



Deferred Capital Loan Program Guide:
Housing Trust Fund
Ending Long Term Homelessness
Initiative Fund
501(c)(3) Bonds
Housing Infrastructure Bonds

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Introduction – Program Purpose and Background

The Minnesota Legislature established the Housing Trust Fund (HTF) in 1988 to support the development of affordable housing for low-income people and families. HTF is funded by state appropriations and interest earnings on real estate brokers' trust accounts, interest accrued on revenue bond application fees and forfeited fees. Eligible uses of HTF include: capital loans and grants for operating subsidy and rental assistance.

Statute requires that 75 percent of the HTF program funds be used for the benefit of households whose income at the time of initial occupancy does not exceed 30 percent of the metropolitan Area Median Income (AMI) for a family of four as determined by HUD, and adjusted for families of five or more. The HUD metropolitan AMI limits are applied statewide. A household with Section 8 project-based or voucher assistance is deemed to meet these income requirements. Minnesota Housing has elected to reserve up to 70 percent of the HTF fund for proposals that create permanent rental housing opportunities with support services for households experiencing long-term homelessness.

In 2005, HTF rules were modified to add a funding priority for developments and programs that serve households experiencing long-term homelessness in response to the State's Business Plan to End Long-Term Homelessness. In support of the State's Business Plan, the Minnesota Housing Board approved the amendment of the 2004-2005 Affordable Housing Plan on May 27, 2004 to establish a new funding source, the Ending Long-Term Homelessness Initiative Fund (ELHIF). ELHIF is administered through the HTF Rules and the use of this funding source is to create permanent rental housing opportunities with support services for households experiencing long-term homelessness. Eligible activity types of funding under ELHIF include: capital loans and grants for operating subsidy and rental assistance.

In 2008, the Legislature approved the Governor's Capital Budget Request for 501(c)(3) Bonds to finance the capital costs of permanent supportive housing for households experiencing long term homelessness. The 2010 State Bonding Bill increased the 501(c)(3) bond authorization granted in 2008 by an additional \$6 million. The additional bond proceeds may be used for either permanent supportive housing or for acquisition and/or rehab of foreclosed or vacant properties and rented to low- and moderate-income households. The 501(c)(3) bond funds will be administered through HTF rules.

In 2012, 2014, and 2015, the Minnesota Legislature appropriated funding in the form of Housing Infrastructure Bonds (formerly known as 501(c)(3) bonds) to finance, among other uses, construction or acquisition and rehabilitation of supportive housing. Supportive housing developments financed with Housing Infrastructure Bond (HIB) proceeds were guided by the HTF rules and guide, with other authorized uses guided by the Economic Development and Housing Challenge (EDHC) rules and guide.

Chapter 1 - Eligibility

1.01 Owner/Sponsor

All applicants must have the authority to enter into the loan or grant agreement required by Minnesota Housing and should have experience in operating housing and/or administering housing programs for low- and moderate-income individuals and families.

Applicants are subject to Minnesota Housing's Mortgage Credit review including assets, liquidity, length of time in operation and previous experience to ensure that the sponsor has the ability to cover any revenue shortages.

- Eligible applicants for capital HTF and/or ELHIF loans include:
 - A non-profit organization, as defined in Minnesota Statutes section 462A.03, subdivision 22
 - A for-profit organization
 - A limited dividend entity, as defined in Minnesota Rules part 4900.0010, subpart 14
 - A cooperative housing corporation, as defined in Minnesota Rules part 4900.0010, subpart 8
 - A city, as defined in Minnesota Statutes section 462A.03, subdivision 21
 - A joint powers board established by two or more cities
 - A public housing agency
 - An Indian tribe or tribal housing corporation
 - A natural person
- Eligible applicants for capital 501(c)(3) loans include:
 - A non-profit, tax-exempt organization as defined under Section 501(c)(3) of the Internal Revenue Code
 - A governmental entity (excluding the federal government)
 - An Indian tribe or tribal housing corporation
- Eligible applicants for Housing Infrastructure Bond proceeds loans include:
 - A non-profit, tax-exempt organization as defined under Section 501(c)(3) of the Internal Revenue Code
 - A governmental entity (excluding the federal government)
 - An Indian tribe or tribal housing corporation
 - A for-profit entity

1.02 Use and Level of Funding

Eligible Uses of Funds.

- The proposed rental housing development must consist of living accommodations for persons and families. Ineligible housing developments include: nursing homes, board and care facilities, and supervised living facilities licensed by the Department of Health or a delegated local department of health, or properties where all residents require an individual 24-hour plan for supervision, medical or health care.
- The proposed rental housing must be for individuals and/or families whose gross incomes, at the time of initial occupancy, do not exceed program income limits as described in Section 2.04.
- The proposed rental housing development must consist of a minimum of four rental housing units.
- The use restrictions listed above must remain in effect for a minimum of 15 years.
- The proposed rental housing must be marketed for general occupancy and families, except for those units specifically deemed to serve households experiencing long-term homelessness.
- Temporary and transitional housing as defined by the U.S. Department of Housing and Urban Development (HUD) may be funded by HTF.
- 100% of the proposed rental housing with support services financed with ELHIF must provide permanent supportive housing opportunities for households experiencing long-term homelessness, as defined in Section 2.04.
- 501(c)(3) bond proceeds can be used to finance the cost of construction, acquisition, preservation and rehabilitation of permanent supportive housing for long-term homeless households. This means individuals and families who: 1) either have been without a permanent residence for at least 12 months or at least four times in the last three years; or 2) are at significant risk of lacking a permanent residence for 12 months or at least four times in the last three years.
- Housing Infrastructure Bond proceeds (HIB) can be used for the cost of construction, acquisition, preservation and rehabilitation of supportive housing. Among comparable proposals for permanent supportive housing, preference will be given to supportive housing for individuals and families who either: 1) have been without a permanent residence for at least 12 months or at least four times in the last three years, or 2) are at significant risk of lacking a permanent residence for 12 months or at least four times in the last three years.

Level of Funding. Minnesota Housing determines HTF capital, ELHIF, 501(c)(3) and/or HIB proceeds loan amounts by reviewing cost reasonableness on a per-unit and total development cost basis. Funding for general improvements to an existing property (such as roof, heating system, or siding) will be determined based upon a percentage of assisted units.

Minnesota Housing will analyze the development's proposed capital and operating costs to determine the overall financial feasibility of the proposal. Minnesota Housing staff may make underwriting adjustments to reflect Minnesota Housing's standards or market trends. Please refer to Minnesota Housing's [Multifamily Underwriting Guidelines](#) for further information.

Housing Related Space. HTF, ELHIF, 501(c)(3) and/or HIB proceeds funded housing developments may include housing-related space such as community, administrative or program space. Minnesota Housing will take into consideration the following factors when determining the amount of housing-related space that will be funded:

- The extent to which the proposed use of the space fits with the service needs of the tenants of the housing development and does not expose the tenants to security risks or the development to financial risk
- The ease with which the space is convertible to residential space
- The capacity of the applicant or any partner organization to operate and manage the space
- Whether similar services or facilities that are appropriate for the tenants of the housing development are located nearby
- Whether the space will be used exclusively by tenants of the housing development
- The availability of other funding for the construction and/or rehabilitation of space as well as operation and maintenance
- Proceeds of HIB may not be used to fund any commercial space

Activity Type – Rehabilitation. In the rehabilitation of existing rental housing, developments are eligible for funding when they are:

- Fully assisted developments, meaning 100 percent of the units in the development meet HTF income and affordability requirements
- Partially assisted developments, meaning there is a mix of income and affordability levels and only a portion of the total units meet HTF income and affordability requirements.
 - In a partially assisted development, only the units that meet the income, occupancy and affordability requirements of the HTF will be funded with these Minnesota Housing funds. The level of funding will be prorated based on the number of assisted units and level of amenities of the assisted units compared to that of non-assisted units.

Activity Type – New Construction. For new construction developments, both partially and fully assisted developments (as defined above) are eligible for funding. In rural areas, new construction will be allowed within areas of commuting distance of the economic growth area. City sewer and water is required for all new construction proposals unless otherwise approved

by Minnesota Housing. Minnesota Housing will review the availability of existing city sewer and water lines to the development without substantial extensions.

For all new construction proposals, sufficient supporting documentation must be submitted from the local government or other sources, such as housing and redevelopment authority studies, independent market studies, and, in the seven-county metropolitan area, negotiated housing goals with the Metropolitan Council demonstrating the need for construction of new rental housing units.

1.03 Design and Construction Review

HTF, ELHIF, 501(c)(3) and/or HIB proceeds loans are intended to provide affordable housing over the long term (i.e., 30 years); therefore, proposals for acquisition and rehabilitation of existing rental housing must be improved beyond a decent, safe and sanitary condition. Refer to the [Multifamily Consolidated Request for Proposals Guide](#) and the [Rental Housing Design/Construction Standards](#) for more information.

1.04 Income and Occupancy Requirements

Income Limits. Units assisted with HTF, ELHIF, 501(c)(3) and/or HIB proceeds under HTF, must be occupied by households whose income at the time of initial occupancy does not exceed 60 percent of the metropolitan AMI for a family of four as determined by HUD and adjusted for families of five or more. The metropolitan area is defined as the area over which the Metropolitan Council has jurisdiction, including only the counties of Anoka, Carver, Dakota (excluding the city of Northfield), Hennepin (excluding the city of Hanover), Ramsey, Scott (excluding the city of New Prague) and Washington.

Funding priority will be given to proposals that will serve households whose income at the time of initial occupancy does not exceed 30 percent of the metropolitan AMI for a family of four as determined by HUD and adjusted for families of five or more. The HUD metropolitan AMI limits are applied statewide. A household with Section 8 project-based or voucher assistance is deemed to meet these income requirements. In addition, Minnesota Housing requires income restrictions consistent with those specified in the owner's application, provided that they are not higher than the statutory income limits.

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

For acquisition and/or rehabilitation, the borrower will be required to contact each household prior to mortgage commitment and have them disclose their income on a tenant income verification form. Minnesota Housing will review the income verifications to verify the number of assisted units.

Long-Term Homelessness Occupancy Requirements. The proposed housing development must consist of permanent supportive housing for households experiencing long-term homelessness,

as defined below. The housing must provide or coordinate with linkages to services necessary for residents to maintain housing stability.

- **Permanent supportive housing:** Defined as permanent rental housing affordable to the population served, where support services are available to residents. Permanent supportive housing is available to individuals and families with multiple barriers to obtaining and maintaining housing, including those who are long-term homeless, formerly homeless or at risk of homelessness and those with mental illness, substance abuse disorders, and/or HIV/AIDS.
- **Households experiencing long-term homelessness:** Includes individuals, unaccompanied youth, and families with children lacking a permanent place to live continuously for a year or more, or at least four times in the past three years. Any period of institutionalization or incarceration is excluded when determining the length of time a household has been homeless. Refer to Minnesota Housing's website for additional clarification on the long-term homelessness definition: [Long-Term Homelessness Definitions and Characteristics](#).
- **Households at significant risk of long-term homelessness:** Includes 1) households that are homeless or recently homeless with members who have been previously homeless for extended periods of time and are faced with a situation or set of circumstances likely to cause the household to become homeless in the near future, and (2) previously homeless persons who will be discharged from correctional, medical, mental health or treatment centers who lack sufficient resources to pay for housing and do not have a permanent place to live.

Once established and operational, all referrals are expected to come directly from the Continuum of Care's Coordinated Entry System.

Compliance. The income and occupancy requirements will be monitored by Minnesota Housing for the length of the loan. Household incomes for all assisted units will be reviewed for compliance by Minnesota Housing through the review and analysis of various forms and formats acceptable to Minnesota Housing.

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

Chapter 2 – General Characteristics HTF, ELHIF, 501(c)(3) and Housing Infrastructure Bond Proceeds Funding

Minnesota Housing underwriting parameters for all developments will include analysis of financial feasibility, development costs, and review of management, marketability, and architectural requirements. If there is no amortized debt, Minnesota Housing will assume the first mortgage position. Where first mortgage financing is being provided, additional requirements will be based upon the level of assistance requested.

Maintenance and Operating Budget. Minnesota Housing will review information on comparable properties to project long-term operating costs and ensure the long-term financial viability of the development. For more information, please see the [Minnesota Housing Multifamily Underwriting Guidelines](#).

Property Management. Minnesota Housing recognizes that quality property management is necessary for the long-term success of multifamily rental housing. For that reason, Minnesota Housing, in its evaluation of the owner's or management agent's qualifications, will consider all previous management experience. Agency asset management staff will conduct an on-site physical assessment of properties currently managed and the owner and/or agent must also complete a Minnesota Housing Managing and Marketing Agents Qualifications application, which can be found at the [Development Team Qualification Form Instructions](#) page.

Credit Worthiness of Borrower. Minnesota Housing will evaluate the borrower's financial acceptability, considering assets, liquidity, length of time in operation and previous housing experience.

2.01 Funding Terms

Minnesota Housing will award HTF, ELHIF, 501(c)(3) and HIB proceeds under the following terms:

- **Loans:** In most situations, capital funds are issued as a loan.
 - HTF, ELHIF, and HIB loans are provided as zero percent deferred or amortizing loans to be repaid at the end of the 30-year term.
 - For HIB proceeds loans, at Minnesota Housing's sole discretion, the loan documents may also provide that the loan is to be forgiven at the end of the loan term.
 - 501(c)(3) bonds proceeds loans will be issued as deferred, 30-year loans that are forgivable at the end of the loan term.

The loan term may be adjusted based on requirements and conditions of other funding sources related to the loan term or the existence of a leasehold mortgage. The interest rate may be adjusted to allow coordination with other sources of funding such as

housing tax credits. Loans will be full recourse; however, non-recourse may be considered on a case-by-case basis.

- **Grants:** In unique situations, the capital funds may be awarded as a grant. Grant terms will be 30 years, with the exception that the term may be adjusted as outlined in paragraph 1, above. The grant will be forgiven at the end of the 30-year term, unless adjusted as outlined above; however, the full amount must be repaid in the event that the terms of the grant agreement are not met.

2.02 Transfers of Ownership/Prepayment

Transfers of Ownership. The mortgage loan or grant may be assumed contingent upon:

- Minnesota Housing review and approval of the proposed ownership entity
- Proposed ownership entity agrees to assume all contractual obligations with Minnesota Housing
- Payment, by the original borrower, of a processing fee equal to the greater of ½ of 1 percent of the outstanding mortgage amount or \$1,500; which is an amount equal to the approximate administrative costs incurred by Minnesota Housing in processing the sale or assumption. The processing fees for the sale or assumption of the mortgage do not apply to mortgages dated prior to January 1, 2007.
- Transfers of 501(c)(3) and HIB proceeds loans will be approved only to eligible entities as defined in 2.01, as appropriate

Repayment. The mortgage may be repaid in full at anytime; however, the rent, income and occupancy restrictions will remain in place for a minimum of 15 years and a maximum of 30 years. Minnesota Housing will charge a repayment processing fee in the amount of \$250 for each mortgage being repaid. The repayment processing fee does not apply to mortgages dated prior to January 1, 2007.

2.03 Management and Operation

Management and Operating Budget. The budget submitted in the application will be reviewed and compared to budgets of comparable Minnesota Housing financed developments. Minnesota Housing comparables will be used to underwrite the loan and used to project long-term operating costs that will protect the long-term investment being made by the owner.

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

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 management agent 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.

Marketing. Owner/agent must demonstrate that they have established networks and linkages with city and county supportive service organizations that will be necessary for residents to maintain housing stability.

Supportive Housing Documentation. The owner must submit a management plan, a supportive service budget, a supportive services plan, Memorandum of Understanding (MOU) and any other documentation deemed necessary for Minnesota Housing staff review and approval.

2.04 Monitoring and Reporting Requirements

501(c)(3) Loans. Minnesota Housing actively monitors each development it finances. Monitoring activities include tenant incomes, rents, affirmative action, equal opportunity requirements and year-end operating reports. In addition to the following stated requirements, recipients of 501(c)(3) loans must submit monthly operating reports, annual Minnesota Housing approved operating budgets, property financials and properties are subject to periodic management reviews and physical inspections. Minnesota Housing will monitor tenant incomes, rents, affirmative action and equal opportunity requirements for 501(c)(3) loan mortgages. Minnesota Housing's website has the most current version of the following forms:

- **Initial Occupancy Statement Form:** This form is to be completed for each new tenant at the time of initial occupancy to ensure that as the assisted units become vacant, they are leased to qualified households. This form must be maintained in the tenant's file.
- **Characteristics of Tenant Households Form:** This form must be completed annually and submitted to Minnesota Housing. The form provides Minnesota Housing information on the demographics of the households that occupy the assisted units.
- **Data Practices Act Disclosure Statement Form:** This form is required for each household that occupies an assisted unit. This information is necessary for the administration and management of state or federal programs that provide housing for low- and moderate-income families. This form must be maintained in the tenant's file.

Reporting requirements for owners of developments that provide permanent supportive housing opportunities for households experiencing long-term homelessness (LTH) are as follows:

- **Proposed Operating Budget:** Within 60 days prior to the end of the development's fiscal year, submit:
 - A proposed schedule for rental rates on Minnesota Housing's Budget Reporting form
 - A proposed Operating Budget for the next fiscal year on Minnesota Housing's Budget Reporting form

- **Year End Report:** On February 15 of every year, submit:
 - A year-end operating statement of income and expenses for the operation of the development during the past fiscal year, prepared on Minnesota Housing's 258 Operating Report form.
- **Long Term Homelessness Verification Form:** The owner must ensure that a long-term homelessness (LTH) verification form or a self-certification form is completed prior to the initial time of occupancy for households that meet the state's definition of long-term homelessness. The form must be maintained in the tenant's file for at least three years after the tenant vacates. The following forms are located on [Minnesota Housing's website](#).
 - **Long Term Homelessness Verification Form:** This form should generally be completed by the referring agency or service provider and serves as verification that the individual, family or unaccompanied youth meets the LTH definition.
 - **Self Certification of Long Term Homelessness Verification Form:** This form should generally be completed by the tenant in cases in which the referring agency or service provider is unable to obtain verification of the long-term homelessness status but is reasonably sure that the household has experienced long-term homelessness.
- **Homeless Management Information System (HMIS):** The owner must utilize [HMIS](#) and ensure that the required information is collected and entered on behalf of eligible households that occupy LTH assisted units. It is important that the HMIS system is utilized in compliance with Minnesota Housing's and Wilder's requirements. Quarterly and annual HMIS reports will be provided to Minnesota Housing.
- **Supportive Housing Assessment Report:** The owner must complete an annual supportive housing assessment report. Minnesota Housing will send this form to owners annually.

Housing Infrastructure Bond Loans. Monitoring activities may include, at Minnesota Housing's discretion, verification of tenant incomes, rents, affirmative action, equal opportunity requirements, financial reports, HMIS data, and financial summary, compilation, or audit information. In addition, developments financed by Minnesota Housing are subject to periodic management reviews and physical inspections.

Chapter 3 – Contract Compliance and Equal Opportunity

3.01 Policy

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

3.02 Purpose

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

3.03 Goals

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

3.04 Requirements

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

3.05 Sanctions

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

3.06 Equal Opportunity Laws/Rules

The operations of Minnesota Housing are regulated by Equal Opportunity Laws and Rules, including, but not limited to, the following as may be amended:

- Executive Order 11246 (Affirmative Action Requirements, Federal and federally derived Contracts)

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- Executive Order 11625 (Minority Business Enterprises)
- The Civil Rights Act of 1964 (Title VII)
- Equal Employment Act of 1972
- The Americans with Disability Act of 1990
- Section 504 of the Rehabilitation Act of 1973 as amended
- Minnesota Human Rights Act (Section 363A.36)
- Fair Housing Amendments Act of 1988

Chapter 4 – 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 to, because of protected class status:

- 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.

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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 5 – Allocation of Funds

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

Chapter 6 – Program Contact

For questions concerning the use of 501(c)(3) or Housing Infrastructure Bonds, contact Anne Heitlinger at 651.296.9841 or the Housing Development Officer identified in your selection letter.

For questions concerning the Housing Trust Fund and the Ending Long term Homelessness Initiative fund, contact Joel Salzer at 651.296.9828 or the Housing Development Officer identified in your selection letter.