

# DEFERRED LOANS

## Housing Infrastructure Bonds (HIB)

### Overview

Housing Infrastructure Bonds (HIB) fund the development of affordable permanent rental housing and homeownership opportunities for low- to moderate-income households. These bonds are issued by Minnesota Housing as authorized by state of Minnesota legislation intended to address specific and critical local housing needs.

### Application Process

Applications accepted through the annual Multifamily Consolidated Request for Proposals (RFP) process.

### Lending Terms

#### Eligible Properties:

Permanent multifamily rental housing that meets one or more eligible uses:

- Housing affordable to seniors with at least one household member who is age 55 or older with a gross annual *individual* income that does not exceed \$47,200 in the 11-County Metro Area or \$42,100 outside the 11-County Metro Area.
  - At least 5% of the units, with a minimum of 4 units, must be for seniors with a gross annual *household* income that does not exceed \$28,300.
- Permanent supportive housing for persons or families experiencing or at risk of homelessness
- Permanent supportive housing for people with behavioral health needs
- Preservation of federally subsidized rental housing

#### Loan Purpose:

Funds may be used for new construction, acquisition or rehabilitation of permanent rental housing that meets at least one eligible use.

#### Loan Parameters:

Generally, funds will be made available as a zero percent deferred payment loan, unless a higher interest rate is necessary to allow the funding source to be used with other sources, such as housing tax credits. Principal and interest, if any, will generally be due and payable at the end of the loan term, which is typically 30 years; however, Minnesota Housing may, in its sole discretion, require the borrower to make an annual repayment based on a percentage of surplus cash.

#### Loan Types:

##### Private Activity Bond Funded

Loans are structured as deferred payment, repayable at maturity. Bonds issued by Minnesota Housing to fund the loans count against Minnesota Housing's portion of the state of Minnesota volume cap on private activity bonds. Loans funded with bond proceeds may qualify a development for 4% housing tax credits since the bonds will qualify as an obligation taken into account for purposes of the 50 percent aggregate basis threshold. The borrower can be any type of entity except for a governmental entity.

##### Governmental Bond Funded

Loans are structured as deferred payment, forgivable at maturity. Bonds issued by Minnesota Housing to fund the loans do not count against Minnesota Housing's portion of the state of Minnesota volume cap on private activity bonds. Loans funded with bond

proceeds do not qualify a development for 4% housing tax credits. The borrower can be any type of entity.

### **501(c)(3) Bond Funded**

Loans are structured as deferred payment and may be either forgivable or repayable at maturity. Bonds issued by Minnesota Housing to fund the loans do not count against Minnesota Housing's portion of the state of Minnesota volume cap on private activity bonds. Loans funded with bond proceeds do not qualify a development for 4% housing tax credits. The borrower must be a 501(c) (3) non-profit organization.

**Recourse:**

Non-recourse.

**Prepayment and Assumption:**

No prepayment for the first 10 years from the date of the HIB mortgage note. After 10 years, the mortgage may be repaid in full at any time. The covenants and conditions in the declarations run with the land and will remain in effect for the term of the declarations regardless if the loan is paid in full or assumption is allowed. A prepayment fee in an amount equal to the approximate administrative costs incurred by Minnesota Housing in processing the prepayment will be charged. At Minnesota Housing's sole discretion, the loan may be considered for an assumption (but not guaranteed), contingent on Minnesota Housing's approval of the proposed ownership entity and assumption of all contractual obligations with Minnesota Housing. If approved, an assumption fee equal to the approximate administrative costs of the assumption will be charged.

**Income and Rent Limits:**

Income limits are the greater of 80% of statewide or area median income. Rents cannot exceed the Affordable to Local Workforce rent limits published by Minnesota Housing. Lower income limits and rents may be required for all or some of the units based on Minnesota Housing's funding priorities, state law applicable to HIB loans for certain senior housing developments and federal tax law applicable to private activity bonds.

**Repairs Qualifications:**

Construction or rehabilitation to a standard that when properly maintained, remains decent, safe and affordable for the duration of the financing compliance period. Refer to the Building Standards page on our website for full design/construction information.

**Monitoring:**

Owners must submit an owner's certification and report occupancy data annually using Minnesota Housing's online reporting tool. Properties will be inspected periodically. Owners may also be required to submit annual operating data.

**Third Party Reports:**

Third party reports may include reports such as an appraisal, an environmental and radon report, a market study, and/or a physical needs assessment, as required.

**Other Eligible Uses:**

HIB proceeds may also be used for the purposes of single-family homeownership, including the acquisition of land by community land trusts.

For more information on community land trusts, contact Nira Ly at [nira.ly@state.mn.us](mailto:nira.ly@state.mn.us) or 651.296.6345.

## **Questions**

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