



Post-selection Guide

February 2023

MINNESOTA HOUSING – POST-SELECTION GUIDE



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Chapter 1 – Underwriting

1.01 What to Expect

Proposals that include any type of loan from Minnesota Housing will be assigned an underwriting team that includes a loan processor and an underwriter. The underwriter is responsible for evaluating the feasibility of the proposed project and getting final Minnesota Housing Mortgage Credit Committee (a Minnesota Housing internal, decision-making committee) and board approval, if applicable. The review process includes helping ensure compliance with Minnesota statutes, rules, and program requirements, as well as Minnesota Housing’s Multifamily Underwriting Standards. The Multifamily Underwriting Standards reflect Minnesota Housing’s general approach to underwriting, but they are not meant to be comprehensive or address every possible situation.

The loan processor is responsible for coordinating the submission, review, and approval of all due diligence items prior to the hand-off to the closing team. The loan processor will be your main contact for submitting documents outlined on the pre- and post-construction Portal checklists.

The processing time from funding award to loan commitment and/or closing depends on the project’s source of funds and the responsiveness of the external development team in submitting all required due diligence in an acceptable form. Generally, the final Workbook and due diligence package should be complete at least 90 to 120 days prior to the desired closing date to allow sufficient time for processing. Consult the Low- and Moderate-Income Rental (LMIR) First Mortgage with HUD Risk-Sharing, Tax-exempt Bonds and Housing Infrastructure Bonds (HIB) loan sections for additional steps and source-specific timing considerations. *This timeline is subject to change based on staffing and workloads. Extra time should always be factored in for developments looking to close by year-end.*

1.02 Next Steps

Next Steps	Person(s) Responsible	Timeframe –
1. Regular check-ins with development team and funding partners to monitor status toward closing	Underwriter and Loan Processor	Ongoing
2. Coordinate Minnesota Housing processing needed to complete the due diligence package (e.g., environmental review, architect reviews, ordering appraisals, as applicable)	Underwriter and Loan Processor	Ongoing
3. Submit final Workbook and complete due diligence package via the Portal, including supportive housing and closing due diligence	Borrower	Minimum 30 days prior to Mortgage

Next Steps	Person(s) Responsible	Timeframe –
		Credit Committee approval
4. Submit current financial information for sponsor/guarantor credit review	Borrower	Minimum 30 days prior to Mortgage Credit Committee approval
5. Approve final Workbook and due diligence items; draft Mortgage Credit Committee and board reports (if applicable)	Underwriter and Loan Processor	Following receipt of complete due diligence and sponsor/guarantor packages
6. Mortgage Credit Committee final loan approval	Underwriter	Minimum 60-90 days prior to close
7. Turn file over to Closing	Loan Processor	Following approval by Mortgage Credit Committee and initial approval of closing due diligence. Minimum 60-90 days prior to closing.
8. Board approval, if required	Underwriter	Prior to closing
9. Closing		

1.03 Reference Materials, Forms and Documents

The following links reference documents that offer further information.

- Portal checklist for due diligence items, including help text
 - [Customer Portal Resources](#)
- [Multifamily Underwriting Standards](#)
- [Due diligence reference materials, forms and guides](#) – Contains links to templates and guidance on other due diligence documentation.

Chapter 2 – LMIR First Mortgage with HUD Risk-Sharing Insurance

2.01 What to Expect

The purpose of the Low- and Moderate-Income Rental (LMIR) Program is to provide first mortgage amortizing debt for multifamily rental housing with rents affordable to low- and moderate-income households. It is important that developers, owners and other funders understand the terms and requirements that help ensure a smooth underwriting and closing process, as well as help ensure the development is well-suited for long-term compliance under the LMIR Program.

- LMIR loans are generally 30, 35, or 40-year fully-amortizing, fixed-rate.
- The interest rate as selected is contingent on specific hurdles being met (refer to the Selection Letter for hurdles).
- LMIR mortgages must always be in a first lien position.
- LMIR loans can be structured as a construction-to-permanent loan or as an end loan.
- If structured as an end loan (e.g. take-out loan), the borrower and Minnesota Housing will execute an end loan commitment at the initial closing of construction financing. The term of the commitment will generally be 18 months. Note that the interest rate of the permanent LMIR loan is subject to revision based on the hurdles set out in the Selection Letter. Longer term commitments will generally have higher interest rates.
- Rent and income limits will apply for the length of the loan.
- Minnesota Housing's required escrows and reserves may be held by Minnesota Housing.
- An Operating Deficit Escrow (ODE) is required until the project has stabilized. The ODE is not included in the total development costs and must not be derived from the proceeds of any development sources.
- Return on equity is limited to 15%.
- The LMIR loan is nonrecourse when provided to a single-asset entity and paired with housing tax credits (HTCs). A sponsor will be required to guarantee all monetary obligations until the property is stabilized. After stabilization, the individuals and/or organizations must guarantee all monetary obligations except principal and interest for the life of the loan.
- LMIR loans include a prepayment lockout of ten years.

Generally, LMIR loans will include HUD Risk-Sharing mortgage insurance. A mortgage insurance premium (MIP) of 0.125% will be charged in addition to Minnesota Housing's interest rate on the loan. In addition, 0.125% of the loan amount will be included in the development cost budget to pay for the first year of insurance. The MIP will be higher if a higher level of insurance is required.

NOTE: Under HUD Risk-share, no work may be done on the project site until after Minnesota Housing has performed a National Environmental Policy Act (NEPA) Part 58 Environmental Review. General day-to-day maintenance can be performed, but no acquisition or site work may occur prior to environmental clearance.

The Flexible Financing for Capital Costs (FFCC) loan works in tandem with LMIR loans and Housing Infrastructure Bond (HIB) loans. FFCC loans are typically structured as deferred loans at low or no interest and used:

- As a mechanism to reduce the overall interest rate to the development when structured in conjunction with a LMIR loan; or,
- To fund costs not otherwise funded with HIB proceeds when structured in conjunction with an HIB loan.

In either situation, the development will be subject to the rent, income, and occupancy restrictions imposed under the accompanying LMIR or HIB loan. The FFCC loan will be co-terminus with the accompanying LMIR or HIB loan and will be due and payable upon maturity, prepayment, or forgiveness of the LMIR or HIB loan.

2.02 Next Steps

Next Steps	Person(s) Responsible	Timeframe
1. Submit documents required for completion of NEPA Part 58 environmental clearance (including Phase II, RAP, etc., as needed)	Borrower	As soon as possible after launch meeting
2. Receive HUD Release of Funds	Risk-sharing Program Manager or Processor/HUD	60 days after completion of environmental review
3. Complete Subsidy Layering review, if applicable	Risk-sharing Program Manager or Underwriter	Following Mortgage Credit Committee approval
4. Submit HUD Risk-Share file to HUD	Risk-Sharing Program Manager	Following Mortgage Credit Committee approval
5. Submit HUD 2530 clearance for limited partnership, general partner, limited partner, management company, and general contractor	Borrower	Following submission of the Risk-Share file to HUD and assignment of a

Next Steps	Person(s) Responsible	Timeframe
		HUD project number.
6. Board approval (required for all LMIR loans)	Underwriter	Prior to closing
7. Receive HUD Firm Commitment for Risk-Sharing Insurance from HUD	Risk-Sharing Program Manager	Prior to closing
8. Closing of loan or execution of loan commitment		

2.03 Reference Materials, Forms and Documents

The following links reference documents that offer further information.

- [LMIR and FFCC Programs Procedural Guide](#)

Chapter 3 – Housing Tax Credits (HTC) – 9% HTCs

3.01 What to Expect

Changes to Project

The allocation of HTCs is based upon information provided in the application and the preliminary plans submitted with the application. Until the property is placed in service, any material changes to the project or building design (i.e., changes in unit mix or unit size, those that affect applicable design standards or design features required for preference points) as submitted in the application require written notification to and approval from Minnesota Housing.

Supportive Housing/HPH Units

There are specific expectations and requirements that have been established for supportive housing and units designated for high priority homeless (HPH).

The supportive housing officer (SHO) will review critical issues at the launch meeting and in some cases may schedule a separate supportive housing meeting to review components in more detail. To help ensure understanding of Minnesota Housing’s supportive housing and HPH requirements, the development team, including the project manager, property management, compliance officer, and service provider are expected to attend the launch meeting. If a separate supportive housing meeting is needed, the SHO will schedule the meeting and coordinate with the housing management officer (HMO) to review the requirements and the supportive housing closing checklist items with the development team.

All supportive housing documents need to be completed by the development team and approved by Minnesota Housing at least 60 days prior to carryover.

Monitoring of the HPH requirements will be coordinated by the compliance officer assigned to the property.

Affirmative Fair Housing Marketing Plan

Housing providers are required to have and follow an Affirmative Fair Housing Marketing Plan (AFHMP) to help ensure that properties are being marketed in compliance with fair housing obligations.

- Forms to Complete:
 - Form HUD-935.2A, Affirmative Fair Housing Marketing Plan (AFHMP) – Multifamily Housing
 - Minnesota Housing Addendum to the Affirmative Fair Housing Marketing Plan
- Timing:
 - Minnesota Housing must receive and approve your AFHMP forms prior to carryover.

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- Housing providers should review their AFHMP to help ensure it is current every one to two (1-2) years and should complete or update the AFHMP forms at least every five (5) years.
- Monitoring:
 - Minnesota Housing will review your AFHMP forms as part of the inspection process.
 - Minnesota Housing can ask to review your related marketing materials and can ask you to complete new AFHMP forms when warranted.

Staff Architect Review

All HTC projects must meet Minnesota Housing’s design standards. Chapter 5 of the [Rental Housing Design/Construction Standards](#) includes design requirements, plan review submittals, construction close-out requirements, and other information applicable to projects receiving HTCs only. A project Design Certification Form and construction documents must be submitted to Minnesota Housing prior to the earlier of the start of construction or carryover.

Applicable Percentage

For 9% HTCs, Minnesota Housing’s HTC Program permits its owners to elect the applicable percentage either at reservation or when the building is placed in service. If the election is not made at the time the reservation letter is issued, the percentage will be fixed for the month in which the building is placed in service.

Carryover

To receive a 9% carryover allocation, the owner must submit a complete carryover application to Minnesota Housing no later than November 1 of the allocation year for which the reservation was issued.

Final Allocation (8609)

Buildings must be placed in service within two years of the allocation year. Final allocations (Form 8609) may be requested when all eligible buildings are placed in service and the proper documentation and fees have been received. For 8609s to be issued by Minnesota Housing prior to year-end, the application must be submitted to by November 1 of that year.

Declaration of Land Use Restrictive Covenants

Prior to an allocation of Section 42 HTCs, a project will be subject to a Declaration of Land Use Restrictive Covenants (LURA) through which the owner commits the building(s) to low-income use for an extended use period of 15-35 years after the conclusion of the 15-year compliance period (for a total of 30-50 years).

Refer to the applicable year HTC Qualified Allocation Plan (QAP) and HTC Compliance Guide for a complete list of requirements.

3.02 Next Steps

Next Steps	Person(s) Responsible	Timeframe
1. Minnesota Housing plan review	Architect	Within 90 days of selection
2. Submit supportive housing due diligence	Applicant	60 days prior to carryover
3. Approve supportive housing due diligence	SHO and HMO	30 days prior to carryover
4. Carryover application <ul style="list-style-type: none"> All supportive housing due diligence completed and approved All architectural design and construction due diligence completed and approved 	Applicant	November 1 of allocation year
5. 8609 application	Applicant	No later than 15 days after November 1 of second year after allocation

3.03 Reference Materials, Forms and Documents

The following links reference documents that offer further information

- [2022-2023 Housing Tax Credit Qualified Allocation Plan](#)
- [Due Diligence Reference Materials, Forms and Guides](#) – Contains links to templates and guidance on other due diligence documentation.
- [Fair Housing](#) – Contains fair housing resources and links to templates

Chapter 4 – Housing Tax Credits (HTC) Program – 4% HTCs with Private Activity Bonds (PAB)

4.01 What to Expect

Changes to Project

The award of HTCs is based upon information provided in the application and the preliminary plans submitted with the application. Until the property is placed in service, any material changes to the project or building design (i.e., changes in unit mix or unit size, those that affect applicable design standards or design features required for preference points) as submitted in the application require written notification to and approval from Minnesota Housing.

Supportive Housing/High Priority Homeless (HPH) Units

There are specific expectations and requirements that have been established for supportive housing and units designated for HPH.

The supportive housing officer (SHO) will review critical issues at the launch meeting and in some cases may schedule a separate supportive housing meeting to review components in more detail. To help ensure understanding of Minnesota Housing’s supportive housing and HPH requirements, the development team, including the project manager, property management, compliance and service provider are expected to attend the launch meeting. If a separate supportive housing meeting is needed, the SHO will schedule the meeting and coordinate with the housing management officer (HMO) to review the requirements and the supportive housing closing checklist items with the development team.

All supportive housing documents need to be completed by the development team and approved by Minnesota Housing at least 60 days prior to carryover.

Monitoring of the HPH requirements will be coordinated by the compliance officer assigned to the property.

Affirmative Fair Housing Marketing Plan

Housing providers are required to have and follow an Affirmative Fair Housing Marketing Plan (AFHMP) to help ensure that properties are being marketed in compliance with fair housing obligations.

- Forms to Complete:
 - Form HUD-935.2A, Affirmative Fair Housing Marketing Plan (AFHMP) – Multifamily Housing
 - Minnesota Housing Addendum to the Affirmative Fair Housing Marketing Plan
- Timing:
 - Minnesota Housing must receive and approve your AFHMP forms prior to carryover.

- Housing providers should review their AFHMP to help ensure it is current every one to two (1-2) years and should complete or update the AFHMP forms at least every five (5) years.
- Monitoring:
 - Minnesota Housing will review your AFHMP forms as part of the inspection process.
 - Minnesota Housing can ask to review your related marketing materials and can ask you to complete new AFHMP forms when warranted.

Staff Architect Review

All HTC projects must meet Minnesota Housing’s design standards. Chapter 5 of the [Rental Housing Design/Construction Standards](#) includes design requirements, plan review submittals, construction close-out requirements, and other information applicable to projects receiving HTCs only. A project Design Certification Form and construction documents must be submitted to Minnesota Housing prior to the earlier of the start of construction or carryover.

Fixed Applicable Percentage

As part of the FY2021 Omnibus Spending bill, Congress established a 4% minimum LIHTC rate for developments placed in service, and financed with tax-exempt private activity bonds issued after, December 31, 2020. This is a new provision with some uncertainty surrounding the scope of application and may be subject to further guidance from Treasury. Consult with your tax counsel or accountant to determine whether this provision may apply to your development.

Preliminary Determination Letter

Based upon the submission of documents, Minnesota Housing will prepare a letter with its preliminary determinations pursuant to Section 42(m)(1)(D) and as appropriate 42(m)(2)(D) of the Internal Revenue Code. The letter will address whether the project satisfies the requirements for award of a housing credit dollar amount under the Qualified Allocation Plan (QAP), the tax credit dollar amount and project costs.

Final Award (8609)

Final award (Form 8609) may be requested when all eligible buildings are placed in service and the proper documentation and fees have been received.

Declaration of Land Use Restrictive Covenants

Prior to an award of HTCs, a project will be subject to a Declaration of Land Use Restrictive Covenants (LURA) through which the owner commits the building(s) to low income use for an extended use period of 15-35 years after the conclusion of the 15-year compliance period (for a total of 30-50 years).

4.02 Next Steps

Next Steps	Person(s) Responsible	Timeframe
1. 42M application	Applicant	At least 60 days prior to bond issuance
2. Minnesota Housing plan review	Architect	At application
3. Submit supportive housing due diligence	Applicant	60 days prior to closing
4. Approve supportive housing due diligence	SHO and HMO	30 days prior to closing
5. 8609 application	Applicant	No later than 15 days after the last day of the first year of the tax credit period. Section 42 states the owner must elect the first year of the credit period in the year the project is placed in service or the year following.

4.03 Reference Materials, Forms and Documents

The following links reference documents that offer further information.

- [2022-2023 Housing Tax Credit Qualified Allocation Plan](#)
- [HTC Procedures for Projects Financed with Tax-Exempt Volume Limited Bonds](#)
- [Due Diligence Reference Materials, Forms and Guides](#) – Contains links to templates and guidance on other due diligence documentation.
- [Tax-Exempt Bonds Informational Guide](#)
- [Fair Housing](#) – Contains fair housing resources and links to templates

Chapter 5 – Tax-exempt Bonds (LMIR Bridge Loans)

5.01 What to Expect

For LMIR bridge loans funded with tax-exempt bond proceeds, there are additional requirements, due diligence and processes that must be coordinated to help ensure a smooth closing process and qualification for tax-exempt bonds.

- Due to current market conditions, all tax-exempt bond deals are being structured with only short-term bonds, which will be used to fund a LMIR bridge loan. This is subject to change as market conditions change.
- Under this structure, permanent LMIR mortgages are currently being funded from Minnesota Housing resources as end loans that will be a source of payment of the short-term bonds.
- Loans funded with proceeds of volume-limited tax-exempt bonds may qualify for 4% housing tax credits if structured properly.
- Short-term bonds will have a term of not less than 18 months and may be redeemed not earlier than 12 months after issue.

5.02 Next Steps

Next Steps	Person(s) Responsible	Timeframe
1. Reimbursement declaration <ul style="list-style-type: none"> • Declaration allows project costs to be eligible for reimbursement with bond proceeds at closing 	Bond Lead/ Bond Counsel/Finance Counsel	Typically one to two months after selection
2. TEFRA Hearing <ul style="list-style-type: none"> • Publication at least seven (7) days prior to hearing 	Underwriter/Bond Lead/ Bond Counsel/Finance Counsel	Not less than one month prior to bond issuance
3. Bond Tests/HTC Tests <ul style="list-style-type: none"> • Income Restrictions • Ownership Assessment (for Preservation) • Good Costs/Bad Costs • Acquisition/Rehab Ratio • State Rental Requirements • Rents not above FMR • Reserve Requirements • Extend affordability/rental assistance 	Borrower/ Underwriter/ Bond Counsel/Finance Counsel	Ongoing

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Next Steps	Person(s) Responsible	Timeframe
<ul style="list-style-type: none"> • 50% Test for HTC eligibility • Scattered site may have additional tests 		
4. Loan Structures to Bond Underwriter <ul style="list-style-type: none"> • First draft Series Resolution • Preliminary Offering Statement • Preliminary bond issue cash flows • First draft loan docs 	Finance/ Underwriter/ Bond Counsel	
5. Application for HTC Preliminary Determination Letter <ul style="list-style-type: none"> • Combined 42(m)(1)(D) and 42(m)(2)(D) • Preliminary Determination Fee 	Borrower/ Underwriter	Application must be received at least 60 days prior to bond issuance. Letter may be executed prior to closing.
6. Board Approval of Bond Issuance and Loan Commitment <ul style="list-style-type: none"> • Series Resolution • Loan Commitment 	Finance/ Underwriter	30-60 days prior to closing
7. All Due Diligence in final approved form in online Portal	Borrower	At least two weeks prior to closing
8. Finalize Documents <ul style="list-style-type: none"> • Offering Document • Bond Compliance Agreement 	Bond Lead/Bond Counsel/ Finance Counsel	
9. Borrower Signs Loan Commitment, pays fees		At least two weeks prior to closing
10. Price and Sell Bonds		At least one week prior to closing
11. Loan Closing and Bond Closing		

5.03 Reference Materials, Forms and Documents

The following links reference documents that offer further information.

- [LMIR and FFCC Programs Procedural Guide](#)
- [Tax-Exempt Bonds Informational Guide](#)
- [2022-2023 Housing Tax Credit Qualified Allocation Plan](#)

- [Procedures for Projects Financed with Tax-Exempt Volume Limited Bonds](#)
- [Minnesota Statutes 474A.047 Residential Rental Bonds](#)

Chapter 6 – Housing Infrastructure Bonds (Private Activity Bonds)

6.01 What to Expect

Housing Infrastructure Bonds (HIBs) fund supportive housing, preservation, and senior developments.

For developments with 4% housing tax credits, the HIB type is private activity bonds (PAB). These bonds will count toward the 50% test for the tax credits. Bonds are issued for multiple developments at one time, and the development is not collateral for HIBs. Minnesota Housing’s ability to issue HIBs is dependent upon Minnesota Management and Budget providing updated disclosure with respect to the state of Minnesota and its finances. Currently, that disclosure is only prepared when the state issues its general obligation bonds in late summer or early fall.

The HIB loan may be deferred and will be repayable.

There is specific due diligence that will be collected for the bond issue.

6.02 Next Steps

Next Steps	Person(s) Responsible	Timeframe
1. Reimbursement declaration <ul style="list-style-type: none"> • Declaration allows project costs to be eligible for reimbursement with bond proceeds at closing 	Bond Lead/ Finance Counsel	Typically within one month after selection
2. TEFRA hearing <ul style="list-style-type: none"> • Publication at least seven (7) days prior to public hearing 	Underwriter/ Finance Counsel/ Bond Lead	Not less than one month prior to bond issuance
3. Bond Tests/HTC Tests <ul style="list-style-type: none"> • Income set-aside restrictions • Ownership assessment (for Preservation) • Good costs/bad costs • Eligible/ineligible costs • Acquisition/rehab ratio • State Rental Requirements <ul style="list-style-type: none"> ○ Rents not above FMR ○ Reserve requirements ○ Extend affordability/rental assistance 	Borrower/ Underwriter/ Finance Counsel	Underwriting Phase

Next Steps	Person(s) Responsible	Timeframe
<ul style="list-style-type: none"> • 50% test for HTC eligibility • Scattered site developments may have additional tests 		
4. HTC Preliminary Determination application and letters <ul style="list-style-type: none"> • 42(m)(1)(D) • 42(m)(2)(D) • Preliminary determination fee 	Borrower/ Underwriter	Application must be received prior to bond issuance. Letter may be generated after issuance and require a 42M resubmittal of specific items.
5. Board approval of bond issuance	Finance/ Finance Counsel	Summer prior to HIBs issued once a year in the fall
6. Finalize bond closing documents	Underwriter/ Finance Counsel	At least two weeks prior to closing
7. Bond closing		

5.03 Reference Materials, Forms and Documents

The following links reference documents that offer further information.

- [2022-2023 Housing Tax Credit Qualified Allocation Plan](#)
- [Housing Infrastructure Bond Guide](#)
- [Minnesota Statutes 474A.047 Residential Rental Bonds](#)

Chapter 7 – Housing Infrastructure Bonds (Governmental and 501(c)3 Bonds)

7.01 What to Expect

When structured as governmental or 501(c)3 bonds, Housing Infrastructure Bond (HIB) proceeds are not volume limited and do not count toward the 50% test for 4% housing tax credits. Bonds are issued for multiple developments at one time, and the development is not collateral for the HIB private activity bonds. Minnesota Housing’s ability to issue HIBs is dependent on Minnesota Management and Budget providing updated disclosure with respect to the state of Minnesota and its finances. Currently, that disclosure is only prepared when the state issues its general obligation bonds in late summer or early fall.

For governmental bonds, the HIB loan may be deferred and forgivable or repayable, depending on the type of borrower.

For 501(c)3 bonds, the HIB loan may be deferred and repayable. The borrower must be a nonprofit organization that is determined by the IRS to be a corporation described in Section 501(c)(3) of the Internal Revenue Code.

7.02 Next Steps

Next Steps	Person(s) Responsible	Timeframe
1. Reimbursement declaration <ul style="list-style-type: none"> Declaration allows project costs to be eligible for reimbursement with bond proceeds at closing 	Bond Lead/ Finance Counsel	Within one month after selection
2. TEFRA hearing <ul style="list-style-type: none"> Required for 501(c)(3) bonds Publication at least seven (7) days prior to public hearing 	Bond Lead/ Finance Counsel	Not less than one month prior to bond issuance
3. Bond tests <ul style="list-style-type: none"> Ownership assessment Good costs/bad costs Eligible/ineligible costs 	Borrower/ Underwriter/ Bond Counsel	Underwriting Phase
4. Board approval of bond issuance <ul style="list-style-type: none"> Supplemental indenture 	Finance/ Underwriter/ Bond Lead	Summer prior to HIBs issued once a year in the fall
5. Finalize bond Closing documents		

Next Steps	Person(s) Responsible	Timeframe
6. Bond Closing		

7.03 Reference Materials, Forms and Documents

The following links reference documents that offer further information.

- [Housing Infrastructure Bond Guide](#)
- [Minnesota Statutes 474A.047 Residential Rental Bonds](#)

Chapter 8 – HOME and National Housing Trust Fund (NHTF)

8.01 What to Expect

The HOME Investment Partnerships Program (HOME Program) and the National Housing Trust Fund (NHTF) are federally funded programs designed to increase affordable housing opportunities for low- and very low-income families. Federal funds have multiple levels of requirements. Below are the most important requirements for the development team to keep in mind. The assigned Minnesota Housing federal programs team member will work closely with the project developer, general contractor, and architect to help ensure that all necessary due diligence is collected and reviewed in a timely manner.

8.02 Next Steps

Next Steps	Person(s) Responsible	Timeframe
<p>1. Funding Acceptance Agreement and Application Certifications</p> <p>Execution of this form constitutes formal application for federal funds and the Initiation of Negotiations (ION) and triggers several federal cross-cutting requirements as described below.</p>	<p>Owner/Developer</p>	<p>Executed and submitted to federal programs staff within two (2) weeks of project launch</p>
<p>2. No Choice Limiting Actions until Environmental Clearance</p> <p>After signing the Funding Acceptance Agreement and Application Certifications, the applicant <i>must refrain from undertaking any actions that are considered “choice limiting”</i> until environmental clearance is provided from Minnesota Housing. This includes entering into contracts or entering into a purchase agreement (unless the agreement is specifically conditioned on clearing Environment Review), performing site work, etc. Clearance cannot be provided until a Phase I dated within one year is provided to Minnesota Housing. The development team orders the Phase I and must provide a copy of the Phase I report and all necessary documentation for the Environmental Review to Minnesota Housing as soon as possible.</p>	<p>Phase I – Owner/Developer</p> <p>Environmental Review – Federal Programs</p>	<p>Ongoing until environmental clearance is received</p> <p>(see Written Agreement details below)</p>

Next Steps	Person(s) Responsible	Timeframe
<p>3. Initial Inspections</p> <p>As soon as possible, a portion of the units and all common areas and mechanicals in the proposed project must be inspected by Minnesota Housing for rehabilitation projects. Staff will reach out to the development team to coordinate. Twenty-five percent (25%) of the first 100 units and, where applicable, 10% of the remaining units over 100, will be inspected.</p>	<p>HOME/NHTF Program Manager</p>	<p>Within 30 days of project launch</p>
<p>4. Uniform Relocation Act (URA)</p> <p>For rehabilitation projects, URA is one of the most critical and time sensitive requirements and must be handled as soon as possible. The development team should consult with their assigned federal programs staff and begin sending out the General Information Notice (GIN) to tenants within 30 days of signing the Funding Acceptance Agreement and Application Certifications.</p>	<p>Owner/Developer</p>	<p>Immediately - ongoing</p>
<p>5. Tenant Eligibility</p> <p>For rehabilitation projects, helping ensure that eligible residents reside in federally assisted units is critical. It is the owner’s responsibility to certify that the property currently has enough tenants who will meet the income eligibility requirements prior to the Written Agreement. The final income eligibility with supporting documentation is required near the end of construction but prior to drawing the remaining federal funds and the initiation of the mandated Effective Period/Period of Affordability.</p>	<p>HOME/NHTF Program Manager and Owner/ Developer</p>	<p>Ongoing</p>
<p>6. Utility Allowance</p> <p>When calculating the utility allowance (UA), the local public housing authority (PHA) limits cannot be used for HOME-assisted units. The UA must be calculated from the actual usage methodology, by the HUD Utility Schedule</p>	<p>Owner/Developer</p>	<p>Initial calculations should be completed as soon as possible after project launch, and then</p>

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Next Steps	Person(s) Responsible	Timeframe
<p>Model or by the energy consumption model (ECM) as prepared by a Minnesota licensed mechanical engineer or a Minnesota Housing approved qualified professional. NHTF-assisted units may continue to use the PHA allowance.</p>		<p>updated annually afterwards</p>
<p>7. Contracting Federal labor requirements including Section 3, MBE/WBE and Davis Bacon and Related Acts do apply. Early discussions between the assigned federal programs team member and the development team regarding compliance requirements is essential to following proper protocol and helping ensure contract documents are compliant.</p>	<p>Owner/Developer, Contractors and Subcontractors</p>	<p>Prior to closing and project construction</p>
<p>8. Closing – Execution of Written Agreement Contracts cannot be executed, and site work cannot begin until after the Written Agreement has been executed.</p>		
<p>9. Davis Bacon and Related Acts (DBRA) HOME funds trigger DBRA. All applicable requirements must be met. The reporting that is required during the construction phase will be completed using LCPTracker software. <i>Please note that NHTF alone does not trigger DBRA.</i></p>	<p>General Contractor, Subcontractors and Contractor Compliance Officer</p>	<p>During project construction</p>
<p>10. Project Closeout The owner/developer will complete the Rental Completion Report as the federally assisted units are leased up. Once project construction is 100% complete, a project close-out inspection is scheduled and completed by Minnesota Housing.</p>	<p>HOME/NHTF Program Manager, Owner/Developer, Compliance Officer</p>	<p>After project construction</p>
<p>11. Affordability Period Begins Affordability Period Certificate is executed only after construction is complete, the final draw has occurred, the closeout inspection</p>	<p>HOME/NHTF Program Manager and Owner/Developer</p>	

Next Steps	Person(s) Responsible	Timeframe
has been completed, and the Rental Completion Report is approved.		

8.03 Reference Materials, Forms and Documents

The following links reference documents that offer further information.

- [HOME and NHTF materials, forms, web trainings and documents](#)
- [Temporary Relocation Principles](#)

Chapter 9 – Architecture and Design

9.01 What to Expect

To better meet our customer needs and communicate our expectations, Minnesota Housing has developed design/construction standards for rental housing.

A Minnesota Housing staff architect will be assigned to each project involving new construction or rehabilitation to help ensure the proposed design and/or work scope meets Minnesota Housing's expectations. As design, work scopes, and construction documents (CDs) are developed, they must be submitted to Minnesota Housing periodically (Schematic/Design Development Phase, 75% – 90% CD Phase, and 100% CD Phase) for review, comment and approval. Once final design/work scopes and final bid documents are completed and approved, they are released to contractors for bidding. Do not issue CDs for final hard bidding without Minnesota Housing plan approval. Once all bids are secured, and an executed construction contract and construction financing are in place, then permission to start construction is authorized.

The architect of record shall perform normal construction administration duties to help ensure work gets completed in accordance with contract documents. To help ensure the project is constructed in accordance with approved plans and with Minnesota Housing design standards, an assigned Minnesota Housing staff architect will observe construction, review/approve change orders, attend monthly on-site draw meetings, and review/approve construction draws.

9.02 Identity of Interest

When there is an identity of interest between the owner and contractor, the contractor must submit a Contractor's Certificate of Actual Cost HUD Form 92330A audited by an independent public accountant in accordance with requirements established by HUD as follows:

- At the end of construction after final contractor payment, but before the final draw close-out for projects with Minnesota Housing financing
- At the end of the project and before IRS Form 8609 issuance for 4% and 9% HTC projects
- For more information, refer to Chapter 13 of Minnesota Housing's Contractor's Guide

When there is an identity of interest between the owner and architect of record or between the general contractor and architect of record, the owner must commission a third-party architect to observe construction administration duties being performed by the architect of record. Refer to Chapter 2 of Minnesota Housing Architect's Guide for more information.

9.03 Prevailing Wage and Other Labor/Hiring Requirements

Davis Bacon and Related Acts, if the project is federally funded:

- Davis Bacon and Related Acts (DBRA) may be triggered with federally funded projects. Confirm with the owner, and/or the owner’s architect if the project has triggered DBRA requirements. If the project has triggered DBRA, confirm that the required DBRA documents are included in the bid package before it is released for bidding.

Section 3 and Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise Compliance

- Section 3 and Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise compliance is required for federally funded projects. The Section 3 Compliance Guide and Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise Compliance Guide and all attachments must be included in the bid package.

State Prevailing Wage

- Under certain circumstances, awards of agency funds may trigger state prevailing wage requirements under Minn. Stat. § 116J.871. In broad terms, the statute applies to awards that meet the following conditions: (1) new housing construction (not rehabilitation); and (2) a single entity receives from Minnesota Housing \$200,000 or more of grant proceeds or \$500,000 of loan proceeds. The statute excludes new housing construction in which total financial assistance at a single project site is less than \$100,000.
- Note the following statutory provisions:
 - A state agency may provide financial assistance to a person only if the person receiving or benefiting from the financial assistance certifies to the commissioner of labor and industry that laborers and mechanics at the project site during construction, installation, remodeling, and repairs for which the financial assistance was provided will be paid the prevailing wage rate as defined in section 177.42, subdivision 6. Minn. Stat. § 116J.871, subd. 2.
 - It is a misdemeanor for a person who has certified that prevailing wages will be paid to laborers and mechanics under subdivision 2 [see above] to subsequently fail to pay the prevailing wage. Each day a violation of this subdivision continues is a separate offense. Minn. Stat. § 116J.871, subd. 3.
- In addition, a separate prevailing wage statute, Minn. Stat. § 177.41-.43, may apply if funds are used for a building that is publicly owned or leased.
- All questions regarding state prevailing wages and compliance requirements should be directed to the Department of Labor and Industry as follows:

Division of Labor Standards and Apprenticeship
Karen Bugar, State Program Administrator
443 Lafayette Road N, St. Paul, MN 55155
651.284.5091 or dli.prevwage@state.mn.us

9.04 Reference Materials, Forms and Documents

To learn more about Minnesota Housing’s design/construction standards, including what to expect and next steps, refer to the standards and guides listed below:

- [Architect’s Guide](#) – Assists architects and owners in understanding when architectural services are required, and the role architects have in the Minnesota Housing development process. In addition, it explains requirements associated with required professional services, compensation, insurance and the Owner-Architect Agreement.
- [Contractor's Guide](#) – Assists contractors and owners in understanding the contractor’s role in the Minnesota Housing development process. In addition, it explains requirements associated with contractor selection, bidding, compensation, surety, insurance, Identity of Interest, labor/ hiring requirement, and the Owner-Contractor Agreement.
- [Minnesota Housing - Rental Housing Design/Construction Standards](#) – Describes design/construction standards, which are unique to Minnesota Housing and are in addition to basic standards established by applicable building codes, local zoning, and other applicable regulations. Where two standards cover the same condition, conformance to the most restrictive standard is required.
- [2021 MN Overlay and Guide to the 2020 Enterprise Green Communities Criteria](#) – Modifies the Mandatory and Optional Criteria of the 2020 Enterprise Green Communities Criteria. The 2020 Enterprise Green Communities Criteria is the basis for Minnesota Housing’s sustainable housing standards. For more information, refer to Chapter 8 of Minnesota Housing – Rental Housing Design/Construction Standards.

Chapter 10 – Black, Indigenous, and People of Color-owned Business Enterprises and Women-owned Business Enterprises

10.01 What to Expect

It is the policy of Minnesota Housing that Black, Indigenous, and People of Color-owned Business Enterprises and Women-owned Business Enterprises¹ have equal access to business opportunities resulting from Minnesota Housing-financed developments. This policy addresses marketing and outreach requirements for contracting and purchasing as described by state and federal procurement laws and regulations.

Projects with deferred financing through Minnesota Housing trigger the Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise marketing and outreach requirements and performance goals. Deferred financing includes the following state and federal programs: Economic Development and Housing Challenge (EDHC), Preservation Affordable Rental Investment Fund (PARIF), Publicly Owned Housing Program (POHP), Rental Rehabilitation Deferred Loan (RRDL), Housing Infrastructure Bonds (HIB), HOME Investment Partnerships (HOME), and National Housing Trust Fund (NHTF).

The owner/developer must take all necessary affirmative steps to help ensure that it and its contractors use Black, Indigenous, and People of Color-owned Business Enterprises and Women-owned Business Enterprises when possible, in accordance with Minnesota Housing’s Multifamily Division Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise Compliance Guide, for all project related contract awards that exceed \$25,000.

Minnesota Housing set individual participation goals for Black, Indigenous, and People of Color-owned Business Enterprises and Women-owned Business Enterprises. Women-owned Business Enterprise goals are statewide. Black, Indigenous, and People of Color-owned Business Enterprise goals differ for the Twin Cities seven-county metropolitan area and Greater Minnesota. Participation goals are applied to the whole project and pertain to the total amount of construction and related contracts.

Women-owned Business Enterprises:

- Statewide: 6%

Black, Indigenous, and People of Color-owned Business Enterprises:

- Twin Cities 7-County Metro: 13%
- Greater Minnesota: 4%

¹ Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise is also known as Minority-owned and Women-owned Business Enterprises (MBE/WBE)

10.02 Next Steps

Next Steps	Person(s) Responsible	Timeframe
1. Minnesota Housing notifies owner/developer of requirements and provides the Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise Compliance Guide and all appendices to the owner/developer	Underwriter/Loan Processor	At project launch
2. Create bid package and certify compliance with laws prohibiting discrimination in employment and certify to hire affirmatively	Developer/General Contractor	During underwriting
3. Submit completed Contractor Compliance Activity Report (CCAR) and documentation to the extent that Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise bids were solicited and awarded contracts via Portal a. For federal projects with HOME and/or NHTF, this will be initial CCAR	Developer/General Contractor	One to two weeks prior to closing
4. Approve initial Contractor Compliance Activity Report	Federal Teams Staff	Prior to closing
5. Closing		
6. For federal projects, submit final Contractor Compliance Activity Report with any new contracts included via Portal	Developer/General Contractor	At construction completion
7. Approve final Contractor Compliance Activity Report	Federal Teams Staff	One to two weeks after submission of final CCAR

10.03 Reference Materials, Forms and Documents

The following links reference documents that offer further information.

- [Multifamily Division Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise Compliance Guide](#)
- [Contractor Compliance Activity Report](#)

Chapter 11 – Supportive Housing

11.01 What to Expect

There are specific expectations and requirements that have been established for supportive housing. This includes Housing Infrastructure Bond (HIB) units designated for people experiencing homelessness and/or with behavioral health needs, high priority homeless (HPH) units and units for people with disabilities (PWD) and any other designated permanent supportive housing (PSH) units.

The supportive housing officer (SHO) will review critical issues at the launch meeting. This may include adjustments needed to the proposed plan for the supportive housing units in order to adequately meet a supportive housing need in the community with appropriate resources. Property management and service providers are welcome to attend the launch, and the SHO will communicate if attendance by either party is mandatory. To help ensure understanding of Minnesota Housing’s requirements and expectations for supportive housing, a subsequent project meeting will be scheduled as needed to review elements of the project, including supportive housing and required due diligence. This meeting will be coordinated with the development team and Minnesota Housing staff working on the project and will occur closer to when the project is ready to upload to the Portal due diligence materials.

Tenant Selection Plan (TSP) –

Minnesota Housing requires properties financed with applicable program and funding sources to have a Tenant Selection Plan (TSP) that adheres to Minnesota Housing’s Tenant Selection Plan Guidelines. These Guidelines were significantly revised in December 2020, including explicit requirements for screening criteria that should apply to designated supportive housing units. A list of applicable program and funding sources and the TSP Guidelines and other resources can be found on Minnesota Housing’s [TSP webpage](#).

All TSPs will be assessed prior to the earlier of carryover, if applicable, or closing of construction financing to verify compliance with the TSP Guidelines. For developments that are selected to serve specific populations (e.g., people experiencing homelessness, people with disabilities or behavioral health needs, seniors) in supportive housing and senior housing units, the TSP must be structured to adequately reach the intended population(s) and must provide an appeals process for unsuccessful applicants.

In addition to a written TSP, the development must complete a TSP checklist to verify the project TSP reflects both state and federal guidelines for TSPs based on the funding sources in the project. The TSP checklist and help text, which provide additional context for TSP requirements, can be found on Minnesota Housing’s [website](#) and are also linked in the Portal.

All supportive housing documents must be completed by the development team and approved by Minnesota Housing before financing can be committed or approved by Minnesota Housing’s

Mortgage Credit Committee, unless otherwise specified by the assigned supportive housing officer.

11.02 Housing Infrastructure Bonds (HIB) Supportive Housing

- Units must serve people experiencing homelessness.
- For HIB financed projects for homeless households, verification of homeless status (if not HPH) should be documented using the Self-Certification of Eligibility for Housing Infrastructure Bonds (HIB) Other Homeless Unit form, available on Minnesota Housing’s website [here](#).
- The target population(s), eligibility, outreach and referral process must be clearly delineated in the memorandum of understanding (MOU) and service plan.
- If applicants are not referred through coordinated entry (CE), the process for assessing and determining an applicant’s need for supportive housing must be clearly described in the MOU and service plan.
- Supportive housing due diligence materials should be inclusive of all supportive housing units (i.e., not limited to the HPH or PWD units). This includes the MOU, the service plan and budget, service funding verification, and the TSP.

11.03 High Priority Homeless (HPH) Units

There are specific expectations and requirements that have been established for units designated to serve HPH households:

- The HPH unit restrictions will be included in the financing and HTC documents, including the priority household type if the application received Continuum of Care (CoC) priority points.
- All referrals must come from CE and must be households prioritized for permanent supportive housing.
- Supportive housing due diligence submitted should include HPH units, PWD units and all other supportive housing units. This includes the MOU, the service plan and budget, service funding verification and the TSP.

After loan closing, Minnesota Housing requires owners of occupied developments with funded HPH units to:

- Report annually to Minnesota Housing on the operations of the supportive housing units at the property
- Utilize Minnesota’s Homeless Management Information System (HMIS) to collect and report participant information in HMIS

- Document tenant HPH eligibility using the HMIS HPH eligibility confirmation report or alternative Minnesota Housing approved HPH verification form for households that are not in HMIS. The eligibility form must be retained in the tenant file.

Monitoring of HPH requirements will be coordinated by the housing management or compliance officer assigned to the property and the supportive housing quality officer.

11.04 People with Disabilities (PWD) Units

There are specific expectations and requirements that have been established for units designated for PWD.

- The unit restrictions, including the 30% MTSP income restriction, will be included in the financing and HTC documents
- Verification of disability status should be documented using the Self-Certification of Eligibility for People With Disabilities (PWD) Unit form, available on Minnesota Housing’s website [here](#).
- The owner will confirm compliance annually in PORT.
- The owner must have a service agreement with the county or tribe outlining the target population, outreach and referral process, how services will be provided and by whom, and the roles and responsibilities and other essential components of the process for providing the units to PWD.
 - The service agreement submitted with the application should be updated prior to closing (as needed).
- Supportive housing due diligence submitted should include PWD units as well as HPH units. This includes the MOU, the service plan and budget, service funding verification and the TSP.

11.05 Next Steps

Next Steps	Person(s) Responsible	Timeframe
1. Submit the requested due diligence	Borrower	60 days prior to Mortgage Credit Committee meeting or Carryover
2. Review and approve due diligence	SHO and HMO	Prior to Mortgage Credit Committee meeting or Carryover

11.06 Reference Materials, Forms and Documents

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The following links reference documents that offer further information.

- [Supportive Housing Information webpage](#) – Includes general information about supportive housing, HPH, and supporting resources.
- [Supportive Housing Information and Resources publication](#) – Includes information about supportive housing development, best practices for services, and Minnesota Housing procedures and requirements.
- [Supportive Housing Post Selection webpage](#) – Includes key information sources such as the supportive housing closing checklist document, MOU template, and HMIS form.
- [Tenant Selection Plan webpage](#) – Includes the TSP checklist and help text, which provide additional context for TSP requirements.

Chapter 12 – Project-based Section 8

12.01 What to Expect

- Minnesota Housing’s underwriting team will determine if a new 20-year Housing Assistance Payments (HAP) contract is required based on the owner’s refinancing stipulations.
- If a new 20-year HAP contract is required, and if there is an existing HAP contract in place, an Early Termination will be required along with a potential Preservation Exhibit.
- Owner can renew under one of several options that they are eligible for at time of refinancing. (Some options will require submission of a Rent Comparability Study prepared under the guidelines in Chapter 9 of the Section 8 Renewal Policy Guidebook.)

12.02 Next Steps

Next Steps	Person(s) Responsible	Timeframe
1. Submission of request to terminate the current HAP contract to assigned HAP officer	Owner	Minimum of four months prior to scheduled closing
2. Work to determine eligibility for Early Termination and requested option for renewal (Use Restrictions, Exception vs. Not Exception, etc.)	HAP officer/ Owner/HUD	Dependent on availability of supporting documentation
3. Submission of complete contract renewal packet along with required documentation	Owner	Dependent on owner (often takes several months to obtain all required supporting documentation...i.e., budget, RCS, utilities, etc.)
4. If requesting a Mark Up to Market Chapter 15 renewal, approval from HUD account executive (HUD reviews As-Is and Post RCSs, application and paperwork for Chapter 15)	HUD	Dependent on HUD
5. Obtain HUD approval for 20-year request (request for HAP Contract Greater than 5 Years form)	HAP Officer/HUD	Dependent on HUD
6. Secure funding	HAP Officer/HUD	Dependent on HUD

Next Steps	Person(s) Responsible	Timeframe
7. Creation of 20-year HAP contract, rent schedules, preservation exhibit, and if applicable, a rider and addendum for signatures	HAP officer/Owner/ Minnesota Housing/ HUD	Dependent on all parties' timely execution of documents

12.03 Reference Materials, Forms and Documents

The following links reference documents that offer further information.

- [Section 8 Renewal Guidebook](#)
- [Chapter 7 of the HUD Handbook 4350.1](#)
- [HUD Notices and Memorandums](#)
- [Minnesota Housing Funding and Contract Renewal forms](#)
- [HUD Funding and Contract Renewal forms](#)

Chapter 13 – Closing and Disbursement

13.01 What to Expect

The closing process takes approximately 60 to 90 days from the time Minnesota Housing’s legal team receives the development file from the Minnesota Housing underwriter. The time period may vary depending on the responsiveness of the external development team in submitting all required closing documentation in proper form and content to the assigned Minnesota Housing closer. **Any deviations to Minnesota Housing standard forms and requirements will likely delay the closing process.**

A closing date will be scheduled by the Minnesota Housing closer when all of the following have occurred:

- All required closing documentation has been submitted and approved by the Minnesota Housing closer and the assigned Minnesota Housing attorney,
- All appropriate parties to the transaction have approved Minnesota Housing’s loan documents (including the Master Subordination Agreement and Estoppel Certificate and the Master Disbursement Agreement, if applicable), and
- The Minnesota Housing Workbook and Borrower’s Draw Requisition and Payee List are finalized and approved by all necessary parties.

Minnesota Housing requires a minimum of five (5) to seven (7) business days prior to the scheduled closing date to finalize loan documents, obtain signatures, and order funds, if applicable.

Pre-closing

- Minnesota Housing first mortgage loan closings are held at Minnesota Housing’s office location.
- Minnesota Housing deferred mortgage loan closings may be held at Minnesota Housing’s office location or the Minnesota Housing closer can mail the loan documents to another location, typically a title company. Consult with your assigned Minnesota Housing closer.
- Bi-weekly conference calls are recommended between the Minnesota Housing closer and your development team to discuss issues, ask questions, and determine the status of the development for closing.
- To help ensure uniformity and consistency in the closing process, Minnesota Housing will not permit changes to its loan documents or waivers of closing documentation and requirements.
- Minnesota Housing expects to utilize the Minnesota Housing form of Master Disbursement Agreement and Master Subordination Agreement and Estoppel Certificate, if applicable.

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- Minnesota Housing expects to be involved in the construction draw approval process including approval of change orders and any contemplated design changes throughout the construction process.
- If Minnesota Housing is the coordinating lender, Minnesota Housing will require a minimum of 10 business days prior to the estimated closing date to prepare and approve the Borrower's Draw Requisition and Payee List. The early submission of documentation (invoices, cancelled checks, etc.) is critical.

Closing

- Depending on the number of lenders involved, closings typically take one to two (1-2) hours to complete.
- All parties attending the closing must ensure that their documents are complete and that they have the appropriate number of copies needed for distribution after signatures are obtained. Minnesota Housing does not supply notary or copying services.
- For closings occurring at a place other than Minnesota Housing's office location, the executed loan documents and any closing documentation must be returned to the Minnesota Housing closer within the specified time period as outlined in the Minnesota Housing Closing Instruction Letter. Minnesota Housing will not approve the disbursement of funding until receipt of these items.
- Equity and other lenders' funding needed for the closing must be deposited with the title company on the day of closing.

What you can expect from your Minnesota Housing Closing Team

- Email notification from the Minnesota Housing closer to the development team that the development file has been received by Minnesota Housing's legal team
- The timely review of due diligence by Minnesota Housing staff
- The distribution of draft loan documents to the development team after Minnesota Housing's Mortgage Credit Committee (a Minnesota Housing internal, decision-making team) approves the funding terms of the development
- Updates on the closing status of the development. Development team members will be informed of progress by participating in closing status conference calls and through receipt of periodic comments from the Minnesota Housing closer in the Portal checklist

Suggestions for smooth and timely closings

- Communicate any proposed deviations from Minnesota Housing standard forms and procedures immediately to the Minnesota Housing closer.
- Material deviations typically require additional reviews and approvals by multiple staff and will likely delay the closing.

- Communicate regularly with your development team members (i.e., project architect, other lenders, general contractor, title company, and your attorney).
- Keep development team members informed of any Workbook budget or development changes.
- Notify development team members of scheduled events or deadlines.
- Communicate with the Minnesota Housing closer on potential material issues immediately. Such items may include, but are not limited to:
 - Zoning changes, replatting, TIF financing, redevelopment contracts, and Section 8 contracts
 - Availability of other lenders' funds at closing or restrictions on use of those funds
 - Availability of equity at closing, including HTC syndication proceeds
- Communicate any Workbook budget changes to the Minnesota Housing underwriter as soon as possible.
- Review closing documentation to help ensure that the form and content of the documentation complies with Minnesota Housing's requirements prior to submitting items to the Minnesota Housing closer.
- Keep track of your submissions so that you know what is outstanding on the Closing Checklist.
- Make sure that you are supplying the applicable Minnesota Housing forms and requirements to your development team members in a timely manner to help ensure that they are familiar with and will be able to meet the requirements.

Chapter 14 – Asset Management – First Mortgage

14.01 What to Expect

When the loan source requires Minnesota Housing first mortgage oversight (e.g., LMIR, amortizing PARIF, Asset Management, FAF/FA, Section 8, Housing Infrastructure Bonds), a housing management officer (HMO) is assigned. Timing and involvement by asset management will depend on the level of complexity surrounding the funding sources and ongoing oversight. Prior to the construction loan closing, asset management will review and approve the TSP, Management Plan, and the Affirmative Fair Housing Marketing Plan (AFHMP). All required documents will be listed as a submittal in the Portal. If supportive services are provided to any of the tenants, both the assigned asset manager and supportive housing officer (SHO) will review an MOU to help ensure the service funding is committed and staffing roles are defined so that the intended populations will be served.

New Construction

- The development construction budget should include insurance, pre-leasing activities and marketing expenses.
- A Minnesota Housing Marketing Agreement should be used if the management company (and/or marketing agent) will be paid a fee for the marketing of the new units outside of the monthly property management fee (this is a development construction expense and not an operations expense).
- A marketing plan may be required.

Rehabilitation

- Minnesota Housing must review relocation plans. Plans must address timing, funding, management, and communication to residents.
- Existing tenants must be income-qualified within 120 days of closing.
- A Minnesota Housing Marketing Agreement may be required if significant rehabilitation will occur and the units need to be leased again.

End Loan

- The End Loan Commitment provides for asset management involvement prior to the permanent loan closing. The loan commitment requires asset management review and approval for rent increases from the Workbook and any change in the management company.
- A Minnesota Housing Management Agreement will be an attachment to the loan commitment but not executed until closing of the end loan. The owner and management agent may use a Management Agreement in the interim with the understanding it terminates upon Minnesota Housing loan closing. If the first mortgage is a HUD Risk-share loan, the property manager must obtain HUD 2530 clearance.

- Amortization, reserves, and escrows do not begin until the end loan is closed and disbursed. The development team is required to provide insurance during this stage.
- An Operating Deficit Escrow will be established and funded to provide for rent up (if applicable) and operating deficits. Escrow will be released on the later of the following to occur (a) one year after permanent loan closing or (b) when the development has achieved a debt service coverage ratio of at least 1.15 for six consecutive months. The formula will be based on actual collected revenue less the greater of actual or underwritten effective gross expenses (from Financial Analysis attached to the Regulatory Agreement).
- An upfront guarantee may be required that will be satisfied upon the development reaching and maintaining certain benchmarks.
- Monthly operating reports and budgets will be required to be submitted on a form and through a process designated by Minnesota Housing. The income and expenses from the underwriting Workbook will be used at closing unless a change to rents or expenses was reviewed and approved by asset management. Audits are also required to be sent to Minnesota Housing within 60-90 days after the development's fiscal year-end.
- Partnership distribution is limited and subject to the Regulatory Agreement upon final closing. The use of surplus cash generated during the pre-closing period is at the owner's discretion, subject to the Partnership Agreement. Fees paid out of operations (prior to end closing) will reduce the amount of the approved first year distribution.

Construction Loan

- Upon "initial" closing, Minnesota Housing's closing department must be provided copies of the signed loan documents; i.e., Regulatory Agreement and end loan commitments (if applicable).
- Upon "final" closing, Minnesota Housing's closing department must be provided "amended" loan documents as/if needed.
- Minnesota Housing's accounting team will confirm with asset management the required escrow accounts and estimates of monthly payments. Invoicing for escrows will begin upon amortization.
- An Operating Deficit Escrow will be established and funded to provide for rent up (if applicable) and operating deficits. Escrow will be released on the later of the following to occur: (a) one year after permanent loan closing or (b) when the development has achieved a debt service coverage ratio of at least 1.15 for six consecutive months. The formula will be based on actual collected revenue less the greater of actual or underwritten effective gross expenses (from the financial analysis attached to the Regulatory Agreement).
- An upfront guarantee may be required that will be satisfied upon the development reaching and maintaining certain benchmarks.

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- Monthly operating reports and budgets will be required to be submitted on a form and process designated by Minnesota Housing and will be due upon “final” closing. The income and expenses from the underwriting Workbook will be used to reflect the first year’s budget. If the development began rent up prior to “final” closing, the owner/agent will need to reflect income and expenses for those months.
- Partnership distribution is limited and subject to the Regulatory Agreement upon final closing. The use of surplus cash generated during the pre-closing period is at the owner's discretion, subject to the partnership agreement. Fees paid out of operations (prior to end closing) will reduce the amount of the approved first year distribution.

14.02 Next Steps

Next Steps	Person(s) Responsible	Timeframe
1. Submit the required due diligence listed in the Portal	Borrower	At least 60 days prior to closing
2. Review and approve due diligence	Asset Manager	Prior to Mortgage Credit Committee meeting

14.03 Reference Materials, Forms and Documents

The following links reference documents that offer further information.

- [Asset Management Post-Selection webpage](#) – Contains links to forms and guidance on due diligence documentation.
- [Asset Management Information webpage](#) – Contains links to forms and guidance on reporting documentation.
- [Minnesota Housing’s Fair Housing webpage](#)
- [FairHousingMN.org AFHMP Toolkit](#) – Online tool to assist owner/agents in preparing Form 935.2A.

Chapter 15 – Asset Management – Deferred Loans

15.01 What to Expect

Asset management will participate until loan closing, as needed, to:

- Review rents and expenses if they change significantly from the time of selection
- Review and approve the Qualifications of Management Company (Form 210A) if the management company has changed from the time of selection
- Review and approve Affirmative Fair Housing Marketing Plans and the TSP
- If the development has supportive housing units, asset management will review the management plan and the MOU
- Minnesota Housing reserves the right to oversee the development when all first mortgage requirements apply

15.02 Next Steps

Next Steps	Person(s) Responsible	Timeframe
1. Submit the required due diligence listed in the Portal	Borrower	At least 60 days prior to closing
2. Review and approve due diligence	Asset Manager	Prior to Mortgage Credit Committee meeting

15.03 Reference Materials, Forms and Documents

The following links reference documents that offer further information.

- [Asset Management Post-Selection webpage](#) – Contains links to forms and guidance on due diligence documentation
- [Asset Management Information webpage](#) – Contains links to forms and guidance on reporting documentation
- [Minnesota Housing’s Fair Housing webpage](#)
- [FairHousingMN.org AFHMP Toolkit](#) – Online tool to assist owner/agents in preparing Form 935.2A.

Chapter 16 – Asset Management – HOME and National Housing Trust Fund (NHTF)

16.01 What to Expect

The following requirements are applicable to developments that enter into a Written Agreement on or after July 2014:

- **For HOME:** A post rehab, 20-year capital expenditures will be established upon construction closeout by the owner, which will include capital projections through the end of the HOME affordability period.
For NHTF: A post rehab, 30-year capital expenditures will be established upon construction closeout by the owner, which will include capital projections through the end of the NHTF affordability period.
- A Minnesota Housing architect will review the plan based off of the completed work to help ensure an appropriate useful life timeline and applicable capital needs items are included. Asset management will annually review the physical needs assessment (PNA) for the following:
 - Balance of replacement reserves at the beginning of the fiscal year
 - Capital expenditures during the fiscal year
 - Adjust above referenced PNA as needed
 - Make sure reserve balance remains positive through affordability date
 - Minnesota Housing may require the borrower to establish an additional Replacement Cost Reserve Account any time prior to repayment of the indebtedness. This account shall be held and maintained by either the lender or a depository designated by lender.
- Financial reporting: A Federal Reporting tool will be used to assist in evaluating the financial status of the development. This reporting tool will be similar to Minnesota Housing’s reporting tool that owners and agents currently use to report first mortgage operating data with the following changes:
 - Only one report needs to be submitted 30 days from the development’s fiscal year end.
 - The report will include all reserve balances and loan amounts from outside entities (if not held by Minnesota Housing).
 - This report will be in place of an annual budget and will reflect actual annual financial viability.
- Review and approve Affirmative Fair Housing Marketing Plans.
- If this development has supportive housing units, asset management will review the TSP, management plan, and MOU.

- Minnesota Housing reserves the right to oversee the development when all first mortgage requirements apply.

16.02 Next Steps

Next Steps	Person(s) Responsible	Timeframe
1. Submit the required due diligence listed in the Portal	Borrower	At least 60 days prior to closing
2. Review and approve due diligence	Asset Manager	Prior to Mortgage Credit Committee meeting

16.03 Reference Materials, Forms and Documents

The following links reference documents that offer further information.

- [Asset Management Post-Selection webpage](#) – Contains links to forms and guidance on due diligence documentation.
- [Asset Management Information webpage](#) – Contains links to forms and guidance on reporting documentation.
- [Minnesota Housing’s Fair Housing webpage](#)
- [FairHousingMN.org AFHMP Toolkit](#) – Online tool to assist owner/agents in preparing Form 935.2A.

Chapter 17 – Asset Management – Housing Infrastructure Bonds (HIB) and Rental Housing Bonds (RHB)

The language below only applies to RHB, HIB/PAB and HIB 501(c)(3) that is not new construction and cannot meet the substantial rehab requirements. It does not apply to HIB Governmental Bonds.

17.01 What to Expect

In addition to the requirements referenced in the Asset Management First Mortgage oversight section, the assigned asset manager will reach out to the development team regarding the Management Agreement. An interim Management Agreement may be needed during construction if the HIB or RHB are paired with a LMIR first mortgage. If the development receives HIB or RHB from Minnesota Housing, the following bold-faced language must be added to all Management Agreements applicable to the compliance period. The LMIR Management Agreement template includes the following paragraph.

REQUIRED BOND COMPLIANCE LANGUAGE:

Bond Compliance Agreement. This section shall apply to the Project if the Owner has received a mortgage loan from Minnesota Housing Finance Agency from proceeds of tax exempt bonds that qualify as exempt facility bonds issued to finance a qualified residential rental project pursuant to Section 142(d) of the Internal Revenue Code of 1986, as amended. The Management Agent fully understands that the Owner is required to comply with one or more Bond Compliance Agreements attached hereto as an Exhibit and incorporated herein by reference, which may be amended from time to time. The Management Agent further fully understands that the operation of the Project is subject to the Bond Compliance Agreements. In the performance of its duties hereunder, the Management Agent agrees to become conversant with and comply with the Bond Compliance Agreements and acknowledges receipt of the Bond Compliance Agreements.

The following is required on all bond financed developments (except tax-exempt governmental bonds – forgivable) to confirm the owners’ ongoing tax-exempt status and rent and income qualifications:

- Owner annual certification required per the bond agreement:
 - If applicable, file HUD Form 8703 pursuant to Section 142(d)(7) of the Internal Revenue Code; provide Minnesota Housing with a copy. This form must match your set aside requirement.
 - File 474A.047 – unless exempted
- Minnesota Housing reserves the right to oversee the development where all first mortgage requirements apply.

- Asset management staff will review and approve Affirmative Fair Housing Marketing Plans
- If this development has supportive housing units, asset management will review the TSP, management plan and MOU
- For more information, review the [Tax-Exempt Bonds Informational Guide](#)

17.02 Next Steps

Next Steps	Person(s) Responsible	Timeframe
1. Submit the required due diligence listed in the Portal	Borrower	At least 60 days prior to closing
2. Review and approve due diligence	Asset Manager	Prior to Mortgage Credit Committee meeting

17.03 Reference Materials, Forms and Documents

The following links reference documents that offer further information.

- [Asset Management Post-Selection webpage](#) – Contains links to forms and guidance on due diligence documentation
- [Asset Management Information webpage](#) – Contains links to forms and guidance on reporting documentation
- [Minnesota Housing’s Fair Housing webpage](#)
- [FairHousingMN.org AFHMP Toolkit](#) – Online tool to assist owner/agents in preparing Form 935.2A

Chapter 18 – Program Compliance and Monitoring

18.01 What to Expect

Properties financed using HTCs, HOME, National Housing Trust Fund (NHTF) and/or certain deferred loan products from Minnesota Housing are required to satisfy the compliance requirements detailed in the allocation and/or loan documents. Minnesota Housing's Property Online Reporting Tool (PORT) is used for compliance reporting. The owner will be provided a login ID after loan closing or issuance of a carryover agreement or preliminary determination letter. A compliance officer will be assigned to monitor program compliance. The compliance officer will perform periodic on-site inspections and review administrative records such as updated utility allowances; boiler, fire and elevator certifications; AFHMP; TSP; house rules; occupancy policy; etc. The compliance officer will also review tenant files for properties with HTCs, HOME, NHTF, and any High Priority Homeless (HPH) units.

HOME and NHTF: Compliance reporting begins after loan closing. Owners must submit an annual owner certification, and report of unit events in PORT each year until the end of the period of affordability. The first inspection will be done in conjunction with the start of the affordability period and every three years thereafter. Properties are also subject to annual financial oversight by Minnesota Housing. The asset management officer that is assigned to your property will be assisting you with these requirements.

Housing Tax Credits: Compliance reporting begins after Carryover Allocation for 9% HTCs or after issuance of the Preliminary Determination letter for 4% HTCs. Owners will be required to report placed in service dates, report first credit year, make a single or multiple-building election, and generate the building map required for the 8609 application in PORT. Owners must submit an annual owner certification and report of unit events in PORT each year until the end of the three-year protection period following the extended use period. Owners are also required to pay an annual monitoring fee starting with the annual owner certification for the first year of the credit period. The first inspection will be scheduled the year following the first credit year and will be conducted every three years during the 15-year compliance period and every five years during the extended use period.

Suballocator Tax Credits: Janken Housing Solutions monitors HTCs on behalf of Dakota County. Affordable Housing Connections (AHC) monitors HTCs on behalf of all other suballocators.

Deferred Loans: Compliance reporting begins after loan closing. Owners must submit an annual owner certification and report of unit events in PORT each year beginning the year the loan closes and annually thereafter during the compliance period. Inspections are conducted every three or five years, depending on the amount of Minnesota Housing financing in the development. If Minnesota Housing HOME, NHTF, HTCs, Section 8 and/or amortizing debt are also involved, inspections will be conducted according to those schedules. Some owners will also have to submit operating data on an annual basis.

18.02 Next Steps

Next Steps	Person(s) Responsible	Timeframe
<ol style="list-style-type: none"> 1. Provide regulatory documents, including affordability declarations, HTC LURA, and other compliance-related legal agreements to the appropriate property management staff. 2. Train staff responsible for complying with program rules and certifying tenant eligibility. Seminars for HOME, NHTF and HTC compliance, including certifying tenant income, are available from national and local trainers. A list of such trainers is on Minnesota Housing’s Compliance webpage. 3. Obtain respective income and rent limit charts, as well as utility allowance source documentation for compliance with income and rent limits. 	Owner/Manager	Prior to lease-up
<ol style="list-style-type: none"> 4. For each program-eligible household, obtain a Minnesota Government Data Practices Act Disclosure Statement, and certify household income and rent according to the respective program(s) requirements and eligibility (and eligible student status for HTC and/or HOME). Also obtain demographic information and document tenant files. 	Owner/Manager	On or after execution of the HOME or NHTF Written Agreement, no later than end of first credit year for tax credits, or prior to loan closing for Minnesota Housing deferred loans

18.03 Reference Materials, Forms and Documents

The following links reference documents that offer further information.

- [Property Online Reporting Tool User Guide](#)
- [Compliance webpage and Compliance Staff Contact Information](#) – Contains links to HOME/NHTF and HTC compliance guides, program guides, occupancy forms, PORT login page, compliance officer contacts, training and other links. Also contains a link to sign up for compliance email alerts.
- [Compliance and Monitoring General Information Training Tutorial](#) – This tutorial covers basic information that all owners receiving a Minnesota Housing deferred loan should know, including general information pertaining to deferred loans, an overview of the

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teams within asset management, and where to find specific compliance required items on the website. (50:10) – [Download the presentation slides](#)

- [Rent and Income Limits](#)
- [Fair Housing](#)

Chapter 19 – 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 make sure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements.

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

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Engage in any conduct relating to the provision of housing that otherwise makes 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 20 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting

20.01 Fraud

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

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the ways described in section 20.05.

20.02 Misuse of Funds

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

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

Any borrower or grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the ways described in section 20.05

20.03 Conflict of Interest

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

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

Organizational conflicts of interest occur when:

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- A contracting party is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties
- A contracting party's objectivity in carrying out the award is or might be otherwise impaired due to competing duties or loyalties
- A contracting party has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors

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

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

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual, perceived or potential conflicts of interest through one of the ways described in section 20.05.

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

20.04 Suspension

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

20.05 Disclosure and Reporting

Minnesota Housing promotes a "speak-up, see something, say something" culture whereby internal staff, external business partners (e.g., grantees, borrowers) and the general public are encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation. You may report wrongdoing or other concerns by contacting:

- Minnesota Housing's chief risk officer
- Any member of Minnesota Housing's [Servant Leadership Team](#)

- [EthicsPoint](#), the Minnesota Housing hotline reporting service vendor