



Preservation Affordable Rental Investment Fund (PARIF) Program Guide

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

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Chapter 1 – Program Purpose and Background

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

The purpose of the program is to provide funding to support the preservation of federally assisted, permanent rental housing where federal subsidies are at risk of being lost. For this purpose, supportive housing means affordable rental housing with linkages to services necessary for individuals, youth, and families with children to maintain stability.

Risk of loss must be due to one of the following factors:

- Market conversion (federally assisted housing only)
- Critical physical needs (federally assisted or supportive housing)
- Diminished organizational capacity (federally assisted or supportive housing)

Funds can be used for acquisition, rehabilitation or debt restructuring. For federally assisted properties, funds may also be used for equity take-out loans.

Owners of federally assisted properties must agree to participate in the applicable federal assistance program and to extend the existing low-income, affordability restrictions for the maximum term permitted.

Owners of federally assisted housing must also enter into an agreement that gives local units of government, housing and redevelopment authorities and nonprofit housing organizations the right of first refusal if the property is offered for sale.

Chapter 2 – Eligibility Criteria

2.01 Owner/Sponsor

Eligible applicants include:

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

Priority. Priority is given among comparable proposals to developments that are or will be owned by a local government unit, housing and redevelopment authority or a nonprofit housing organization.

Among comparable proposals for federally assisted properties, priority must be given to properties with the longest term under an agreement for federal assistance and supportive housing developments that exhibit the greatest need of funding and demonstrate a reliable source of service funding.

Cost/Benefit Analysis. The cost/benefit analysis determines how the costs of preserving the development compare to the benefits of preserving the federal assistance.

Impact on Residents. The impact on residents relates to preserving or losing the federal assistance or supportive housing, including the availability of other affordable housing in the market.

2.02 Federal Assistance

As a condition of this funding, the owner will be required to enter into an agreement to participate in the applicable federally assisted housing program and to extend any existing low-income affordability restrictions on the housing for the term negotiated with Minnesota Housing, which is generally 30 years. This term is defined as the Minimum Rental Subsidy Period (MRSP) in the agreement.

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

2.03 Supportive Housing

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

2.04 Use and Level of Funding

Eligible uses of funds:

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

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

2.05 Design and Construction Review

Refer to the current [Multifamily Request for Proposal Guide](#) and the [Rental Housing Design/Construction Standards](#).

2.06 Occupancy Requirements

Income Limits. State law governing the PARIF Program allows for assisted units to be occupied by households with incomes at the time of initial occupancy that meet the requirement(s) of the federal program(s) the funds are preserving, which generally means up to 80 percent of statewide median income, not adjusted by family size. Refer to the [Multifamily Rent and Income Limits](#) for current income requirements. However, Minnesota Housing will require income limits consistent with those specified in the owner's application, provided that they are not higher than the statutory income limits.

Minimum Term. The income and occupancy conditions for the assisted units are in effect for the life of the loan and/or the covenant running with the land.

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

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

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As assisted units become vacant, incomes of new households occupying those units will be verified, analyzed and reported to the Agency on an annual basis.

Chapter 3 – General Deferred Loan Characteristics

Minnesota Housing underwriting for all developments will include analysis of financial feasibility, development costs, as well as a review of management, marketability and architectural requirements. Please refer to Minnesota Housing’s Multifamily [Underwriting Standards](#)

3.01 Mortgage Interest Rate and Term

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

Loans will generally be full recourse; however, Minnesota Housing will consider non-recourse loans on a case-by-case basis.

3.02 Transfers of Ownership/Prepayment

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

Transfers of Ownership. Sale of the property to another eligible borrower must be pre-approved in writing by Minnesota Housing. Approval is secured through a Request for Action (RFA). Approval is contingent upon all of the following:

- Mortgagor is not in default of any of its agreements with Minnesota Housing, whether such agreements involve the PARIF loan or some other loan that is secured by the mortgaged property
- The new entity is credit worthy, in Minnesota Housing’s sole opinion
- Assumption of all contractual obligations with Minnesota Housing
- Payment of a fee in an amount equal to the approximate administrative costs incurred by the agency in processing the sale or assumption

If Minnesota Housing authorizes such sale and assumption, then the interest rate and payment terms set forth in the PARIF note shall be unchanged as a result of such sale and assumption.

Prepayment. The mortgage may be prepaid in full at any time; however, deed restrictions will remain in place for the remaining term of the MRSP. Minnesota Housing will charge a

prepayment fee in an amount equal to the approximate administrative costs incurred by the agency in processing the prepayment.

3.03 Return on Equity

Agency statutes currently allow a maximum return of 15 percent based on actual developer equity (as determined by Minnesota Housing) for developments that use PARIF loan proceeds for acquisition, debt restructuring and equity take out loans. This restriction does not apply to developments that include the rehabilitation of existing housing.

3.04 Management and Operation

Management and Operating Expense Budget. The budget submitted with the application will be reviewed and compared to the property's operating history and budgets of comparable Agency financed developments. This data will be used in the underwriting of the loan and used to project long-term operating costs that will protect the long-term investment being made by the owner and lenders.

The Agency reserves the right to reject or adjust the operating and maintenance figures based upon the information supplied, specific development type, rehabilitation scope of work, and circumstances and/or significant changes to the economics of the development's current marketplace.

See the Minnesota Housing [Multifamily Underwriting Standards](#) for more information on Minnesota Housing's requirements and evaluation of M&O expenses.

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

3.05 Monitoring and Reporting Requirements

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

Assisted units must be leased to qualified households who must disclose their annual household income at initial occupancy on an Initial Occupancy Statement by Tenant form (other, more detailed income certification forms may be acceptable). This form is used to ensure households are qualified to occupy an assisted unit. Owners must also request (but cannot require) that qualified households complete a Tenant Demographic Profile form which will provide additional information for program evaluation. Occupancy information on all units must be reported annually in a form and manner requested by Minnesota Housing.

Additionally, each adult member of a household occupying an assisted unit must sign and date a Minnesota Government Data Practices Act Disclosure Statement. This information informs the tenant that their annual household income and other information will be reported to Minnesota Housing and may be reviewed by other governmental agencies. This is required for

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the administration and management of state or federal programs that provide housing for low- and moderate-income families.

Chapter 4 – Contract Compliance and Equal Opportunity

4.01 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.

4.02 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.

4.03 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.

4.04 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.

4.05 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.

4.06 Equal Opportunity Laws/Rules

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

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

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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 363.073)
- Fair Housing Amendments Act of 1988

Chapter 5 – 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 6 – Allocation of Funds

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

Chapter 7 – Program Contact

For questions, contact Anne Heitlinger at 651.296.9841 or anne.heitlinger@state.mn.us. You may also contact the Housing Development Officer identified in your selection letter.