



Multifamily Request for Proposals Guide

**A guide to preparing the Minnesota Multifamily Rental
Housing Application**

*Application Deadline:
Thursday, June 15, 2017
5:00 p.m.*



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Introduction

The Minnesota Housing Finance Agency's (Minnesota Housing) Multifamily Request for Proposals Guide (RFP Guide) is intended to provide background information on the affordable housing resources available for multifamily rental housing development, as well as to provide information on the application, selection and underwriting processes. Minnesota Housing, in conjunction with its funding partners, will select developments and award the most appropriate funding sources. Funding partners include the Metropolitan Council, Minnesota Department of Employment and Economic Development (DEED), Greater Minnesota Housing Funding (GMHF), and Metro Housing and Redevelopment Authority (Metro HRA).

The Family Housing Fund (FHF), Hennepin County, Ramsey County, the city of Minneapolis (CPED), the city of Saint Paul, Minnesota Department of Human Services (DHS), the United States Department of Housing and Urban Development (HUD) and the United States Department of Agriculture (USDA) participate in the review of proposals.

Minnesota Housing offers two methods to apply for multifamily resources: the Consolidated Request for Proposals (Consolidated RFP) and year-round funding. Year-round funding allows applicants to apply for funding at any time, subject to certain restrictions and funding availability. Refer to the year-round funding section of this guide and [Available Financing](#) on the website.

The Housing Tax Credit (HTC) program offers two application rounds per year, with the primary round taking place in conjunction with the Consolidated RFP and the second round having a priority for supplemental tax credits. The HTC Round 2 applications will be due January 2018, with selections concluding in April 2018.

The Consolidated RFP, offered once per year, provides a means of "one stop shopping" by consolidating and coordinating multiple housing resources into one multifamily application process. Applicants do not apply for a specific funding source, but rather the applicant requests funding for a specific housing development and/or activities that meet a specific housing need.

Offering housing resources through the Consolidated RFP accommodates applicants as follows:

- Allows applicants to apply for funding for a housing development and/or activity rather than applying for specific funding sources over a series of application rounds; therefore, shortening and simplifying the application process
- Creates an environment where applicants focus on housing needs and market rather than focusing on specific program availability and requirements
- Allows applicants to apply for multiple funding sources by using one common application
- Eliminates the burden of applicants having to know numerous funding program details

Chapter 1 – Minnesota Housing Overview

1.01 Background

Minnesota Housing was established by the 1971 session of the Minnesota Legislature to finance the construction and rehabilitation of housing for families of low and moderate income. Minnesota Housing generates revenue through the sale of tax exempt and taxable bonds, as well as from state appropriations and federal grants. The funds are generally used for construction loans and mortgage loans to eligible borrowers at below market interest rates.

Minnesota Housing provides programs to assist in adding to and improving the quality of housing for Minnesotans through two housing divisions:

- **Single Family Division:** Administers homeownership and home improvement/rehabilitation programs
- **Multifamily Division:** Administers financing of construction, acquisition and/or rehabilitation of rental housing; operating subsidy and rental assistance

1.02 Vision

All Minnesotans live in a safe, stable home they can afford in a community of their choice.

1.03 Mission Statement

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.

Chapter 2 – Funding Availability and Funding Types

2.01 Funding Sources and Amounts Available

The Consolidated RFP will provide Minnesota Housing and partner funding resources, including deferred funding and \$12.9 million in annual Housing Tax Credits (HTC). Rental assistance will also be offered with up to 27 units of Section 811 Project-based Rental Assistance and up to 30 project-based Section 8 rental assistance vouchers from Metro HRA. Notification of sources and amounts available will be provided following the conclusion of Minnesota’s legislative session on May 22, 2017.

2.02 Multifamily Financing Product Summary

The [Multifamily Financing Product Summary](#) provides basic information on multifamily housing resources available through the Consolidated RFP and the year-round funding process.

2.03 Funding Types

Multifamily funding sources may be provided in the form of deferred loans, grants, amortizing first mortgage loans, HTC, operating subsidies and rental assistance.

Deferred Loans. Generally, deferred loans will bear interest at a rate of 0 percent unless a higher rate is necessary to allow the funding source to be used with other sources, such as HTC. Principal and interest, if any, will generally be due and payable at the end of the loan term, which is typically 30 years; however, Minnesota Housing may, at its sole discretion, require provisions necessitating 20 percent of cash flow in excess of \$50,000 be repaid annually. Loans will be full recourse; however, non-recourse may be considered on a case-by-case basis.

Amortizing First Mortgage Loans. Minnesota Housing amortizing first mortgage loans require monthly payments on principal and interest throughout the term of the loan. Refer to the Low and Moderate Income Rental (LMIR) Program Guide or the applicable U.S. Housing and Urban Development (HUD) Multifamily Accelerated Process (MAP) term sheet for applicable loan fees and detailed program requirements.

Minnesota Housing Bonds. Developments located in Minneapolis, St. Paul, or Dakota County are not eligible to apply to Minnesota Housing for bonding authority. The local jurisdiction must allocate bonding authority for developments located in Minneapolis, St Paul, or Dakota County.

Housing Tax Credits. HTC offer a reduction in tax liability to owners and investors in eligible affordable rental housing units produced as the result of new construction or acquisition with substantial rehabilitation.

Minnesota Housing has been designated by the Minnesota Legislature as the primary allocating agency of HTC in the state of Minnesota. Qualified local cities and counties have also been designated by the Minnesota Legislature as suballocators of the tax credits. Detailed information is available in the state of Minnesota Housing Tax Credit Qualified Allocation Plan (QAP) and the Housing Tax Credit (HTC) Program Procedural Manual.

Section 811. The purpose of the Section 811 Project-based Rental Assistance Program (Section 811 PRA) is to expand the supply of supportive housing that facilitates community integration for people with

significant and long-term disabilities, including the disabilities defined on the 2018 Housing Tax Credit Self-Scoring Worksheet.

The Section 811 PRA provides a project-based rent assistance subsidy that allows tenants to pay 30 percent of their adjusted gross income for rent and utilities. Tenant referrals and service providers are coordinated by the Department of Human Services (DHS). Owners are not responsible for service provision.

Minnesota Housing will enter into a Rental Assistance Contract (RAC) with selected owners for a minimum 20-year term, with funding beyond the first five years subject to federal appropriations.

Applicants may apply for 4-11 units per property. Applicants must have experience administering HUD Rental Assistance. Priority will be given for properties located in cities/counties with the largest number of potentially eligible tenants for the target population. See the [Section 811 PRA map](#) for these locations.

See the [Section 811 PRA Web Page](#) for more information about the Section 811 program requirements.

National Housing Trust Fund (NHTF) Operating Subsidy (OS). Pending Federal Appropriations NHTF OS will be available for a term of up to 15 years for proposals creating new affordable units through new construction or adaptive re-use, and for units serving households with incomes at or below 30 percent of area median income. NHTF OS may only be used for projects that also receive an award of NHTF capital funding. To be eligible, projects must meet HUD site and neighborhood standards. At least 10 percent of the proposed units, and no fewer than seven units, must meet the Permanent Supportive Housing strategic priority serving families with minor children, unaccompanied youth, or single adults who are not eligible or may have difficulty accessing Group Residential Housing (GRH) assistance. Priority will be given to proposals that advance the most units under the Permanent Supportive Housing strategic priority, and for proposals targeting families with children and youth.

NHTF OS can be used to fund the deficit remaining after the monthly rent payment for the NHTF-assisted unit is applied to the NHTF-assisted unit's share of monthly operating costs for maintenance; utilities; insurance; real estate taxes; deposits to replacement reserves; and on a case by case basis, front desk expenses. Other costs associated with supportive services are not eligible.

Requesting NHTF OS triggers federal cross-cutting requirements for the entire project, and applicants are required to comply with all applicable requirements. No choice limiting actions can be taken and all applicable Uniform Relocation Act (URA) notices must be delivered.

2.04 Dual Applications

A Dual Application is an application for financing structured with 9% HTC and a simultaneous application structured with 4% tax credits, or, in certain circumstances, deferred loan funding only. Developments located in Minneapolis, St. Paul or Dakota County are not eligible to apply to Minnesota Housing for bonding authority. The local jurisdiction must allocate bonding authority for developments located in Minneapolis, St Paul or Dakota County.

Why submit a Dual Application?

Minnesota Housing will review the application and score it as a 9% proposal per the respective criteria and priorities as outlined in the QAP and RFP Guide. If Minnesota Housing determines that a 4% structure would be appropriate, Minnesota Housing will work with the developer to adjust the proposal accordingly. Some funding sources do not work with 9% credits, so being able to structure proposals under either scenario allows more resources to be deployed and more developments to be funded in the funding round.

Proposals Requiring Dual Applications

Dual 9% and 4% HTC applications are required for proposals that include Preservation as the Strategic Priority, as defined in the Strategic Priorities section of the Housing Tax Credit Self-scoring Worksheet. They must also meet one of the following size criteria:

- The project has more than 40 units and has \$2.5 million in equity proceeds; or
The project has fewer than 40 units or has less than \$2.5 million in equity proceeds, and the application includes a detailed Letter of Interest from an investor or syndicator documenting that initial underwriting has taken place, that preliminary terms are included and that is signed by both the investor and applicant.
- Where Minnesota Housing will be the tax exempt bond issuer, the project must utilize at least \$2 million in bond proceeds. The \$2 million minimum may include short term bonds to meet the 50% test.

NOTE: Only one Housing Tax Credit Self-scoring Worksheet, reflecting the 9% proposal, should be submitted. Applications chosen with a 4% structure will be held to the commitments made on the 9% Self-scoring Worksheet, except as adjusted by Minnesota Housing. Any modifications to the scoring as a 4% structure will be communicated at the time of selection.

Proposals with the Option of Dual Applications

Dual 9% and 4% Applications are optional for proposals that include Supportive Housing or Greater Minnesota Workforce Housing in the Strategic Priorities as defined in the Strategic Priorities section of the Deferred Loan Priority Checklist, and meet one of the size criteria listed below.

- The project has more than 40 units and has \$2.5 million in equity proceeds; or
- The project has fewer than 40 units or has less than \$2.5 million in equity proceeds, and the application includes a detailed Letter of Interest from an investor or syndicator that documents that initial underwriting has taken place and that includes preliminary terms and is signed by both the investor and applicant.

Where Minnesota Housing will be the tax exempt bond issuer, the project must utilize at least \$2 million in bond proceeds. The \$2 million minimum may include short term bonds to meet the 50 percent test.

NOTE: Only one Housing Tax Credit Self-scoring Worksheet, reflecting the 9% proposal, should be submitted. Applications chosen with a 4% structure or a deferred only structure will be held to the commitments made on the 9% Self-Scoring Worksheet, except as adjusted by Minnesota Housing. Any modifications to the scoring as a 4% structure will be communicated at the time of selection.

Deferred Only/9% Dual Applications are optional for projects that meet the Supportive Housing Strategic Priorities but not the size criteria listed above. These proposals may submit a second application requesting deferred funding only, with no tax credits.

Chapter 3 – Development Eligibility

When determining funding awards, Minnesota Housing will give priority to those proposals that best meet the greatest number of Strategic Priorities and Selection Priorities. The Strategic Priorities describe Minnesota Housing’s main strategic focus and driving policy goals in the current funding round, and they will be of primary importance in the evaluation of applications. The Selection Priorities capture other elements that are beneficial to the project. In addition to meeting these priorities, the proposals must also satisfy the eligible housing types, eligible projects, selection standards and meet at least one Strategic Priority.

3.01 Eligible Housing Types

- Permanent, general occupancy rental housing
- Permanent supportive housing

3.02 Eligible Projects

Projects must contain a minimum of four units. Scattered site developments must be located in the same city or county and also must contain a minimum of four units.

Developments with age restrictions of 55 and older are either not considered a funding priority or may not be eligible under some funding sources.

3.03 Ineligible Projects

Nursing homes, board and care facilities, and supervised living facilities licensed by the state of Minnesota or a delegated local department of health are not eligible for funding, nor are properties where residents require a 24-hour plan for supervision and/or medical/health care.

3.04 Eligible Activities

- New construction
- Acquisition of land or existing structures
- Rehabilitation of housing
- Adaptive reuse/conversion to housing from another use
- Preservation
- Demolition
- Construction financing
- Permanent financing
- Rental Assistance

3.05 Selection Standards

Applicants must satisfy the following funding requirements:

- **Overall Project Feasibility.** The following factors will be considered when determining an applicant’s demonstrated overall project feasibility:
 - The nature of the proposed site
 - Whether the proposed housing is needed in the intended market, based upon population, job growth, and very low housing vacancy rates
 - Whether costs of developing the housing are reasonable
 - Whether the applicant has demonstrated cost containment efforts for all stages and aspects of the development without compromising overall development quality
 - Whether the housing is economically viable
 - For Permanent Supportive Housing, whether the applicant has secured on-going funding for the support services that address the special needs of the proposed targeted population.
- **Organizational Capacity.** The following factors will be considered when determining whether an organization has demonstrated sufficient organizational capacity:
 - The applicant’s purpose and mission
 - The applicant’s related housing experience
 - Whether the applicant has successfully completed similar projects or is partnering with other organizations that have successfully completed similar projects
 - Whether the applicant has strong current and expected ongoing capacity to complete the proposed housing as well as other proposals being developed by the organization
 - Whether the applicant has the capacity to maintain the rental housing long term

3.06 Overview of Strategic Priorities

Proposals must meet at least one Strategic Priority to be eligible for funding from Minnesota Housing, and developments that best meet the most of these criteria will receive priority. Minnesota Housing’s current Strategic Priorities are as follows (Refer to the [Self Scoring Worksheet](#) and [Help Text](#) and/or the [Multifamily Deferred Loan Only Priority Checklist](#) and [Help Text](#) for detailed definitions of the Strategic Priorities)

Address Specific and Critical Local Housing Needs. To meet the Strategic Priority that focuses on specific and critical local housing needs, applications that supply housing that addresses a documented rental housing need, substantiated by compelling data and market analyses, will be prioritized.

This Strategic Priority can be met by the development focusing on at least one of the following:

- **Access to Fixed Transit:** Proposals within one half mile of a existing light rail transit, bus rapid transit , or commuter rail station
- **Greater Minnesota Workforce Housing:** Greater Minnesota projects that support community efforts to provide workforce housing
- **Economic Integration:** Projects located in higher income communities outside of rural/tribal areas

- Tribal: Projects sponsored by tribal governments, tribally designated housing entities or tribal corporate entities
- Planned Community Development: Proposals that support local development efforts

Preserve Housing with Federal Project-Based Rent Assistance. To address the Strategic Priority of addressing preservation of developments that contain existing federal assistance or other critical affordable units at risk of loss will be prioritized.

This Strategic Priority is met by the development meeting one of the following Risk of Loss Thresholds:

- Risk of Loss Due to Market Conversion
- Risk of Loss Due to Critical Physical Needs
- Risk of Loss Due to Ownership Capacity

Additionally, projects must be located in a Preservation Geographic Priority Area.

For projects meeting one of the above Risk of Loss Thresholds, a development also needs to qualify as:

- Existing Federal Assistance
- Critical Affordable Units at Risk of Loss

For more information on this Strategic Priority, visit the [Preservation page](#) of Minnesota Housing's website.

Finance Housing Responsive to Minnesota's Changing Demographics. Developments that are responsive to changing and unmet needs in Minnesota's population will be prioritized.

This Strategic Priority is met by developments that serve people with disabilities or households experiencing homelessness. More detailed information for proposals incorporating supportive housing is available on [Minnesota Housing's website](#).

3.07 Selection Priorities

Among proposals that best satisfy the Strategic Priorities, Minnesota Housing will also give priority in awarding funding to those proposals that best meet the greatest number of the following Selection Priorities.

Refer to the Self Scoring Worksheet and the Multifamily Deferred Loan Only Priority Checklist and Help Text for more detailed definitions of each Selection Priority.

Household Targeting. Developments that provide housing for large families or that provide single room occupancy.

Permanent Supportive Housing for Households Experiencing Homelessness. Developments that provide permanent housing opportunities for households experiencing long-term homelessness targeted to single adults, or developments that set-aside units for households experiencing long-term

homelessness, at significant risk of long-term homelessness, or as prioritized for permanent supportive housing by the Coordinated Entry System, targeted to families with children or youth.

Consistency with [Local Continuum of Care Priorities](#). Proposals that address locally determined priorities as determined by each Continuum of Care.

People with Disabilities. Developments that provide permanent housing opportunities for persons with disabilities.

Rental Assistance for Supportive Housing Units. Developments that have secured rental assistance for supportive housing units or units serving households with disabilities.

Serves Lowest Income Tenants/Affordable to the Local Workforce. Developments that commit to providing rent levels affordable to the lowest income households or in projects meeting the Greater Minnesota Workforce Strategic Priority, affordable to the local workforce, for the term of the loan(s) awarded by Minnesota Housing.

Rental Assistance. Developments that provide fully executed commitments for project-based rental assistance at the time of application.

Economic Integration. Developments that provide housing for households with a wide range of incomes and housing needs in mixed-income projects or within higher income communities.

Access to Higher Performing Schools. Projects serving families in locations that will provide access to higher performing schools.

Workforce Housing. Developments located within five miles of a Metro area workforce housing city or township, or within 10 miles of a Greater Minnesota workforce housing city or township.

Location Efficiency. Developments that promote location efficiency based on access to transportation and walkability.

Rural/Tribal. Developments located in a census tract eligible rural/tribal designated area.

Federal, Local, Philanthropic, Employer Contributions. Developments that have secured contributions from the federal government, a local unit of government, an area employer and/or private philanthropic, religious or charitable organization.

QCT/Community Revitalization and Tribal Equivalent Areas. Developments that are located in a Qualified Census Tract and are part of a plan that provides for community revitalization.

Minority Owned/Women Owned Business Enterprise. Developments that have a project sponsor, general contractor, architect, or management agent who is a minority and/or a woman who owns at least 51 percent And whose management and daily business operations are controlled by one or more minority persons or woman who own it.

Preservation. Developments that meet one of the three Risk of Loss Thresholds in the Strategic Priority category that also meet either the Existing Federal Assistance or Critical Affordable Units at Risk of Loss criteria.

Financial Readiness to Proceed. Developments that have secured funding commitments for one or more permanent funding sources at the time of application

Greater Minnesota Workforce Housing – Meaningful Employer Contribution. Developments that meet the Greater Minnesota Workforce Housing Strategic Priority and have received a meaningful contribution from an area employer.

High Speed Internet. Developments that will provide High Speed Internet access via installation of all appropriate infrastructure and connections for cable, DSL or wireless internet service to every unit in the development.

Universal Design. Developments that are designed to meet the needs of all households to the greatest extent possible, regardless of age, ability, or status in life.

Smoke Free Buildings. Developments that will institute and maintain a written policy prohibiting smoking in all units and common areas.

Chapter 4 – Funding Partner Programs

Metropolitan Council – Local Housing Incentives Account (LHIA). LHIA grants fund the expansion and preservation of affordable housing to assist communities participating in the Metropolitan Local Housing Incentives Program. The Metropolitan Council will give priority to:

- Rental proposals creating or preserving affordability for persons at or below 30 percent of AMI;
- Proposals that serve large families by providing two or more bedroom units; and
- Proposals serving households experiencing long-term homelessness.

NOTE: Metropolitan Council funding will only be awarded to eligible cities, counties or housing redevelopment authorities. Project work may only be conducted in communities participating in the Livable Communities Local Housing Incentives Program. Applicants must provide an [Acknowledgement of Receptivity form](#) from the local government unit and agree to match grant funding on a dollar-for-dollar basis.

No applicant for a Metropolitan Council LHIA grant will be eligible if the project for which the grant is requested requires the exercise of eminent domain authority over private property for purposes of economic development.

Greater Minnesota Housing Fund (GMHF). GMHF gives preference to projects in the 80-counties of Greater Minnesota that:

- Preserves at-risk, federally-assisted housing with priority given to projects with deep tenant subsidies (project-based rental assistance) and in markets where there is a strong demand for affordable housing
- Serves long-term homeless families and individuals
- Provides new housing opportunities for low-income families in strong markets

Department of Employment and Economic Development (DEED). The Small Cities Development Program (SCDP) is funded by the U.S. Department of Housing and Urban Development, Community Development Block Grant program, which is administered by the state of Minnesota’s Department of Employment and Economic Development (DEED). The program provides financial assistance to communities that address critical housing, economic development, and public facilities’ needs.

Metro Housing and Redevelopment Authority (Metro HRA). The Metro HRA has available approximately 30 units of federal rent subsidy under its Section 8 Project-based Voucher Rental Assistance (PBV) Program. The PBV program is a HUD Section 8 housing subsidy program that ties rental assistance directly to a specific unit or project. Eligible families receive rental assistance by agreeing to live in existing, newly constructed or rehabilitated units and continue to receive assistance as long as they reside in the specific project-based dwelling unit. The Metro HRA administers the PBV program within Anoka, Ramsey, Hennepin and Carver counties, excluding the cities of St. Paul, Minneapolis, St. Louis Park, Plymouth, Richfield and Bloomington.

Chapter 5 – Multifamily Underwriting Standards

5.01 Minnesota Housing Multifamily Underwriting Standards

Refer to the [Minnesota Housing Multifamily Underwriting Standards](#) document to find Minnesota Housing’s underwriting standards.

5.02 Rent and Income Limits

Minnesota Housing will require income and rent limits consistent with those specified in the owner’s application, provided that they are not higher than applicable program statutory income and rent limits.

5.03 Relocation Policy

Minnesota Housing prohibits involuntary displacement of residents from developments receiving Minnesota Housing funding. However, if a development receives HOME or NHTF funds, the owner must take all reasonable steps to minimize displacement. If displacement is necessary, as approved by Minnesota Housing, the owner must comply with the Uniform Relocation Act (URA) and any other applicable federal laws regarding displacement.

All existing developments must submit a relocation plan that addresses both temporary relocation and permanent voluntary displacement. See Application Checklist Help Text for plan requirements. The owner, owner’s architect and/or contractors must thoroughly review applications to assess the potential for displacement.

5.04 Appraisal Requirements for Application

A Minnesota Housing ordered appraisal is required to support the acquisition price and will be used by Minnesota Housing and its funding partners to size funding awards. Appraisals completed for other lenders or ordered by the applicant will not be accepted.

Minnesota Housing will underwrite the acquisition cost based on the lesser of the option/purchase agreement purchase price or the appraised value of the property. The appropriate value will be based on the type of proposal:

- **Land-only (for new construction):** Fee simple, market value of the land. The appraisal will consider the real property's zoning as of the effective date of the appraiser's opinion of value. If the real property consists of more than one parcel, the parcels will be combined in one appraisal with one value conclusion.
- **Acquisition/Rehab:** Fee simple, in “as-is” condition:
 - Assuming market rate rents (value will be adjusted to reflect the remaining term of existing rental assistance contracts, if applicable)
 - Assuming existing restricted rate rents
- **Adaptive Re-Use:** Fee simple market value of the property to be adapted for an alternate use. The valuation will assume the highest and best use permitted by law and economically feasible in the current market.

Other considerations:

- For a related- or affiliated-party transaction that occurs within three years of a previous arms-length third-party transaction, Minnesota Housing’s underwritten acquisition cost will be based upon the lesser of the previous third-party transaction’s purchase price, with no adjustment for appreciation or depreciation, or the appraised value of the property following selection for funding.
- For a development acquired as part of a portfolio acquisition, Minnesota Housing will use the Certificate of Real Estate Value to establish the initial purchase price.
- For a development acquired as part of a land and/or building subdivision, Minnesota Housing will use a reasonable allocation from the Certificate of Real Estate Value to establish the initial purchase price.

The following types of proposals are exempt from the appraisal requirement at the time of selection; however, Minnesota Housing in its sole discretion, reserves the right to secure an appraisal at the borrower’s expense at a later date:

- Acquisition price under \$100,000
- Land only where there is no identity of interest*
- Single family homes (1-4 family) that are aggregated under one loan (Minnesota Housing will use the assessed value unless the borrower requests an appraisal for determining “acquisition cost” as defined in Minnesota Housing’s Underwriting Standards.)
- Property on tribal lands

*Identity of interest is used broadly to include non-arm’s length transactions, related party transactions.

All costs incurred for the appraisal, including any revisions, will be the responsibility of the applicant. The appraisal will be valid for one year from the effective date of the report.

5.05 Appraisal Fee

Appraisal fees are required at the time of Intent to Apply, unless your development is exempt (as described above). **Failure to include applicable fees with the Intent to Apply may result in application rejection.**

The appraisal fee is a non-refundable fee, even for developments not selected for funding. Scattered site developments may require additional fees if the buildings cover a large geographical area.

- Appraisal Fee – Land only: \$4,000
- Appraisal Fee – Existing buildings and adaptive re-use: \$6,000

5.06 Management and Operating Expenses

Applicants should submit the management and operating (M&O) budget based on the anticipated stabilized operating expenses occurring after the development is placed in service or upon full occupancy. For operating properties, the historic M&O expenses will be used, with appropriate

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adjustments for projected economies attributable to the proposed rehabilitation and for changes associated with new program requirements.

M&O expenses (net of real estate taxes and reserves) will be evaluated and analyzed in relationship to comparable properties in Minnesota Housing’s portfolio, the expense comparable in the appraisal and other information deemed relevant and appropriate.

M&O expenses are calculated on a per room basis. The rental rooms per unit are calculated as follows:

Unit Type	Rental Rooms Per Unit
Bed/Shelter	2.0
EFF/SRO	2.5
1BR	3.5
2BR	4.5
3BR	6.0
4BR	7.0
5BR	8.5

The proposed Management and Operating (M&O) expenses should be based on the developer/management company's current portfolio and supported by:

- Actual audited operating data provided by the developer/management company for similar developments
- Circumstances and/or significant changes to the economics of the development's current marketplace, such as increased utility costs and property insurance
- Operating trends of the developer or management company

Clear and detailed information to support proposed M&O expenses must be included, as described below:

- For new construction: Complete the New Construction Comparable Property form for each comparable property that aligns with the proposed development. Also include a copy of the year-end audit, which must match the financial information on the New Construction Comparable Property form.
- For existing properties: Provide copies of audited financial operating expense statements for the previous three stabilized years to support the proposed M&O expenses.

NOTE: If either the New Construction Comparable Property form or the supporting audit is missing from the submission, the documents will not be accepted.

In sizing its funding awards, Minnesota Housing reserves the right to adjust the proposed M&O expense numbers based upon the information supplied, specified development type, circumstances and/or significant changes to the economics of the development’s current marketplace. Minnesota Housing will also use its M&O database to compare projected M&O expenses with audit data from comparable property types.

5.07 Multifamily Design Standards

Minnesota Housing is committed to constructing or rehabilitating multifamily housing to a standard that when properly maintained, remains decent, safe, and affordable for the duration of the financing compliance period.

Formal applications are subject to an architectural concept review that is conducted by the Minnesota Housing staff architect assigned to the development. In evaluating various design/construction alternatives available to a particular development, Minnesota Housing seeks to find solutions that create the most lasting value with the lowest life-cycle costs while maintaining a reasonable initial cost. Design concept changes may be required as a condition of selection for processing.

Minnesota Housing has established minimum design standards that are applicable to the construction/rehabilitation project being proposed. These standards are more restrictive than applicable building codes. The type of housing and funding program often dictates which standards apply. Refer to the Minnesota Housing [Building Standards](#) web page for the Rental Housing Design/Construction Standards and other design information.

If you are claiming Universal Design, refer to the design requirements in the Multifamily in the Self Scoring Worksheet or the Deferred Loan Only Priority Checklist associated with Universal Design.

Chapter 6 - Application Instructions

6.01 Applicant Responsibilities

It is the applicant's responsibility to be aware of all requirements needed to submit a complete application based on the specific housing proposal and activity type.

A complete application consists of the Intent to Apply, Development Team Qualification Forms, the Application Package, and required Application Fees. The Consolidated RFP process is highly competitive in nature; a typical funding round will result in requests equal to four to five times the amount of funding that is available; therefore, incomplete applications will not be processed and resubmission will not be allowed during the current Consolidated RFP round.

Applicants must use the most current version of application forms from the Portal or from Minnesota Housing's website for each funding round.

6.02 Multifamily Customer Portal

Beginning with the 2017 Consolidated RFP and 2018 Housing Tax Credit Round 1, applicants will apply for funding through an online Portal. The Portal will allow applicants to log in, custom build an application checklist based on the type of proposal they will submit and upload all application materials. A [training webinar](#) will be offered to explain how to navigate the Portal and build and submit an application.

To apply through the Portal, the applicant needs to request a user account. To request an account, please complete our [online form](#). The Multifamily Common Application tab on Minnesota Housing's website will also have a link to the online form needed to set up a Portal account.

6.03 Intent to Apply

The Intent to Apply form is used to provide information and fees necessary to process the application.

The sponsor financials, as outlined in the Qualification of Sponsor form, must be submitted through the Minnesota Housing secure upload link, not through the Multifamily Customer Portal. Instructions and a link to the secure upload page are on the Minnesota Housing Multifamily Common Application page.

The Intent to Apply, along with all required supporting documentation, must be uploaded to the [Multifamily Customer Portal](#). In addition, a hard copy of the Fee Remittance form (without supporting documentation), along with the appraisal fees and if applicable, application fee(s), must be delivered or mailed to:

Minnesota Housing
400 Wabasha Street North, Suite 400
St. Paul, MN 55102
Attention: Tamara Wilson

Applicants who plan to submit an application through the Consolidated RFP must follow the directions outlined above and submit the Intent to Apply form, all required supporting documentation, the applicable application fee and the appraisal fee no later than 5:00 p.m. CDT, Thursday, June 1, 2017.

Applicants applying on a year-round funding basis must also submit Intent to Apply in advance of submitting an application.

6.04 Application Fees

Minnesota Housing requires an application fee to cover as-is appraisal costs. If applying for Housing Tax Credits or a Minnesota Housing amortizing first mortgage, additional application fees are required at Intent to Apply. Application fees are non-refundable. Refer to the Fee Remittance form.

6.05 Development Team Qualification Forms

[Development Team Qualification forms](#) can be submitted either prior to or at the time of application submission and must be emailed to mhfa.app@state.mn.us no later than 5:00 p.m. CST Thursday, June 15, 2017.

6.06 Application Deadline

The application must be uploaded to Minnesota Housing’s Multifamily Customer Portal no later than 5:00 p.m. CST Thursday, June 15, 2017; applicants may not upload or revise submission items after 5:00 p.m. Hard copies will not be accepted as an application for funding.

6.07 Application Reference Materials

Minnesota Housing provides an [Application Resources](#) page containing links to various materials that may be utilized in completing the Application Package.

Chapter 7 – Year-Round Funding

The information contained in Chapters 4 and 5 is also applicable to year-round funding applications.

7.01 Year-Round Funding Application Guidelines

Applications submitted for the following funding sources may be accepted anytime throughout the year, subject to funding availability and program eligibility:

- Amortizing mortgages, including loans under the Low and Moderate Income Rental (LMIR) program and FHA/HUD loans under the MAP programs
- Flexible Financing for Capital Costs (FFCC) (deferred loan funding available ONLY in conjunction with the LMIR program)
- Preservation Affordable Rental Investment Fund (PARIF)
- HOME Investment Partnerships program (HOME)
- Housing Infrastructure Bond proceeds (HIB)

Additional processing criteria for the following funding sources:

- Preservation Affordable Rental Investment Fund (PARIF)
- HOME Investment Partnerships program (HOME)

Specifically, to be eligible for PARIF and HOME funding outside of the Consolidated RFP, the request **must be the final source needed to complete the financing package**. Proposals must face one of the following risks, which preclude applying through the Consolidated RFP:

- The proposal has existing funding commitments that cannot be extended and will be otherwise lost.
- The current owner delivered an opt-out notice, and the federal subsidy would be lost without an incentive or transfer.
- The proposal is for immediate, emergency repairs threatening the health and safety of existing tenants.
- The proposal documents a unique housing opportunity that would be lost and that advances Minnesota Housing Strategic Priorities as outlined in this guide.

In addition to the application submission requirements found on the Application Checklist, year-round funding application packages must include a letter stating how the proposal meets the processing criteria and describe the reason why the proposal must be processed prior to the next Consolidated RFP funding round. Additionally, if the application is being resubmitted because it was not selected for funding previously, then the applicant should detail how identified deficiencies have been addressed in the current application.

7.02 Non-Competitive Housing Tax Credits Application

Application packages that request the following funding sources may be accepted at any time, subject to funding availability, program eligibility and the criteria specified below:

NOTE: 2017 HTC 42M applications should be submitted via Box.com. 2018 HTC 42M applications should be submitted via the Multifamily Customer Portal (Portal).

Housing Tax Credits in Conjunction with Minnesota Housing Issued Tax-Exempt Bonds (Non-Competitive Tax-Exempt Bond Allocation Pool). Developers may apply directly to Minnesota Housing for an allocation of tax credits when submitting an application for Minnesota Housing issued tax-exempt bonds. Refer to the Tax-Exempt Bonds Informational Guide for additional information. In addition to providing a complete application, proposals must meet the following criteria:

- Be consistent with Minnesota Housing’s Housing Tax Credit Qualified Allocation Plan and the Housing Tax Credit Program Procedural Manual eligibility and Multifamily Underwriting Standards.
- Meet the minimum scoring threshold on the Housing Tax Credit Self Scoring Worksheet for the proposed development.

Housing Tax Credits in Conjunction with Locally (e.g., Non Minnesota Housing-issued) Tax-Exempt Bonds (Noncompetitive Tax-Exempt Bond Allocation Pool). Prior to the issuance of the tax-exempt bonds, developers with proposals for developments located outside the jurisdiction of a local suballocator, may apply directly to Minnesota Housing for an allocation of tax credits. In addition to providing a complete Application Package, proposals must meet the following criteria in order to apply:

- Provide evidence of the tax credit determination and financial feasibility letter 42(m)(2)(D) prepared by the bond issuer.
- Provide evidence of a state allocation of Tax-Exempt Bond volume cap.
- Be consistent with Minnesota Housing’s Housing Tax Credit Qualified Allocation Plan and Housing Tax Credit Program Procedural Manual eligibility and Multifamily Underwriting Standards.
- Meet the minimum scoring threshold on the Housing Tax Credit Self-scoring Worksheet for the proposed development.

Chapter 8 – After Selection

8.01 Board Commitment Term

Minnesota Housing commitment terms begin upon board approval date, as listed below:

- Deferred Loan – 20 months
- LMIR – For LMIR loans, board approval is a two-step process. The initial board action provides approval for selection only to allow Minnesota Housing to further its review and due diligence process. The selection is valid for 12 months. After completion of underwriting, board commitment approval will be sought to enter into a loan commitment, which is valid for six months.
- HOME – The applicant must enter into a legally binding written agreement which indicates construction can reasonably be expected to start within 12 months of the HOME written agreement date.

If a development does not enter into a loan commitment or end loan commitment within the imposed term, Minnesota Housing reserves the right to recapture funds and/or return to the board for a commitment extension.

Applications will be subject to the Minnesota Housing’s Mortgage Credit Committee for final feasibility and capacity review preceding commitment. The Mortgage Credit Committee is an internal, decision-making committee.

8.02 Selection Conditions

All selected proposals will be subject to funding priorities and conditions of selection through legal restriction for the term of the loan.

8.03 Project Launch

The purpose of the project launch meeting is to review the details of the proposal and specific requirements of the funding source(s). At this meeting, the sponsor will be provided with a list of required due diligence items. Submittal of additional due diligence items; including construction documents that explicitly and thoroughly define the scale, scope, and quality of the proposed construction or rehabilitation; additional information regarding the capacity and financial strength of the proposed ownership entity, sponsor and development team; and information regarding all proposed funding sources will be required.

8.04 Selection to Loan Closing

Processing of multifamily loans is generally completed within 6 to eleven months from the date of selection to the date of loan closing. Attainment of this goal requires close cooperation by all parties and assumes prompt and complete submission of all necessary documents. Delays in submission or revision of any items will result in delays in reaching loan closing.

Mortgage Credit Committee Approval. All Minnesota Housing funding proposals must obtain approval from Minnesota Housing’s internal Mortgage Credit Committee prior to issuance of a Term Letter. The Mortgage Credit Committee review will include a thorough analysis of all aspects of the proposal

including the mortgagor's or financially responsible party) financial capacity, rent structure and operating budget, development budget and appropriateness and sufficiency of all funding sources. Minnesota Housing loans will be reviewed for prudent use of governmental resources, including proper structuring and risk-mitigation.

Issuing Term Letters and Loan Commitments. Minnesota Housing will issue a Term Letter for each proposal approved by the Mortgage Credit Committee. The Term Letter establishes an earlier written communication with developers with respect to their development's approved financing and closing terms and conditions.

A loan commitment will be issued and executed, in addition to the Term Letter, for proposals approved for end loan financing and for bond financed construction loans only. Minnesota Housing is no longer issuing loan commitments for proposals approved for non-bond financed construction loans.

Commitment to Loan Closing. Required legal documentation is submitted to Minnesota Housing for review and approval prior to a loan closing date being established.

Loans for permanent rental housing may allow for closing in a standard construction loan format. In this instance, Minnesota Housing architectural staff will perform periodic site inspections for the purposes of ensuring the work is proceeding in accordance with approved plans, specifications or rehabilitation construction contracts; and to review, approve and process contractor's pay requests. Generally, no more than one construction progress payment will be made per month. Construction progress payments are made through a title company. Construction costs, including contractor's overhead and profit, are funded on a basis of percentage complete, less a retainage that will typically be 10 percent.

For deferred loans, Minnesota Housing may or may not be the entity performing inspection draws. This will be determined on a case-by-case basis and will depend upon the expertise/capacity of the first mortgage lender or other capable lenders involved in financing the development.

Loans may also be closed in an end loan format with closing of the loan and disbursement of funds occurring after the completion of all of the construction or rehabilitation work. Construction oversight will typically consist of one final inspection by Minnesota Housing staff after work completion to ensure that Minnesota Housing's investment is reasonable and prudent prior to closing and disbursing funds.

8.05 Compliance and Asset Management

Monitoring/Reporting. Requirements for reporting tenant and budget information and for long term monitoring of the development will vary based upon the source and level of funding. Minnesota Housing will not monitor developments that do not have Minnesota Housing tax credits or funding. Minnesota Housing may monitor a development serving long-term homeless (LTH) households or other supportive housing type properties at the discretion of Minnesota Housing. In some instances there may be layers of income and/or rent restrictions due to multiple sources of funding (e.g., federal funds, state appropriations). Some developments, depending upon the source of funding, may be limited to a 15 percent return on actual developer equity.

Owners must certify annually that the development has complied with the rent and income guidelines required by the funding source(s), supply occupancy information for all units in the property to support the certification, and in some cases supply annual operating data. Owners will be asked to provide

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additional demographic data for Minnesota Housing research, although this information cannot be required as a condition of occupancy. Compliance reporting requirements can be found in Chapter 1 of the [Property Online Reporting Tool \(PORT\) User Manual](#). For developments requiring first mortgage oversight (submission of budget, monthly operating reports, audits) the required process can be found [on our website](#).

Chapter 9 – Compliance and Fair Housing

9.01 Contract Compliance and Equal Opportunity

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.

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.

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.

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.

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.

9.02 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.

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.

Appendix – Acronyms and Abbreviations

AIA	American Institute of Architects
ACC	Annual Contributions Contract
AFHMP	Affirmative Fair Housing Marketing Plan
AHIF	Affordable Housing Incentive Fund, (Hennepin County)
ARIF	Affordable Rental Investment Program
AHP	Affordable Housing Plan
AMI	Area Median Income
ARM	Apartment Renovation Mortgage
CDA	Community Development Agency
CDBG	Community Development Block Grant
CHDO	Community Housing Development Organization
CIP	Conservation Improvement Program (funded by local utility companies and cooperatives with matching funds available from GMHF and FHF)
CMIF	Central Minnesota Initiative Fund
CPED	Community Planning and Economic Development (Minneapolis)
DD	Developmentally Disabled
DEED	Department of Employment and Economic Development
DHS	Department of Human Services (Minnesota)
DHS-AMHD	Department of Human Services – Adult Mental Health Division
DHS-HTF	Department of Human Services-Housing Trust Fund (Operating Subsidy)
Economic Vacancy	Percent of loss in income
EDHC	Economic Development and Housing Challenge Program
ELHIF	Ending Long-Term Homelessness Initiative Fund
ELHIF-OS	Ending Long-Term Homelessness Initiative Fund-Operating Subsidy
ELHIF-RA	Ending Long-Term Homelessness Initiative Fund – Rental Assistance
EMHI	Emerging Markets and Homeownership Initiative
ERF	Environmental Response Fund
ESG	Emergency Shelter Grant (Federal)
FA	Financing Adjustment
FAF	Financing Adjustment Factor
FFCC	Flexible Financing for Capital Costs
FHF	Family Housing Fund (non-profit)
FHF-MN Green	Family Housing Fund – Grant Program to build Greener MN Housing
FHLB	Federal Home Loan Bank
FHLB-AHP	Federal Home Loan Bank-Affordable Housing Program
GMHF	Greater Minnesota Housing Fund (non-profit)
GMHF-MN Green	Greater MN Housing Fund – a Grant Program to build Greener Housing
HAP	Housing Assistance Payments
HFA	Housing Finance Agency
HIB	Housing Infrastructure Bond Program
HMIS	Homeless Management Information System
HOPWA	Housing Opportunities for Persons with AIDS
HRA	Housing Redevelopment Authority
HSASMI	Housing with Supports for Adults with Serious Mental Illness

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HTC	Housing Tax Credits
HTF	Housing Trust Fund
HTF-LTH	Housing Trust Fund, Long-Term Homelessness Program
HTFTBA	Housing Trust Fund Tenant Based Rental Assistance Program
HTFSBA	Housing Trust Fund Sponsor Based Rental Assistance Program
HTFUC	Housing Trust Fund Unique Costs
HUD	United States Department of Housing and Urban Development
HUD SHP	HUD Supportive Housing Program
IIH	Innovative and Inclusionary Housing Program
Impact Fund	Community Homeownership Impact Fund (fka CRV)
IRC	Internal Revenue Code
IRS	Internal Revenue Service
LCA	Livable Communities Act
LCDA	Livable Communities Demonstration Account (Met Council)
LHIA	Local Housing Incentives Account (Met Council)
LLC	Limited Liability Corporation
LMIR	Low and Moderate Income Rental Program
LMIR/Pres	LMIR Preservation
LTH	Long-Term Homelessness
MAP	HUD Multifamily Accelerated Processing Program
MARIF	Minnesota Families Affordable Rental Investment Fund Program
MHFA	Minnesota Housing Finance Agency (Minnesota Housing)
MHIG	Metropolitan Housing Investment Guidelines
MIP	Mortgage Insurance Premium
MHOP	Metropolitan Housing Opportunities Program aka Hollman (Minneapolis PHA)
MN Green	Minnesota Green Communities (funded by FHF and GMHF)
NAHASDA	Native American Housing Assistance and Self Determination Act
NCTC	New Construction Tax Credit
NEMIF	Northeast Minnesota Initiative Fund
New Affordable	New affordable units having income restrictions
NWMIF	Northwest Minnesota Initiative Fund
ODE	Operating Deficit Escrow
OS	Operating Subsidy
PAH	Partnership for Affordable Housing
PARIF	Preservation Affordable Rental Investment Fund
PBV	Project Based Vouchers
PHA	Public Housing Authority
Physical Vacancy	Number of Vacant Units
POHP	Publicly Owned Housing Program
POHPT	Publicly Owned Housing Program-Transitional
PONLT	Publicly Owned Neighborhood Land Trust Program
POPR	Publicly Owned Permanent Rental Housing Program
POTH	Publicly Owned Transitional Housing
Pres	Preservation
PUD	Planned Unit Development
QAP	Qualified Allocation Plan

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RA	Rental Assistance
RD	Rural Development
REO	Real Estate Owned
RFP	Request for Proposals
RHAGs	Regional Housing Advisory Groups
SCDP	Small Cities Development Program
SEMIF	Southeast Minnesota Initiative Fund
SH	Supportive Housing
SMI	Statewide Median Income
SN	Special Needs Housing Program
SRO	Single Room Occupancy
SWMIF	Southwest Minnesota Initiative Fund
TDC	Total Development Cost
TIF	Tax Increment Financing
TL	Transitional Housing Program
TRACS	Tenant Rental Assistance Certification System
USDA	United States Department of Agriculture
WCMIF	West Central Minnesota Initiative Fund