
- Prepare preliminary Scope of Work/cost estimate
- Prepare contract documents
- Assist Borrower in securing a contractor
- Conduct construction administration

9.04 Rehabilitation Standards

Housing must comply with Minnesota Housing's Abbreviated Design Standards for Limited Scope Rehabilitation Projects. For more comprehensive rehabilitation Projects, housing must comply with Minnesota Housing's Rental Housing Design/Construction Standards, as determined by a Minnesota Housing staff architect.

9.05 Sustainable Housing Standards

All rehabilitation work shall conform to Minnesota Housing's Sustainable Housing requirements. This includes all items scheduled for replacement as part of the rehabilitation work being proposed.

Projects must install Energy Star Water Sense-labeled products when older, obsolete products (such as windows, doors, lighting, fans, water heaters, furnaces, boilers, air conditioning units, refrigerators, clothes washers, dryers, dishwashers, toilets, showers, and faucets) are replaced as part of rehabilitation work. Projects shall follow either the 2011 Enterprise Green Communities and Minnesota Overlay or Sustainability Requirements for Limited Scope Rehabilitation Projects. The complexity of the rehabilitation Project shall be evaluated by Minnesota Housing's staff architect to determine the tracking method for meeting Minnesota Housing's sustainability requirements.

9.06 Preparation of Bid Specification/Scope of Work

The Borrower or Administrator, with the assistance of an architect, professional engineer, or qualified rehabilitation specialist, as applicable, shall develop the Scope of Work and include all work necessary to ensure the Project will comply with applicable state and local codes, standards, ordinances, rehabilitation standards, and sustainable housing standards.

Once the Scope of Work is approved by Minnesota Housing or the Administrator, the Borrower shall have prepared for approval the contract documents consisting of Drawings and Specifications setting forth detailed requirements of the Project.

9.07 Obtaining and Evaluating Bids

The Administrator shall devise bid and proposal forms, Scope of Work forms, or other forms that may help the Borrower in obtaining adequate bids and bids from companies with diverse workforces.

To ensure reasonable costs, Minnesota Housing requires the Borrower to obtain a minimum of two competitive bids from single, prime, general contractors. All bidders must provide evidence of a valid Residential Building Contractors License.

Minnesota Housing may permit direct selection (negotiated or comparative selection) for awarding construction contracts if other Minnesota Housing Deferred Loan assistance is provided in addition to RRDL Funds and the Scope of Work is substantial enough to warrant Project oversight by a Minnesota Housing staff architect.

9.08 Eliminating Scope of Work Items

Elimination of Scope of Work items is allowable provided the Project will comply and remain in compliance with all applicable state and local codes, standards, and ordinances, rehabilitation standards, and sustainable housing standards through the RRDL Program Loan term.

Minnesota Housing may determine that the eliminated Scope of Work items are necessary and may require the Borrower to have the work performed at his or her expense.

The Borrower is encouraged to request non-essential items as alternate bids when developing the Scope of Work.

9.09 Construction Contracts

A construction contract must be executed between the Borrower and the single, prime, general contractor for a stipulated sum. Minnesota Housing requires an American Institute of Architects form of Owner Contractor Agreement or other approved contract for Projects obtaining \$100,000 or greater in Minnesota Housing funding. Refer to [Minnesota Housing Contractor's Guide](#) for additional information.

9.10 Contractor Surety

State statute requires public entities (a public body) obtain Payment and Performance Bonds if the public entity enters into a construction contract of \$175,000 or more. The general contractor must submit 100% Payment and Performance Bonds (Dual Oblige) in amounts equal to the gross construction cost.

9.11 Proceed to Work

For an End Loan and upon execution of a Loan Commitment, the Borrower will be notified that they may issue a "Proceed to Work" order to the selected single, prime, general contractor. For Construction Loans, the RRDL Mortgage must be recorded prior to the start of any work.

9.12 Monitoring Construction Progress

Construction progress shall be monitored by the Borrower, or the Administrator when applicable, with the assistance of an architect, professional engineer, or qualified rehabilitation specialist as defined in Chapter 9.03.

End Loans

Periodic site inspections shall be conducted during the construction period to ensure work is proceeding according to the Scope of Work.

The designated monitor and the contractor must certify that lead-safe work practices were observed during site inspection by noting in the file, per section 24 CFR Part 35, when applicable.

Construction Loans

The designated monitor must be present at all draw meetings to ensure that Minnesota Housing's interests and RRDL Program policies are being met.

The designated monitor and contractor must certify that lead-safe work practices were observed during site inspection by noting in the file, per section 24 CFR Part 35, when applicable.

9.13 Change Orders

Requests for Increase/Decrease in Rehabilitation Expenses

If the expenditure, or anticipated expenditure, is less or greater than the approved RRDL Program construction contract amount, the Borrower must submit to Minnesota Housing or the Administrator the following:

- A written explanation of any increase and/or decrease, with the new and/or amended bid(s) or invoice(s).
- A Change Order Form (AIA or RRDL form) indicating the increase/decrease in the construction contract amount.
- A revised Sworn Construction Statement.

The executed Change Order Form will be returned to the Administrator. The Administrator shall not authorize the commencement of any additional work or the expenditure of any additional RRDL Funds until Minnesota Housing receives written notification of an additional funding source from the Borrower, if applicable.

The amount of assistance provided to the Borrower at final closing will be adjusted according to the approved increase/decrease.

Requests for Change in Contractor and/or Improvements

Minnesota Housing must approve a change in contractor or eligible improvements, whether or not there is a change in the cost of the rehabilitation.

9.14 Construction Warranty Period

The contractor shall be required to warranty work as described within [Minnesota Housing's Contractors Guide](#).

Chapter 10 – Program Model: Administration Standards

This Program Guide and your Administrator Application for Funds, including subsequent changes and additions, are supplements to the Administrative Agreement and are incorporated into the Administrative Agreement by reference.

Minnesota Housing reserves the right to:

- Alter or waive any of the requirements
- Impose additional requirements
- Rescind or amend any or all materials effective as of the date of issuance, unless otherwise stated

Administrators may request a waiver, alteration, or revision to this Program Guide, but only upon written request to Minnesota Housing. Minnesota Housing may, at its sole discretion, grant waivers, alterations, or revisions to this Program Guide.

10.01 Administrative Agreement

An Administrative Agreement outlines the legal relationship and responsibilities between the Administrator and Minnesota Housing. A contractual commitment between Minnesota Housing and the Administrator is effective only upon Minnesota Housing's receipt of a fully executed Administrative Agreement.

After Minnesota Housing's board approves the RRDL Program allocation of RRDL Funds, the Administrator shall:

- Execute the Administrative Agreement within 120 days from the date of approval; and
- Subject to provisions of Chapter 10.02, commit the RRDL Funds within 24 months from the date of approval unless Minnesota Housing provides a written extension.

Minnesota Housing:

- Reserves the right to cancel the Administrative Agreement if it is not executed and returned to Minnesota Housing within 120 days of the Administrator's receipt of the Administrative Agreement; and
- May extend the term of the Administrative Agreement, at its sole discretion.

Any RRDL Funds not used by the Administrator during the period outlined in the Administrative Agreement shall be repaid to Minnesota Housing in accordance with the terms and conditions outlined in the Administrative Agreement.

10.02 Allocation of Uncommitted Funds

If 12 months after the allocation of RRDL Funds to an Administrator, 50% or more of the allocated RRDL Funds have not been committed to eligible Projects, then the uncommitted RRDL Funds may be recaptured and reallocated to higher performing Administrators. Priority for allocating recaptured RRDL

Funds will be given to an Administrator that has utilized 75% or more of their previously allocated RRDL Funds.

10.03 Termination of Administrative Agreement

In accordance with the Administrative Agreement, Minnesota Housing may, at its sole discretion, terminate the participation of any Administrator under the RRDL Program at any time, giving thirty days written notice before such termination. This termination may preclude an Administrator's future eligibility for reasons including, but not limited to, nonconformance with:

- This Program Guide
- The Administrative Agreement
- The program guides, procedural manuals, and agreements of other Minnesota Housing programs
- The Federal Fair Housing Law and other applicable state and federal laws, rules and regulations
- Failure of the Administrator to:
 - Satisfactorily perform administrative responsibilities; or
 - Commit RRDL Funds to a Project or complete a Project within 12 consecutive months

Minnesota Housing may, at its sole discretion, impose remedies other than termination of the Administrative Agreement for any default of the Administrator.

The Administrator may request reinstatement into Minnesota Housing programs. The decision whether or not to reinstate an Administrator shall be at Minnesota Housing's sole discretion.

10.04 Administrative Subcontracts

The Administrators may enter into written agreements with other entities for assistance with RRDL Program administration to:

- Provide the RRDL Program to remote locations.
- Secure qualified staff, if not available in-house.
- Reduce or contain RRDL Program administration expenses.

Administrators must receive prior approval from Minnesota Housing before entering into subcontractor agreements. Regardless of such agreements, the Administrator shall:

- Assume full responsibility for a subcontractor's performance with respect to the RRDL Program. This includes adherence to the policies and procedures set forth in this Program Guide and any related documents.
- Assume full liability for all warranties and representations made to Minnesota Housing, regardless of who performs the actual work.
- Ensure subcontractors are qualified and the fees are reasonable and do not duplicate Project Management Fees charged by the Administrator for similar services.

- Require all subcontractors to attend applicable RRDL Program workshops throughout the term of the subcontract.
- Provide additional training and technical assistance to subcontractors as needed.
- Provide RRDL Program updates, including Program Guide amendments to the subcontractor.

10.05 Disbursements to Administrators

Disbursement of RRDL Funds to the Administrator will occur as follows:

1. Minnesota Housing will set aside an allocation of RRDL Funds based upon the awarded amount approved by Minnesota Housing.
2. Upon receipt of a fully executed Administrative Agreement, Minnesota Housing will disburse a one-time \$3,000 award to the Administrator to locally market and establish the RRDL Program.
3. Administrators will receive RRDL Funds at the time the Construction Loan or End Loan closes.
4. Minnesota Housing will advance RRDL Funds to the Administrator, or other entity approved by Minnesota Housing, via Electronic Funds Transfer (EFT) or check, at the time of closing for each individual Project.
5. The Borrower's contribution and all non-RRDL Funds must be expended before the RRDL Funds will be expended.
6. Payment Holds: Minnesota Housing may, at its sole discretion, place disbursement payment holds on Administrators. Reasons for payment holds include, but are not limited to:
 - a. Missing or incomplete required reports, legal documents, or forms for any open award.
 - b. Lack of progress completing Projects in an adequate time frame.
 - c. Unresolved issues (i.e., monitoring and/or audit findings) discovered by Minnesota Housing in current or past awards that must be resolved before additional RRDL Funds are disbursed.

10.06 Loan Processing Phases and Due Diligence Requirements

Processing of RRDL Program loans should be completed within six to twelve months. Delays in submission or revision of any items could result in delays in reaching loan closing.

A complete list of the required due diligence items for processing a loan receiving RRDL Funds is available on the [RRDL webpage](#).

The phases of the Program Model loan completion process are listed below:

Project Selection Requirements

The Administrator shall collect, evaluate, approve, and maintain a complete file containing all required due diligence for each Project selected for RRDL Funds in compliance with Minnesota Housing's RRDL Administrators Project File Checklist and the terms of the Administrative Agreement.

Borrower Financial Analysis and Credit Review

The Administrator must have and utilize normal and prudent underwriting standards to underwrite a loan for a Borrower. The Administrator must document the evaluation and determination of the Project feasibility and the Borrower’s ability to repay the loan.

The Administrator shall maintain trained personnel who are sufficiently knowledgeable to adequately service RRDL Loans in accordance with industry accepted standards, as determined by Minnesota Housing. Minnesota Housing will not issue a Loan Commitment without sufficient evidence of an underwriting analysis.

Commitment and Closing Requirements

The Administrator is required to verify the legal description of the Real Estate, the Borrower’s ownership interest and any existing liens. Title investigation must be arranged by the Administrator through a Title Company in the form of an Owner’s and Encumbrances Report, or a Title Insurance Commitment/Title Insurance Policy, as described in Chapter 6.03.

In order to obtain a Loan Commitment for an End Loan or a Construction Loan, the Administrator must submit completed required Loan Commitment documents as directed by the most current version of the RRDL Administrators Loan Submission Checklist form available on the RRDL web page. The necessary form and documents must be complete and arranged in the order outlined in the RRDL Administrators Loan Submission Checklist.

The Administrator will complete the RRDL Administrators Loan Submission Checklist, which details minimum specific documentation/delivery requirements, and will provide the information to Minnesota Housing for review. In addition, Administrators must specifically warrant that applicable documentation has been obtained and reviewed to determine compliance with all RRDL Program requirements.

1. Upon receipt of a completed Phase I Loan Approval submission, as directed in the RRDL Administrators Loan Submission Checklist, Minnesota Housing will review the documentation and upon approval, will provide a selection letter notifying the Administrator in writing of Project eligibility and loan amount. The selection letter contains the Minnesota Housing Development Number. The Development Number, Project name, and/or address must be included on all correspondence and documents related to the Project. The Administrator may then prepare and submit all documentation for the Phase I Loan Commitment and Closing, as instructed by the RRDL Administrators Loan Submission Checklist. When the documents are complete and satisfactory, a loan closer will be assigned to prepare a Loan Commitment. Minnesota Housing will notify the Administrator in writing of Project eligibility and the RRDL Loan amount.
2. Upon receipt and approval of the Loan Commitment and closing phase submissions described in the RRDL Administrators Loan Submission Checklist, Minnesota Housing will prepare the Loan Commitment and/or closing documents. The documents and instructions will be provided to the Administrator to commit the RRDL Funds and/or close the RRDL Loan with the Borrower. The fully executed documents must be delivered to Minnesota Housing within timeframes designated in Chapter Sections 10.01 and 10.02 of this Program Guide.

A Loan Commitment will be issued for both End Loans and Construction Loans. At that time, RRDL Funds will be set aside for the approved Project.

- For End Loans, construction may begin upon execution of the RRDL Loan Commitment, and in accordance with the terms of any interim financing, if applicable. After completion of construction, the Administrator shall submit to Minnesota Housing the required due diligence necessary to request preparation and delivery of the RRDL Loan document package. Minnesota Housing will then arrange a closing with the Borrower.
- For Construction Loans, the RRDL Loan documents must be executed and recorded, as applicable, prior to the start of construction.

Documentation not delivered to Minnesota Housing within the specified time frames or in acceptable form may result in, at Minnesota Housing’s discretion, the refusal to issue loan proceeds, a Loan Commitment, repayment of RRDL Funds, or any such remedy as identified in this Program Guide or allowed by law. Minnesota Housing, at its sole discretion, may also extend the time frames.

Construction Requirements

Construction will be undertaken and inspected in compliance with all applicable requirements of Chapter 9 – Rehabilitation Standards, the loan agreement, and the Administrative Agreement.

Project Completion Requirements

The Administrator will prepare the RRDL Completion Certification, which details specific documentation/delivery requirements. The Administrator will also provide the following documents to Minnesota Housing:

- Recorded RRDL Loan documents
- Completed and signed RRDL Administrators Project File Checklist
- Required documents as outlined in the RRDL Administrators Project File Checklist

Administrators must also specifically warrant that the work was completed as defined in the approved Scope of Work and that applicable documentation has been obtained and reviewed to determine compliance with all RRDL Program requirements.

10.07 Loan Servicing Procedures and Responsibilities

Canceling a Loan Commitment

The Administrator is required to cancel any commitment of RRDL Funds that will not be used for the specified Project by:

- Submitting written notification to Minnesota Housing, and
- Changing the project phase on the Administrator Activity Report to “withdrawn.”

Assignment of a Loan Commitment between Administrators

- The Administrator shall request, in writing, an assignment of a Loan Commitment and must document the reason(s) for the request.
- The new Administrator must be an approved participant in the RRDL Program, and,
- The original Administrator must transfer and/or assign the Project documents to the new Administrator.

- A Loan Commitment shall not be assigned or transferred without the prior written consent of Minnesota Housing.

Duplicate Funding Requests

Under the RRDL Program, the Administrator may not cancel a Loan Commitment request and subsequently request RRDL Funds for the same Project and Borrower.

Loan Amount Corrections

Upon completion of construction and confirmation of final cost, if an adjustment to the RRDL Loan amount is necessary and approved, in writing, by Minnesota Housing, Minnesota Housing will either invoice the Administrator for any RRDL Funds to be returned in the case of a decrease in the loan amount, or disburse the necessary RRDL Funds to the Administrator in the case of an increase in the RRDL Loan amount. RRDL Loan documents will be modified accordingly and will subsequently be executed.

10.08 Loan Closing Warranties

On the closing date of a RRDL Loan, the Administrator makes the following warranties to Minnesota Housing:

- It has complied with all terms, conditions, and requirements of this Program Guide, the Administrative Agreement, and any contractual documents as they pertain to the submission of application materials and the closing of all RRDL Loan, unless Minnesota Housing has waived, in writing, any term, condition, or requirement.
- After reasonable inspection, it is satisfied that no improvement covered by the RRDL Loan is in violation of any applicable zoning laws or regulations.
- It has closed the RRDL Loan in accordance with Minnesota Housing closing instructions as outlined in this Program Guide and the Administrative Agreement.

10.09 Administration Fees

The Administrator may collect fees for legitimate and customary services provided to complete a RRDL Loan.

Application Fees

The Administrator may impose and charge an Application Fee to the Borrower for preparing and/or reviewing a Borrower's Application for Funds. Payment of the fee is the sole responsibility of the Applicant and may **not** be included in the RRDL Loan as an eligible soft cost. Administrators may charge a Borrower an Application Fee using the following fee schedule:

- \$100 per unit
- \$3000 per Project maximum
- \$500 per Project suggested minimum

If the Borrower's Application for Funds is not selected, the Administrator may choose, but is not required, to return the Application Fee. The Administrator must disclose to the Borrower before collecting an Application Fee its policy regarding returning fees.

Project Management Fee

An Administrator may charge a Project Management Fee for specific administration tasks that are necessary, reasonable, and customary in the industry. The type and amount of fee to be charged will be proposed by the Applicant, approved by Minnesota Housing, and set forth in the Administrative Agreement on a Schedule of Approved Fees.

Eligible Project administrative expenses include, but are not limited to, property inspections, preparing bid specifications, Scope of Work, bids collection and review, work write-ups, collection and review of due diligence for preparation of loan documents, construction oversight, and final inspections.

The approved Project Management Fees will be received by the Administrator when the RRDL Loan is closed.

The Administrator shall not charge a Project Management Fee for Projects where they are also the Applicant or Borrower. The Administrator shall not charge a Project Management Fee that will duplicate fees for services provided by a sub-contractor. When layering funds from other Minnesota Housing products, only one administrative fee may be charged to the Borrower.

10.10 Administrator Activity Reporting

The Administrative Agreement provides a RRDL Agreement ID Number, which is the unique identifier for the award. The Administrator must use this RRDL Agreement ID Number on all forms and correspondence to Minnesota Housing.

All Administrators with an active Administrative Agreement are required to complete and maintain accurate RRDL Program Administrator Activity Reports and to submit these reports to Minnesota Housing on a monthly basis, or as directed.

10.11 Audit and Monitoring Standards

The Administrator is required to keep on file complete copies of all documents for each Project, as described in the Administrative Agreement.

With reasonable notice to the Administrator and/or the Project owner, Minnesota Housing reserves the right to make site visits and/or conduct audits of all files related to the use of RRDL Funds.

Audit Guidelines and Due Diligence Requirements

Audited files may be requested to be forwarded to Minnesota Housing for review. Audited files are reviewed for, but are not limited to, the following:

- RRDL Program/policy compliance
- Compliance with the particular award requirements
- Fraud or misrepresentation on the part of any party involved in the transaction
- Trends and/or other indicators that may have an impact on the financial viability of the RRDL Program in part or in whole

The Administrator is required to keep a complete copy of documents for each Project assisted by the RRDL Program in a properly labeled file. Minnesota Housing may request a copy of an individual loan file

be forwarded to Minnesota Housing for review. Criteria used to select files for audit include, but are not limited to, the following:

- Statistical sampling
- Award size or history
- Completion progress
- Monitoring/audit results from other Administrator allocations or Borrower files

Monitoring Guidelines and Due Diligence Requirements

Minnesota Housing may request files be made available to Minnesota Housing at the Administrator’s office during regular business hours. Monitoring visits will include, but are not limited to, the following:

- Physical inspection of Projects
- Review of files for RRDL Program compliance
- Verification of financial accounting

Criteria used to select awards to be monitored may include, but is not limited to:

- RRDL Program completion status
- Administrator performance issues
- Time period between monitoring visits
- Monitoring/audit results from other Minnesota Housing allocations to an Administrator or Borrower files

Chapter 11 - 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, familial status, gender identity or sexual orientation.

Minnesota Housing's fair housing policy incorporates the requirements of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, as well as the Minnesota Human Rights Act. Housing providers are expected to comply with the applicable statutes, regulations, and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements.

In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and requires housing providers to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

Applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.

As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Housing Choice Voucher or other form of tenant-based rental assistance.

Chapter 12 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting

12.01 Fraud

Fraud is any intentionally deceptive action made for personal gain or to damage another.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the ways described in section 12.05.

12.02 Misuse of Funds

A loan or grant agreement is a legal contract between Minnesota Housing and the borrower or grantee. The borrower or grantee promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the borrower or grantee to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the borrower or grantee must use Minnesota Housing funds as agreed, and the borrower or grantee must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a borrower or grantee; or (2) A borrower or grantee cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the loan or grant agreement.

Any borrower or grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the ways described in section 12.05.

12.03 Conflict of Interest

A conflict of interest, actual, potential, or perceived, occurs when a person has an actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. A potential or perceived conflict of interest exists even if no unethical, improper or illegal act results from it.

An individual conflict of interest is any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a friend, relative, acquaintance or business or organization with which they are involved.

Organizational conflicts of interest occur when:

- A contracting party is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties
- A contracting party's objectivity in carrying out the award is or might be otherwise impaired due to competing duties or loyalties

- A contracting party has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party’s responsibilities to mitigate the conflict
- Allowing the contracting party to create firewalls that mitigate the conflict
- Asking the contracting party to submit an organizational conflict of interest mitigation plan
- Terminating the contracting party’s participation

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual, perceived or potential conflicts of interest through one of the ways described in section 12.05.

A contracting party should review its contract agreement and request for proposals (RFP) material, if applicable, for further requirements.

12.04 Suspension

By entering into any agreement with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the agreement) has not been suspended from doing business with Minnesota Housing. Refer to Minnesota Housing’s website for a list of [suspended individuals and organizations](#).

12.05 Disclosure and Reporting

Activities required to be reported under this chapter may be made in any of the following ways:

- Minnesota Housing’s Chief Risk Officer
- Any member of Minnesota Housing’s [Senior Leadership Team](#)
- The Minnesota Housing hotline reporting service vendor, EthicsPoint, by calling toll-free 866.886.1274 to speak with a live operator or by visiting the EthicsPoint reporting [webpage](#)

Chapter 13 – Program Contacts

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Definitions

The following definitions apply unless an exception is clearly made in another section of this Program Guide (such definition to be equally applicable to both the singular and plural form of the term defined).

Term	Definition
Administrative Agreement	An agreement outlining the legal relationship and responsibilities of a Program Model Administrator who was allocated RRDL Funds by Minnesota Housing to implement and process applications for the RRDL Program
Administrator	An Applicant selected to participate in either a Program Model or Specific Project through the RRDL Program
Affordable to Local Workforce	Affordable to Local Workforce. Rents are considered affordable to the local workforce when they do not exceed the lesser of 30% of average monthly wages paid in the local area or are affordable at 80% of HUD AMI. Affordable to Local Workforce rents for each county are calculated by Minnesota Housing based on data from the Minnesota Department of Employment and Economic Development and data from HUD.
Applicant	Housing and Redevelopment Authorities (HRAs), Community Action Programs (CAPs), Nonprofit Organization, Local Units of Government and Tribal Governments, Joint Powers Boards, Natural Persons, and Private Developers who are submitting an Application for Funds to rehabilitate a Specific Project or to deliver a Program Model
Application Fee	Fee paid by the Borrower to an Administrator for preparing and/or reviewing a Borrower's Application for Funds
Application for Funds	Application materials developed by Minnesota Housing for the purposes of soliciting applications and allocating RRDL Funds for the RRDL Program in response to a Request for Proposal
Borrower	A person, organization, or company who is eligible to apply for and receive RRDL Funds in conformance with the requirements of the Program Guide and all applicable regulations, statutes and rules
City	Defined in in Minnesota Statute §462A.03, subdivision 21
Consolidated RFP	Minnesota Housing Multifamily Consolidated Request for Proposals
Construction Loan	A construction/permanent, long-term loan to finance rehabilitation and eligible soft costs. The RRDL Funds are advanced incrementally during rehabilitation as it progresses.
Deferred Loan	A non- or low-interest-bearing loan made without periodic payments. It is repaid in full at the end of the loan term or upon the occurrence of specified events.
Development Number	The Minnesota Housing Project loan number.
Drawings and Specifications	Documents including drawings, diagrams, or sketches that describe the work to be done, as well as all measurements and construction details, including a detailed list of the products and materials.

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End Loan	A permanent, long-term loan that is used to pay off a short-term rehabilitation loan or other form of interim financing.
Existing Federal Assistance	Any housing receiving project-based rental assistance, operating subsidies or mortgage interest reduction payments under a U.S. Department of Housing and Urban Development (HUD) or U.S. Department of Agriculture Rural Development (RD) program that is not scheduled to sunset or expire. Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) assistance is also eligible in certain circumstances.
Greater Minnesota	The area of the state of Minnesota that is outside of the seven metro counties: Anoka, Dakota, Carver, Hennepin, Ramsey, Scott, and Washington.
Greater Minnesota Workforce City	A community in Greater Minnesota identified by Minnesota Housing to be in need of additional workforce housing.
HUD HOME Program	The U.S. Department of Housing and Urban Development (HUD) establishes the HOME Investment Partnership Program and awards funds to participating jurisdictions to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income households.
Joint Powers Board	Two or more eligible Applicants that own or will own the Project or submit a Program Model Application for Funds.
LIRC	Low Income Rental Classification . The tax bill adopted by the Minnesota Legislature in the 2005 legislative session and signed by the Governor on Wednesday, July 13, 2005 that made significant changes to the property tax classification rate for qualifying low-income rental properties. This resulted in a class rate reduction of up to 40% for qualifying units in some rent and income-restricted properties.
Loan Commitment	A contractual agreement between Minnesota Housing and the Borrower that sets forth the terms under which Minnesota Housing will lend RRDL Funds to the Borrower for a Project.
Local Unit of Government	A Local Unit of Government, such as a City, as defined in Minnesota Statutes Section §462C.02, subdivision 6, or a county or housing redevelopment authority.
Minnesota Housing	Minnesota Housing Finance Agency
Minimum Affordability Period	The minimum period of time, established by Minnesota Housing, that the Borrower agrees to comply with rent, income, and compliance requirements for the project as outlined in Chapter 8.01 of this Program Guide.
Natural Person	A real human being, as opposed to a legal person, such as a corporation or limited partnership.
Nonprofit Organization	Defined in Statute §462A.03, subdivision 22 of Minnesota Statutes
PILOT	Payment in lieu of taxes
Private Developer	An individual or a for-profit, non-governmental entity, including but not limited to, a cooperative housing corporation as defined in part 4900.0010, subpart 8, and a limited dividend entity as defined in part 4900.0010, subpart 14.

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Program Guide	This Rental Rehabilitation Deferred Loan Pilot Program Guide
Program Model	A RRDL Program delivered through an Administrator and designed to provide rehabilitation in specific geographic areas of Minnesota that may offer variations on the RRDL Program, subject to the written approval of Minnesota Housing.
Processing Agent	A representative of a Borrower contracted to complete an Application for Funds on behalf of the Borrower. Minnesota Housing will hold the Borrower fully responsible for the content of the prepared Application for Funds.
Project	The Real Estate and improvements thereon for which the owner has applied for RRDL Funds.
Project Management Fee	A fee awarded to an Administrator for specific administrative tasks that are necessary, reasonable, and customary in the industry to process a RRDL Loan to closing in accordance with the Program Guide.
Public Housing Agency (PHA)	Any state, county, municipality, or other governmental entity or public body (or agency or instrumentality thereof) that is authorized to engage or assist in the development or operation of low-income housing
Public Housing Development	A development owned by a state agency or local political subdivision that requires a public housing program be provided in the development.
Real Estate	Property consisting of land, and the buildings on it, along with its natural resources
Request For Proposal (RFP)	The process by which Minnesota Housing solicits an Applicant to apply for RRDL Funds under the RRDL Program
RRDL Agreement ID Number	The unique identifier listed on the Administrative Agreement, that must be used on all forms and correspondence with Minnesota Housing
RRDL Funds	The cumulative funds made available to the Administrator or Borrower
RRDL Loan	RRDL Funds received by the Borrower
RRDL Mortgage	The legal document used to secure a lien on Real Estate. The RRDL Mortgage must be in a form provided by Minnesota Housing and must establish a lien on the Project.
RRDL Mortgage Note	The legal document outlining the terms and conditions of the RRDL Loan. The RRDL Mortgage Note must be in a form provided by Minnesota Housing.
RRDL Program	Rental Rehabilitation Deferred Loan Pilot Program
Scope of Work	A detailed outline of the necessary rehabilitation work to be completed on the Project.
Single Asset Entity	A Single Asset Entity is a legal entity, usually a limited liability company (LLC), that owns only one residential rental property.
Sole Proprietorship	A Sole Proprietorship is a business owned and operated by one Natural Person. It refers to a person who owns the business and that person is responsible for its debts.
Specific Project	A RRDL Program delivered by Minnesota Housing directly to a Borrower for a Project through an open pipeline application process with or without the assistance of an Administrator.

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Sworn Construction Statement	A sworn statement of fact made by a general contractor that lists all of the work to be performed on a Project, the subcontractors who will perform the listed work, material suppliers who will supply materials for the listed work, and the cost of each individual item of work and item of material that will be supplied.
Title Company	An organization that provides property title examination and title insurance coverage, closing services and disbursement of construction funds.
Tribal Government	Pursuant to 25 USC § 3902 (5) : “the governing body of any Indian tribe, band, nation, pueblo, or other organized group or community, which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians”.