



## 2014 Publicly Owned Housing Program (POHP) RFP Definitions and Frequently Asked Questions

### Definitions:

**End Loan** - A permanent, long-term loan from Minnesota Housing that is used to pay off a short-term construction/rehabilitation loan or other form of interim financing.

**Construction Loan** - A construction/permanent long-term loan to finance construction/rehabilitation and eligible soft costs. The loan funds are advanced incrementally during construction/rehabilitation.

**Qualified Third Party Needs Assessor** - Licensed architect, professional engineer, qualified rehab specialist, or qualified needs assessor or entity that is **not** affiliated (no identity of interest) with the property's ownership, development, or management.

**Qualified Rehab Specialist** – a non-licensed professional (or entity) with at least 5 years of experience providing physical needs assessments and preparing project work scopes for multifamily housing rehab projects similar in scope and operation to those typically financed by Minnesota Housing.

### Frequently Asked Questions

#### ***Can our organization apply for multiple properties or scattered sites?***

Yes. You can apply for G.O. bond proceeds under the POHP program for multiple properties or scattered site housing. Please note that all applications must include at least four units to be eligible.

#### ***If we apply for multiple properties or scattered sites, should we submit one or multiple applications?***

Although submitting multiple applications and submission of a single application covering multiple properties are both allowable, we cannot instruct you as to which will improve your likelihood of funding. Minnesota Housing will review all applications on their merits and the degree to which the applicant has demonstrated need for funding, readiness to proceed, alignment with Minnesota Housing and funding source priorities, and other factors. Please refer to the Program Manual for additional information on selection standards and priorities.

#### ***We are planning to submit one application for multiple properties/scattered sites. What are some elements to consider?***

The proposal should be for one loan, have a single development team, use a single contractor, and involve properties under common ownership, management, and financing. In addition, properties should be of the same general typology (e.g. single family homes, duplexes, or high-rises, and not a mix of types). It is also critical if submitting one application for multiple properties that you *clearly* delineate proposed improvements and estimated hard and soft



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costs for each property, and be sure to address any timing considerations in your application narratives. For example, will construction be occurring simultaneously or is a phased approach proposed? Finally, think carefully about potential trade-offs. For example, including multiple properties in one application increases some soft costs (e.g. title work, environmental reports) and may make the application less competitive for full funding. On the other hand, some economies of scale may be possible by including multiple properties under one loan and as part of one larger construction project.

### ***If we submit an application involving two or more properties or scattered sites, and Minnesota Housing cannot fund the entire project, how will it prioritize?***

Minnesota Housing will prioritize only as it pertains to its stated priorities (addressing imminent health/safety issues, improvements that involve resource conservation, maximization of non-state resources, and readiness to proceed). Aside from these, the applicant should clearly state its priorities, be they for funding of one building over another or for some subset of improvements across multiple properties over another subset of improvements. It is also advisable to indicate both the maximum amount of funds requested as well as the minimum you would be willing to accept.

### ***What is considered leverage and why is it required?***

Minnesota Housing must, by law; give priority among comparable project proposals to those that maximize federal resources such as Capital Funds, or local (non-state) resources such as philanthropic, community foundations, or utility rebates. There is not a required percentage standard.

### ***Our PHA doesn't have capital funds or other non-state resources available to contribute to the project. Should we still apply?***

Yes. While Minnesota Housing must, by law, give priority among comparable proposals to those that maximize federal or local (non-state) resources, applicants who do not include leverage are still eligible to apply.

### ***Can a PHA count "in-kind" services or fees as leverage?***

PHAs are able to count third party costs that were incurred for the project as long as it was within one year prior of the date of this application. PHA's are also able to count fees that were waived (ex: the city waived the permit fee, or the contractor waived a consulting fee).

PHA's can detail non-leverage costs in the narrative portion of the RFP (specifically in the Proposal Summary, question #3). While these costs may not be eligible for the leverage component, the description of these costs will provide Minnesota Housing a better understanding of the total project cost.



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### ***Can a PHA count expected/future capital funds (2015) as leverage?***

2015 Capital Funds can be offered as leverage; however the POHP loan cannot close until the funds have been received.

### ***Can a PHA count local bonds that are issued after the statute date, but before closing on MHFA POHP funds?***

Unissued bonds can be offered as leverage; however the POHP cannot close until the funds have been received. The PHA should be careful to offer bonds as leverage in the event they are not issued as the PHA would be required to fund the leverage with other funds.

### ***Will having capital reserves available but slated for future use hurt our chances of being selected?***

Not necessarily. While Minnesota Housing will, among comparable proposals, select those that include non-state resources as part of the rehabilitation project, we also recognize that you must plan ahead for future needs. Use the application narratives and reference HUD documents as appropriate to demonstrate how the improvements fit into your long-term capital planning and when and for what purposes you will tap into your reserves.

### ***Should we include the 5% Project Management Fee in our application?***

The 5% maximum Project Management Fee is intended primarily to be available to smaller, resource-constrained PHAs. In particular, if an eligible applicant has never participated in a "typical" real estate transaction, it may be appropriate to request the Project Management Fee to cover the cost of any extra administrative costs associated with the rehabilitation project. The Project Management Fee line item will be assessed for suitability just like any other project cost, and should be considered for a smaller (e.g. 2 or 3%) or zero amount if your organization can otherwise cover costs. Requests for the fee that are unsubstantiated or appear excessive may be denied. Please bear in mind that Minnesota Housing will require documentation of any contracts for services as well as documented qualifications of service providers.

### ***We have a Physical Needs Assessment (PNA) that was prepared in HUD's format. Can we submit this as our PNA?***

Yes. You can submit a PNA that was prepared for HUD, as long as it represents a thorough detailing of conditions of the property as a whole. As an alternative, you can use Minnesota Housing's Property Inspection Template (see application for more details) for the entire property or properties.

### ***Does our Property Needs Assessment (PNA) need to be done by a licensed architect?***

There are several options. The PNA must be completed by a Licensed Architect, Professional Engineer, Qualified Rehab Specialist, or Qualified Needs Assessor or entity that is not affiliated (no identity of interest) with the property's ownership, development, or management.



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### ***Are firm bids required at application?***

No. While firm bids are helpful at application, you can submit estimates based on comparable improvements done on similar properties, cost estimation software or resources such as RS Means, or other resources. Please contact Minnesota Housing architectural staff for questions on cost estimation.

### ***Are renderings or other architectural or design-related documents required at time of application?***

No. Although such items may be helpful in demonstrating the nature of proposed improvements or for illustrating the need for design-related improvements, they are not required at application.

### ***Our PHA has a current Interim Rule Public Housing Assessment System (PHAS) ranking of substandard or troubled. Are we eligible to apply?***

A PHA may apply if they have a current audited PHAS score of 80 or above. A PHA may have a score of 80 or above and have a 'substandard' rating and still apply.

### ***Our PHA has a current audited (PHAS) score below 80. Are we eligible to apply?***

It is not recommended that a PHA apply if their current audited score is below 80. Questions regarding this requirement should be directed to Minnesota Housing POHP program staff.

### ***Our financial records and budget documents include a substantial amount of information that does not pertain to public housing. Should we submit the full documentation or summary documents?***

At minimum, in addition to any summaries you may wish to prepare or have prepared, required documentation for financial records and operating budgets must include the most recent two years of comparative audited financial statements, three years of operating budgets for the property or properties for which funding is being requested, and other documents prepared for HUD as listed in the POHP application. If your organization is responsible for a number of programs, funding sources, and activities, it is advisable to submit both the full documentation and summary documents (or at least to flag sections of the full documents specific to public housing).

### ***Can funds be used to support operations, fund reserves, or cover maintenance items?***

No. G.O. bond proceeds as administered under the Publicly Owned Housing Program can only be used for improvements of a non-recurring, capital nature, and soft costs *directly attributable* to the proposed improvements.

### ***Can G.O. Bond proceeds be used to fund acquisition, new construction, or replacement of public housing?***

No. The G.O. bond appropriation can only be used for the rehabilitation of existing public housing



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***Our organization has never received Minnesota Housing funding for our public housing and is therefore unfamiliar with its processes and requirements. Should we still consider applying?***

Yes. Minnesota Housing is committed to providing technical assistance to applicants in various formats and does not view lack of previous participation as an impediment to successful application. Also, technical assistance is available to assist with the application and post-selection process. More information is available on the [NAHRO website](#).

***What is B3 and how do I know if my project is subject to B3 requirements?***

The Buildings, Benchmarks, and Beyond, or “B3” program outlines Minnesota’s Sustainable Building Design (MSBD) requirements. All GO Bond funded projects, such as POHP, must comply with B3 Sustainability Guidelines. **All recipients of POHP funds must complete the [Form P-Oc: Applicability Form](#).** This form determines if the recipient is required to follow B3 requirements or is eligible for a waiver. Minnesota Housing recommends POHP recipients complete Form P-Oc: Applicability Form immediately after the announcement of awards.

A recipient is required to comply with B3 requirements if **both** of the following apply:

The building exceeds 10,000 square feet; **and**  
If modifications are made to the HVAC system

If the recipient receives a B3 waiver from MSBD, they must provide a copy of the waiver to Minnesota Housing via email: [MHFA.POHP@state.mn.us](mailto:MHFA.POHP@state.mn.us). **In addition, any projects receiving a B3 waiver are required to comply with [Minnesota Housing’s Limited Scope](#).**

***Can the Physical Needs Assessment (PNA) be completed by a needs assessor on a PHAs staff?***

No. A true third party must complete the PNA requirement.

***Can Minnesota Housing waive the PNA requirement for a project with a limited scope such as an elevator repair/replacement?***

Projects with a total construction cost over \$300,000 and a narrow scope of rehabilitation can request a waiver of the Needs Assessment requirement by contacting Minnesota Housing POHP staff: [mhfa.pohp@state.mn.us](mailto:mhfa.pohp@state.mn.us)

***Is there a minimum or maximum loan amount?***

No. There is no specified minimum or maximum loan amount. Applicants should, however, consider the size of the request with respect to total amount of funding available (\$20 million). Minnesota Housing retains the right to offer a smaller award than is requested or to encourage enlargement of work scopes based on deficiencies identified in the Physical Needs Assessment.



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### ***Would MHFA waive Phase 1 & 2 of the Environmental Site Assessment (ESA)?***

A PHA is required to submit ESA Phase 1 & 2 that was completed within one year of the date of application as part of the post selection due diligence process

### ***Would MHFA waive Affirmative Fair Housing Marketing Plan?***

A PHA is required to submit [Minnesota Housing Affirmative Fair Housing Marketing Plan](#) as part of the post selection due diligence process.

### ***What is the role of the Minnesota Housing architect in the project? Is there a difference in the architect's engagement if the project is an end loan versus construction loan?***

The Minnesota Housing staff architect is available for:

- Plan review
- Consult prior to application (including review of scope of work)
- Review of proposed changes (End Loan)
- Pay draw approvals (Construction Loan)

### ***How much detail is needed for a sufficient Relocation Plan? What guidelines should we use? Will this require a Relocation Consultant?***

PHAs that are planning to relocate tenants due to project renovations must carefully consider:

1. Minnesota Housing relocation requirements for the purpose of applying for POHP funds
  - a. The PHA should contact Minnesota Housing prior to the application deadline to discuss the relocation plan.
2. HUD requirements to remain in compliance with Capital Fund rules.