



Minnesota's National Housing Trust Fund Allocation Plan

Substantial Amendments to Minnesota's 2017 Annual Action Plan and 2017-2021 Consolidated Plan

Draft for Public Comment: June 20, 2017



The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, or sexual orientation or gender identity in the provision of services.

An equal opportunity employer.

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

Table of Contents

Introduction.....	4
1. National Housing Trust Fund Strategic Plan §91.315(b)(2)	4
<i>Geographic Priorities</i>	<i>4</i>
<i>Goals</i>	<i>4</i>
2. National Housing Trust Fund Action Plan §91.320(k)(5)	5
<i>Distribution of NHTF funds.....</i>	<i>5</i>
<i>Application Requirements and Selection Criteria.....</i>	<i>5</i>
<i>Priority for Awarding Funding to Eligible Applicants §91.320(k)(5)(i)</i>	<i>6</i>
<i>Eligible Activities and Eligible Recipients §91.320(k)(5)(ii).....</i>	<i>10</i>
<i>Performance Goals and Benchmarks §91.320(k)(5)(iii)</i>	<i>11</i>
<i>Rehabilitation Standards §91.320(k)(5)(iv).....</i>	<i>12</i>
<i>Resale and Recapture Provisions §91.320(k)(5)(v).....</i>	<i>12</i>
<i>Affordable Homeownership Limits §91.320(k)(5)(vi)</i>	<i>12</i>
<i>Limitation on Beneficiaries or Preferences §91.320(k)(5)(vii)</i>	<i>12</i>
<i>Refinancing Existing Debt §91.320(k)(5)(viii).....</i>	<i>12</i>
 Addendum A: Per Unit Subsidy	
Addendum B: Multifamily Request for Proposals Guide	
Addendum C: Minnesota Housing National Housing Trust Fund Rental Property Standards for New Construction and Rehabilitation	

Introduction

Minnesota Housing Finance Agency’s (Minnesota Housing) 2017 National Housing Trust Fund (NHTF) 2017 Allocation Plan is a part of the State of Minnesota’s 2017-2021 Consolidated Plan and the 2017 Annual Action Plan¹ currently ready for submission to the U.S. Department of Housing and Urban Development (HUD). This amendment providing the details of the allocation plan are offered for public comment June 20-July 5 (public hearing scheduled for Wednesday July 5).

Minnesota Housing has been designated by the Governor as the Minnesota recipient of NHTF from HUD.

Minnesota will receive the \$3,118,428 in 2017. All NHTF funds that Minnesota Housing receives in 2017 will be used to house extremely low-income families. In accordance with 24 CFR Part 93, Minnesota Housing will allocate 10% of its grant to program planning and administration costs (\$311,400); up to one-third for operating cost assistance or funding operating cost assistance reserves (up to \$1,039,400); the balance of the grant will provide capital funding for new construction or rehabilitation of NHTF units.

1. National Housing Trust Fund Strategic Plan §91.315(b)(2)

Geographic Priorities

The NHTF funds will be part of a deferred pool of resources, through Minnesota Housing, which are targeted to address specific and critical needs in rental housing markets, including multiple geographic priority areas: transit oriented development, areas with strong job markets or job growth, economic integration areas with higher incomes, and tribal areas. (As defined in Minnesota Consolidated Plan 2017-2021, SP-10).

Goals

Goals for the five year period 2017-2021 as defined in the Consolidated Plan and in the 2017 Annual Action Plan anticipates funding for NHTF of \$3 million annually, for a total of \$15,000,000 over the five year period.

	2017 Annual Action Plan Goals	2017-2021 Consolidated Plan Goals
Number of NHTF units constructed or rehabilitated	22	110
Number of NHTF units receiving operating subsidies	Up to 12	Up to 60

Operating subsidies assume providing assistance for up to fifteen years of the thirty year affordability period. The number may be greater if it is found that less than fifteen years of subsidy is necessary, or less if eligible applications are not received and operating funds are not committed to projects. Minnesota Housing intends to use operating subsidies only with other NHTF units constructed or rehabilitated.

¹ Find current 2017-2021 Consolidated Plan and 2017 Annual Action Plan on Minnesota Housing’s website: www.mnhousing.gov > Policy & Research > Plans for Federal Funds

Table 1: Strategic Plan Goals and Outcomes (Consolidated Plan 2017-2021, SP-45)

Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
Enhance Affordable Housing Opportunities – Minnesota Housing	2017	2021	Affordable Housing	Statewide	Low-Moderate Income Renter and Owner Households	HOME: \$29,890,550 National Housing Trust Fund \$15,000,000	Rental units rehabilitated: 955 Household Housing Units Rental units constructed: 955 Household Housing Units Other: 60 other

2. National Housing Trust Fund Action Plan §91.320(k)(5)

Distribution of NHTF funds

Minnesota will not allocate funds to subgrantees for their distribution to owners/developers. Instead, NHTF funds will be distributed directly to owner/developers of affordable housing via Minnesota Housing’s annual Consolidated Request for Proposal (Consolidated RFP). The NHTF funds will be part of a deferred pool of resources, through Minnesota Housing, which are targeted to address specific and critical needs in rental housing markets, including multiple geographic priority areas: transit oriented development, areas with strong job markets or job growth, economic integration areas with higher incomes, and tribal areas. Minnesota Housing retains the option to offer funds on a pipeline basis in the event qualified proposals are insufficient to use the entire NHTF grant.

Application Requirements and Selection Criteria

The Consolidated RFP provides a comprehensive system to evaluate a project against eligibility criteria, selection priorities, and capacity of developers and owners. Selections are made after careful and thorough consideration of the project.

The RFP application process begins with the announcement of the Consolidated RFP, and includes outreach and technical assistance to interested applicants. Once applications are submitted to the agency, they undergo application and eligibility review to determine if they pass basic application requirements and selection criteria. The applications then undergo feasibility review by staff underwriters, including detailed analysis of applicant and organizational capacity and priority housing needs. Next, all applications are reviewed together in consistency meetings with staff to ensure consistency in evaluation by individual underwriters. When applications pass this level of review, they undergo a second application review for feasibility, including site visits, if applicable. Once applications are considered feasible, they move on to a selection meeting, which is run through the agency’s Mortgage Credit Committee and includes underwriters, managers, and senior leadership. The Mortgage Credit Committee deliberates on feasible applications compared with funding resources available, weighing appropriate uses of those funds and the agency’s Strategic Priorities, feasibility, and organizational capacity, and recommends a package of developments for selection. This recommendation is then brought before Minnesota Housing’s Board of Directors for final review and approval.

There are three main components of the RFP review process that are captured in the attached RFP guide (Addendum B):

- **Initial Eligibility and Feasibility:** Applicants must satisfy project feasibility and organizational capacity requirements to be considered for funding. Once applications are submitted to the agency, they undergo application and eligibility review to determine if they meet the basic eligibility requirements. The applications then undergo feasibility review by staff underwriters, including detailed analysis of applicant and organization capacity and priority housing need.
- **Strategic Priorities:** Strategic priorities are the main strategic focus and driving policy goals of the agency in the funding round and are of primary importance in the evaluation of the applications. Every proposal must satisfy at least one strategic priority to be eligible for funding through the RFP. Minnesota Housing gives priority to proposals that best meet the greatest number of Strategic Priorities.
- **Selection Priorities:** Selection priorities capture other elements that are beneficial to a project. These are given less weight in evaluation than the Strategic Priorities.

Priority for Awarding Funding to Eligible Applicants §91.320(k)(5)(i)

Minnesota Housing's RFP process incorporates each of the six priority funding requirements of NHTF, as described below.

1. Geographic Diversity.

Minnesota Housing will accept and consider proposals for NHTF from across the state consistent with the state's certification to affirmatively further fair housing. The needs of very low-income and extremely low-income tenants across Minnesota are a high priority in the Consolidated Plan; however, geographic location of a project may be considered in the context of the project's proximity to certain community features whose presence is a priority for Minnesota Housing.

Of 18 Selection Priorities (described below in 5. *Priority Housing Needs*), six relate specifically to the geographic location of projects, including economic integration areas, workforce housing communities, rural and tribal areas, location efficiency (transit), access to higher performing schools, and community revitalization areas. In sum, these geographic priority areas support a balanced and diverse distribution of resources across the state.

2. Applicant Capacity.

Applicants must be capable of undertaking and completing NHTF-funded activities in a timely manner, consistent with regulatory requirements to meet five year expenditure deadlines. Minnesota Housing expects all project funds to be secured within approximately nine months of selection, and the project must close within 20 months from the date of selection. This capability is evaluated during the Consolidated RFP process. Capacity of the entire development team is evaluated, taking into consideration experience with similar projects, financial and staff capacity, status of other projects in the team's development pipeline, and other factors relevant to the role of the entity.

As described in the agency's Multifamily RFP Guide (Addendum B), the following factors will be considered in determining whether an organization has demonstrated sufficient organizational capacity:

- The applicant's purpose and mission;
- The applicant's related housing experience;
- Whether the applicant has successfully completed similar projects or is partnering with other organizations that have successfully completed similar projects;
- Whether the applicant has strong current and expected ongoing capacity to complete the proposed housing as well as other proposals being developed by the organization; and
- Whether the applicant has the capacity to maintain the rental housing long term.

3. Project-based Rental Assistance.

As described below in *5. Priority Housing Needs*, preservation of federally assisted housing is a Strategic Priority of the agency. In addition, developments that provide fully executed commitments for project based rental assistance (standard or in conjunction with Long Term Homeless units) at the time of application are given selection priority.

4. Duration of Affordability Period.

New Construction, rehabilitation, and rehabilitation and acquisition rental projects with NHTF have a required affordability period of thirty years. No additional consideration will be given to projects that will provide affordability beyond thirty years. Operating cost assistance reserves may be funded for the amount estimated to be necessary for up to fifteen years from the start of the affordability period.

5. Priority Housing Needs.

Minnesota's most recent Consolidated Plan (2017-2021) identifies priority housing needs among extremely low income renters for all renter household types. The total unmet need among extremely low income renters in Minnesota was estimated to be 136,332 units in at the time of the Consolidated Plan publication. NHTF resources will be used exclusively to support units affordable to extremely low income renters (at or below 30% of area median income).

In addition to helping to meet the substantial unmet need of extremely low income renters, Minnesota Housing has defined the following Strategic and Selection priorities. As described in the previous section, the Strategic Priority policies describe the main strategic focus and driving policy goals of Minnesota Housing in the current funding round, and will be of primary importance in the evaluation of applications. The Selection Priorities capture other elements that are beneficial to a project. These priorities, described below, are communicated to potential applications through the "Multifamily Request for Proposal Guide." The 2017 Guide is included in its entirety as Addendum B.

Projects must meet at least one Strategic Priority to be considered feasible. Minnesota Housing gives priority to proposals that best meet the greatest number of Strategic Priorities. Minnesota Housing's current Strategic Priorities are:

1. Preservation of developments that contain existing federal assistance or other critical affordable units at risk of loss,

2. Finance housing responsive to Minnesota’s changing demographics, for example which could be met by developments that provide Permanent Supportive Housing for special populations.
3. Address specific and critical rental housing needs, for example, Transit Oriented Development on fixed transit, economic integration, workforce housing, senior housing, and
4. Prevent and end homelessness through permanent supportive housing.

Among proposals that best satisfy these Strategic Priorities, Minnesota Housing will give priority in awarding funding to the proposals that best meet the greatest number of selection priorities in effect at the time of the RFP. These are given less weight in evaluation than the Strategic Priorities. Selection priorities may be found in the “Multifamily Request for Proposal Guide” and are described below.

- **Household Targeting.** Developments that provide housing for large families or that provide single room occupancy.
- **Permanent Supportive Housing for Households Experiencing Homelessness.** Developments that provide permanent housing opportunities for households experiencing long-term homelessness targeted to single adults, or developments that set-aside units for households experiencing long-term homelessness, at significant risk of long-term homelessness, or as prioritized for permanent supportive housing by the Coordinated Entry System, targeted to families with children or youth.
- **Consistency with [Local Continuum of Care Priorities](#).** Proposals that address locally determined priorities as determined by each Continuum of Care.
- **People with Disabilities.** Developments that provide permanent housing opportunities for persons with disabilities.
- **Rental Assistance for Supportive Housing Units.** Developments that have secured rental assistance for supportive housing units or units serving households with disabilities.
- **Serves Lowest Income Tenants/Affordable to the Local Workforce.** Developments that commit to providing rent levels affordable to the lowest income households or in projects meeting the Greater Minnesota Workforce Strategic Priority, affordable to the local workforce, for the term of the loan(s) awarded by Minnesota Housing.
- **Rental Assistance.** Developments that provide fully executed commitments for project-based rental assistance at the time of application.
- **Economic Integration.** Developments that provide housing for households with a wide range of incomes and housing needs in mixed-income projects or within higher income communities.
- **Access to Higher Performing Schools.** Projects serving families in locations that will provide access to higher performing schools.
- **Workforce Housing.** Developments located within five miles of a Metro area workforce housing city or township, or within 10 miles of a Greater Minnesota workforce housing city or township.
- **Location Efficiency.** Developments that promote location efficiency based on access to transportation and walkability.
- **Rural/Tribal.** Developments located in a census tract eligible rural/tribal designated area.
- **Federal, Local, Philanthropic, Employer Contributions.** Developments that have secured contributions from the federal government, a local unit of government, an area employer and/or private philanthropic, religious or charitable organization.

- **QCT/Community Revitalization and Tribal Equivalent Areas.** Developments that are located in a Qualified Census Tract and are part of a plan that provides for community revitalization.
- **Minority Owned/Women Owned Business Enterprise.** Developments that have a project sponsor, general contractor, architect, or management agent who is a minority and/or a woman who owns at least 51 percent And whose management and daily business operations are controlled by one or more minority persons or woman who own it.
- **Preservation.** Developments that meet one of the three Risk of Loss Thresholds in the Strategic Priority category that also meet either the Existing Federal Assistance or Critical Affordable Units at Risk of Loss criteria.
- **Financial Readiness to Proceed.** Developments that have secured funding commitments for one or more permanent funding sources at the time of application
- **Greater Minnesota Workforce Housing – Meaningful Employer Contribution.** Developments that meet the Greater Minnesota Workforce Housing Strategic Priority and have received a meaningful contribution from an area employer.
- **High Speed Internet.** Developments that will provide High Speed Internet access via installation of all appropriate infrastructure and connections for cable, DSL or wireless internet service to every unit in the development.
- **Universal Design.** Developments that are designed to meet the needs of all households to the greatest extent possible, regardless of age, ability, or status in life.
- **Smoke Free Buildings.** Developments that will institute and maintain a written policy prohibiting smoking in all units and common areas.

6. Leveraging.

Minnesota Housing's NHTF funds will leverage other agency, private, and low-income housing tax credit investment. The NHTF funds will be made available through the agency's Consolidated RFP, which consolidates and coordinates multiple housing resources into one application process. Funding partners include the Metropolitan Council, Department and Employment and Economic Development, Family Housing Fund and Greater Minnesota Housing Fund. Financing opportunities that could be leveraged with NHTF funds include several nonfederal sources through the State of Minnesota:

- Amortizing first mortgages through the State of Minnesota's Low and Moderate Income Rental Program
- Deferred loans through State of Minnesota funded Economic Development and Housing Challenge program
- Deferred loans through the State of Minnesota funded Preservation Affordable Rental Investment Fund
- Housing Investment Bonds through the State of Minnesota

Two of the agency's selection priorities incorporate a projects ability to leverage other resources. These include federal, local, philanthropic, and employer contributions; and financial readiness to proceed.

Eligible Activities and Eligible Recipients §91.320(k)(5)(ii)

Eligible Activities.

The application/proposal must describe the activity to be funded with NHTF, and the applicant must certify that the assisted units will comply with NHTF requirements. Activities to be undertaken include rehabilitation (including acquisition), preservation, and new construction of rental housing and operating assistance.

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

As described in Chapter 3 of the agency's Multifamily RFP Guide, the following factors will be considered in determining an applicant's demonstrated overall project feasibility:

- The nature of the proposed site;
- Whether the proposed housing is needed in the intended market, based upon population, job growth, and very low housing vacancy rates;
- Whether costs of developing the housing are reasonable;
- Whether the applicant has demonstrated cost containment efforts for all stages and aspects of the development without compromising overall development quality;
- Whether the housing is economically viable; and
- For permanent supportive housing, whether the applicant has secured on-going funding for the support services that address the special needs of the proposed targeted population.

Eligible Recipients.

Eligible entities for NHTF include owners or developers that must satisfy the definition of recipient in 24 C.F.R. 93.2 and be either:

- A for-profit entity,
- A 501(C)(3) non-profit entity (including Community Housing Development Organizations, or CHDO),
- A government unit (excluding the federal government), or
- A religious organization.

The owner must provide evidence of a qualifying interest in the property. Such interest must be recorded and appear in the county records. The minimum qualifying interest is 100 percent fee simple interest that may also be subject to a mortgage.

The owners and development team must not be debarred or excluded from receiving federal assistance prior to selection or entering into a Written Agreement or closing the loan.

Applicants and their development team must undergo an evaluation by Minnesota Housing of their capacity and pass Minnesota Housing underwriting before the applicant qualifies as an eligible recipient. Applicants must have demonstrated experience and capacity to conduct and eligible NHTF activity as evidenced by its ability to own, construct, or rehabilitate, and manage and operate an affordable multifamily rental housing development.

Minnesota Housing underwriting standards require that at least one sponsor must demonstrate acceptable performance (multifamily housing experience) and financial capacity for the scale for the proposed project regardless of guaranty provisions, if any. All loans require a full sponsor credit review for final approval.

Eligible recipients will certify that housing units assisted with the NHTF will comply with NHTF program requirements during the entire period that begins upon selection and ending upon the conclusion of all NHTF-funded activities. Recipients must demonstrate the ability and financial capacity to undertake, comply, and manage the eligible activity. Recipients must also demonstrate familiarity with requirements of other Federal, State or local housing programs that may be used in conjunction with NHTF funds to ensure compliance with all applicable requirements and regulations of such programs.

Performance Goals and Benchmarks §91.320(k)(5)(iii)

Minnesota will receive the \$3,118,428 in 2017. All NHTF funds that Minnesota Housing receives in 2017 will be used to house extremely low-income families. In accordance with 24 CFR Part 93, Minnesota Housing will allocate 10% of its grant to program planning and administration costs (\$311,400); up to one-third for operating cost assistance or funding operating cost assistance reserves (up to \$1,039,400); the balance of the grant will provide capital funding for new construction or rehabilitation of NHTF units.

At an anticipated average per unit capital cost of \$98,000 for supportive housing, Minnesota Housing anticipates completing at least 22 units of housing that is affordable to extremely low-income families.

Based on Minnesota Housing's experience of providing operating assistance through the State's housing trust fund for supportive housing, Minnesota Housing expects average annual operating cost assistance to be \$2,700, which will provide operating assistance for up to 12 NHTF units for 15 years.

Minnesota Housing reserves the right to reallocate uncommitted operating funds to capital costs if qualified applications for operating funds are insufficient to award all operating funds.

Maximum Per-unit Development Subsidy Limits.

Minnesota will establish the maximum per-unit development subsidy at the same level as per-unit cost thresholds established the cost containment methodology associated with the State's Low-income Housing Tax Credit Qualified Allocation Plan (QAP). The thresholds, based upon total actual development costs for developments funded by Minnesota Housing since 2002, are adjusted for number of bedrooms and geographic location of the project. Despite the per-unit subsidy limits, subsidies may be further limited on individual projects based on the result of subsidy layering reviews and the financing needs of the project.

Per-unit subsidy limits are set forth in Addendum A, but are subject to change whenever a new QAP is adopted or modified. Adjustments are made in response to cost trends. Any changes will continue to be reasonable, based on actual costs, and adjusted for the number of bedrooms and geographic location of the program.

Rehabilitation Standards §91.320(k)(5)(iv)

All NHTF units must comply with Minnesota Housing’s Multifamily Rental Housing Design/Construction Standards, including Chapter 9, Design, Construction, and Property Standards for Federally Funded Projects. These standards are attached and incorporated hereto as Addendum C. Chapter 9 provides federal program requirements, while projects must achieve all requirements detailed in the guide.

Resale and Recapture Provisions §91.320(k)(5)(v)

Not applicable. Minnesota Housing will not use NHTF to assist first time homebuyers.

Affordable Homeownership Limits §91.320(k)(5)(vi)

Not applicable. Minnesota Housing will not use NHTF for homebuyer assistance.

Limitation on Beneficiaries or Preferences §91.320(k)(5)(vii)

Minnesota Housing does not limit to segments of the NHTF-eligible population. Minnesota Housing makes an effort to integrate units targeted to households experiencing long-term homelessness or those at risk of long-term homelessness (collectively LTH households) across a variety of developments. In the appropriate situation, Minnesota Housing may utilize NHTF funds in units that are targeted to LTH households or whose eligibility is limited to LTH households. In the interest of furthering economic integration, LTH units typically make up a small number of units in each development. If Operating Assistance is utilized, Minnesota Housing maintains a priority for proposals targeting families with children and youth.

Refinancing Existing Debt §91.320(k)(5)(viii)

Minnesota Housing will not use NHTF to refinance existing debt.

Addendum A: Per Unit Subsidy

Per Unit Subsidy as Adjusted for Mix of Unit Sizes

		Subsidy limit for Families/Mixed Developments
New Construction Metro for Singles		\$212,931
New Construction Metro for Families/Mixed		\$247,000
New Construction Metro for Large Families		\$260,000
New Construction Greater MN for Singles		\$168,966
New Construction Greater MN for Families/Mixed		\$196,000
New Construction Greater MN for Large Families		\$206,316
Rehabilitation Metro for Singles		\$160,163
Rehabilitation Metro for Families/Mixed		\$197,000
Rehabilitation Metro for Large Families		\$237,349
Rehabilitation Greater MN for Singles		\$126,829
Rehabilitation Greater MN for Families/Mixed		\$156,000
Rehabilitation Greater MN for Large Families		\$187,952
<ul style="list-style-type: none"> • "Metro" applies to the seven-county Twin Cities metro area, while "Greater MN" applies to the other 80 counties. • "Singles" applies to developments where the share of efficiencies and 1 bedroom units is 75% or greater. • "Large Families" applies to developments where the share of units with 3 or more bedrooms is 50% or greater. • "Families/Mixed" applies to all other developments. • "New Construction" includes regular new construction, adaptive reuse/conversion to residential housing, and projects that mix new construction and rehabilitation if the new construction gross square footage is greater than the rehabilitation square footage. 		

Minnesota Housing will establish the maximum per-unit development subsidy at the same level as per-unit cost thresholds established the cost containment methodology associated with the State's Low-income Housing Tax Credit Qualified Allocation Plan (QAP). The above thresholds reflect the limits active for the 2017 RFP for which the 2017 NHTF funds are part of.



Multifamily Request for Proposals Guide

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

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



Minnesota Housing does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation in the provision of services.

An equal opportunity employer.

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

Table of Contents

Introduction.....	5
Chapter 1 – Minnesota Housing Overview	6
1.01 Background	6
1.02 Vision	6
1.03 Mission Statement	6
Chapter 2 – Funding Availability and Funding Types	7
2.01 Funding Sources and Amounts Available	7
2.02 Multifamily Financing Product Summary	7
2.03 Funding Types	7
2.04 Dual Applications	9
Chapter 3 – Development Eligibility.....	11
3.01 Eligible Housing Types	11
3.02 Eligible Projects	11
3.03 Ineligible Projects	11
3.04 Eligible Activities	11
3.05 Selection Standards	11
3.06 Overview of Strategic Priorities	12
3.07 Selection Priorities	13
Chapter 4 – Funding Partner Programs	16
Chapter 5 – Multifamily Underwriting Standards	17
5.01 Minnesota Housing Multifamily Underwriting Standards	17
5.02 Rent and Income Limits	17
5.03 Relocation Policy	17
5.04 Appraisal Requirements for Application	17
5.05 Appraisal Fee	18
5.06 Management and Operating Expenses	18
5.07 Multifamily Design Standards	19
Chapter 6 - Application Instructions	21
6.01 Applicant Responsibilities	21
6.03 Intent to Apply	21
6.04 Application Fees	22
6.05 Development Team Qualification Forms	22

6.06 *Application Deadline* 22

6.07 *Application Reference Materials* 22

Chapter 7 – Year-Round Funding23

7.01 *Year-Round Funding Application Guidelines* 23

7.02 *Non-Competitive Housing Tax Credits Application* 24

Chapter 8 – After Selection.....25

8.01 *Board Commitment Term* 25

8.02 *Selection Conditions* 25

8.03 *Project Launch* 25

8.04 *Selection to Loan Closing* 25

8.05 *Compliance and Asset Management* 26

Chapter 9 – Compliance and Fair Housing28

9.01 *Contract Compliance and Equal Opportunity* 28

9.02 *Fair Housing Policy* 29

Appendix – Acronyms and Abbreviations30

Introduction

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

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

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

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

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

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

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

Chapter 1 – Minnesota Housing Overview

1.01 Background

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

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

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

1.02 Vision

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

1.03 Mission Statement

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

Chapter 2 – Funding Availability and Funding Types

2.01 Funding Sources and Amounts Available

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

2.02 Multifamily Financing Product Summary

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

2.03 Funding Types

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.04 Dual Applications

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

Why submit a Dual Application?

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

Proposals Requiring Dual Applications

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

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

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

Proposals with the Option of Dual Applications

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

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

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

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

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

Chapter 3 – Development Eligibility

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

3.01 Eligible Housing Types

- Permanent, general occupancy rental housing
- Permanent supportive housing

3.02 Eligible Projects

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

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

3.03 Ineligible Projects

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

3.04 Eligible Activities

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

3.05 Selection Standards

Applicants must satisfy the following funding requirements:

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

3.06 Overview of Strategic Priorities

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

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

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

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

ADDENDUM B – Minnesota Housing Multifamily RFP Guide

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

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

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

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

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

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

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

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

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

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

3.07 Selection Priorities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ADDENDUM B – Minnesota Housing Multifamily RFP Guide

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

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

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

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

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

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

Chapter 4 – Funding Partner Programs

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

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

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

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

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

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

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

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

Chapter 5 – Multifamily Underwriting Standards

5.01 Minnesota Housing Multifamily Underwriting Standards

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

5.02 Rent and Income Limits

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

5.03 Relocation Policy

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

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

5.04 Appraisal Requirements for Application

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

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

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

Other considerations:

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

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

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

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

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

5.05 Appraisal Fee

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

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

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

5.06 Management and Operating Expenses

Applicants should submit the management and operating (M&O) budget based on the anticipated stabilized operating expenses occurring after the development is placed in service or upon full occupancy. For operating properties, the historic M&O expenses will be used, with appropriate adjustments for projected economies attributable to the proposed rehabilitation and for changes associated with new program requirements.

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

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

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

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

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

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

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

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

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

5.07 Multifamily Design Standards

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

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

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

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

Chapter 6 - Application Instructions

6.01 Applicant Responsibilities

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

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

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

6.02 Multifamily Customer Portal

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

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

6.03 Intent to Apply

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

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

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

Minnesota Housing
400 Sibley Street, Suite 300
St. Paul, MN 55101-1998
Attention: Tamara Wilson

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

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

6.04 Application Fees

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

6.05 Development Team Qualification Forms

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

6.06 Application Deadline

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

6.07 Application Reference Materials

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

Chapter 7 – Year-Round Funding

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

7.01 Year-Round Funding Application Guidelines

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

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

Additional processing criteria for the following funding sources:

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

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

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

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

7.02 Non-Competitive Housing Tax Credits Application

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

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

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

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

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

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

Chapter 8 – After Selection

8.01 Board Commitment Term

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

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

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

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

8.02 Selection Conditions

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

8.03 Project Launch

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

8.04 Selection to Loan Closing

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

Mortgage Credit Committee Approval. All Minnesota Housing funding proposals must obtain approval from Minnesota Housing’s internal Mortgage Credit Committee prior to issuance of a Term Letter. The Mortgage Credit Committee review will include a thorough analysis of all aspects of the proposal including the mortgagor’s or financially responsible party) financial capacity, rent structure and

operating budget, development budget and appropriateness and sufficiency of all funding sources. Minnesota Housing loans will be reviewed for prudent use of governmental resources, including proper structuring and risk-mitigation.

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

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

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

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

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

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

8.05 Compliance and Asset Management

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

Owners must certify annually that the development has complied with the rent and income guidelines required by the funding source(s), supply occupancy information for all units in the property to support the certification, and in some cases supply annual operating data. Owners will be asked to provide additional demographic data for Minnesota Housing research, although this information cannot be

ADDENDUM B – Minnesota Housing Multifamily RFP Guide

required as a condition of occupancy. Compliance reporting requirements can be found in Chapter 1 of the [Property Online Reporting Tool \(PORT\) User Manual](#). For developments requiring first mortgage oversight (submission of budget, monthly operating reports, audits) the required process can be found [on our website](#).

Chapter 9 – Compliance and Fair Housing

9. 01 Contract Compliance and Equal Opportunity

Policy

It is the policy of Minnesota Housing to practice affirmative action to provide equal opportunity in all of our projects, programs, and other endeavors. Minnesota Housing’s goal is to achieve a client and recipient mix that is representative of the people who live in our state and our communities so that all employment and contractual benefits that develop as a result of our programs will be shared by all Minnesotans. This policy applies to all Minnesota Housing employees and Minnesota Housing’s external partners.

Purpose

The purpose of this policy is to make Minnesota Housing’s commitment to act affirmatively to achieve equal opportunity in all facets of its operation, clear to both internal staff and outside parties with whom we do business.

Goals

Our goal is to ensure minority and female contractors and subcontractors equal access to business opportunities on Minnesota Housing financed projects and to encourage the presence of minorities and women at all levels, including on the staffs of the program participants having contractual agreements with Minnesota Housing. Minnesota Housing’s goal is to ensure that the workforces on the projects and programs we finance reflect demographically the area in which they are located. These goals will apply for the length of the contract or the life of the mortgage. Minnesota Housing, at its discretion, may set numerical or percentage goals dependent on the location and size of a given project. Current goals will be determined by staff based on the location of the project.

Requirements

Minnesota Housing is required to comply with all applicable local, state, and federal laws. These requirements are passed on to everyone that Minnesota Housing does business with, either by contractual agreement or as a Minnesota Housing policy.

Sanctions

Minnesota Housing has the contractual authority to demand full payment of any loan or grant, stop proceeding with any project at any stage, and cease to do business with any entity or individual that fails to follow its affirmative action policies or fails to meet its/his/her contractual equal opportunity obligations.

9.02 Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation.

Minnesota Housing's fair housing policy incorporates the requirements of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, as well as the Minnesota Human Rights Act. Housing providers are expected to comply with the applicable statutes, regulations, and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements.

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

- discriminate in the selection/acceptance of applicants in the rental of housing units;
- discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- represent a dwelling is not available when it is in fact available;
- deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and requires housing providers to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

Applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.

As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Housing Choice Voucher or other form of tenant-based rental assistance.

Appendix – Acronyms and Abbreviations

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

ADDENDUM B – Minnesota Housing Multifamily RFP Guide

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

ADDENDUM B – Minnesota Housing Multifamily RFP Guide

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

**Addendum C: Minnesota Housing National Housing Trust Fund Rental
Property Standards for New Construction and Rehabilitation**



**Multifamily Rental Housing
Design/Construction
Standards**

April 2017



Minnesota Housing does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation in the provision of services.

Minnesota Housing is an equal opportunity employer.

This information will be made available in alternative format upon request by emailing mn.housing@state.mn.us or by calling 800.657.3769 or TTY 651.297.2361.

Table of Contents

Chapter 1 – Overview	5
Chapter 2 – General Occupancy New Construction Minimum Standards	6
2.01 <i>Background</i>	6
2.02 <i>Purpose</i>	6
2.03 <i>Requirements</i>	6
Chapter 3 – General Occupancy Rehabilitation Minimum Standards .	15
3.01 <i>Background</i>	15
3.02 <i>Purpose</i>	15
3.03 <i>Rehabilitation Classification</i>	15
3.04 <i>Rehabilitation Classification Definitions</i>	15
3.05 <i>Requirements</i>	16
Chapter 4 – Supportive Housing Minimum Design and Construction Standards	22
4.01 <i>Background</i>	22
4.02 <i>Purpose</i>	22
4.03 <i>Requirements</i>	22
Chapter 5 – Housing Tax Credit Only Design and Construction Standards	23
5.01 <i>Background</i>	23
5.02 <i>Purpose</i>	23
5.03 <i>Requirements</i>	23
Chapter 6 – Accessibility Standards	26
6.01 <i>Background</i>	26
6.02 <i>Requirements</i>	26
Chapter 7 – Visitability Requirement	29
Chapter 8 – Sustainable Housing	30
8.01 <i>Background</i>	30
8.02 <i>Exception</i>	30
8.03 <i>Energy Rebate Analysis</i>	30
Chapter 9 – Design, Construction, and Property Standards for Federally Funded Projects (i.e. National Housing Trust Fund/HOME) .	31

9.01 *Background* 31

9.02 *Purpose* 31

9.03 *Property Standards (New Construction Projects)* 31

9.04 *Property Standards (Rehabilitation Projects)* 33

9.05 *Post-Construction Capital Expenditure Analysis* 34

Chapter 10 – Critical Needs and Preservation Housing Projects35

10.01 *Background* 35

10.02 *Purpose* 35

10.03 *Requirements* 35

Chapter 11 – Contract Compliance and Equal Opportunity; Fair Housing38

11.01 *Contract Compliance and Equal Opportunity Policy* 38

11.02 *Purpose* 38

11.03 *Goals* 38

11.04 *Requirements* 38

11.05 *Sanctions* 38

11.06 *Fair Housing* 38

Appendix A: Uniform Physical Conditions Standards for Multifamily Housing Rehabilitation involving Federal Programs40

Appendix B – Terms58

Chapter 1 – Overview

The Minnesota Housing Finance Agency (Minnesota Housing) is committed to meeting Minnesotans' needs for decent, safe and sustainable affordable housing. Since building codes, local regulations and ordinances primarily focus on health, safety and/or protecting property values, they cannot be relied on to meet all expectations. Therefore, in an effort to better meet customer needs and communicate expectations, Minnesota Housing has developed Design/Construction Standards for multifamily rental housing.

These standards replace all previous standards and are applicable to multifamily rental housing receiving Housing Tax Credit (HTC) allocations from Minnesota Housing, other capital improvement financing or both for new construction or rehabilitation. Projects involving Adaptive Reuse or “gut” rehabilitation of rental housing must comply, to the maximum extent feasible, with standards for rehabilitation and new construction.

Minnesota Housing encourages sustainable, healthy housing that optimizes the use of cost effective durable building materials and systems that minimize the consumption of natural resources during construction and in long-term maintenance and operation. In addition, Minnesota Housing welcomes new ideas and looks forward to implementing any that will provide long-lasting benefits to its customers.

While developing these Design/Construction Standards, Minnesota Housing sought input from funding partners, development partners, including owners, developers, attorneys, architects and contractors, along with input from its production and asset management staff.

Refer to the beginning summary section of each standard to learn whether the standard is applicable to the project. The project activity or funding source generally dictates when and how a standard applies. When strict compliance to these standards is not feasible, contact the Minnesota Housing staff architect assigned to the project to discuss whether a waiver or variance is warranted.

If a newer version of this guide is released after the initial award of funding, the developer and architect may use the standards of the guide that were current at the time of the initial funding award.

Chapter 2 – General Occupancy New Construction Minimum Standards

2.01 Background

Once a decision is made to construct a new multifamily housing project to serve a particular housing need, selecting an appropriate site location is important. If Minnesota Housing funding is requested to construct a new housing project, the decision to build on a particular site must include determining whether the site can be developed and if it complies with Minnesota Housing standards.

The following standards are supplemental to basic standards established by applicable building codes, local zoning, and other applicable regulations. Where two standards govern the same condition, conformance to the most restrictive standard is required. Regardless of whether the local jurisdiction has adopted or not adopted Minnesota State Building Code, all improvements receiving Minnesota Housing funding must be in compliance with the most current Minnesota State Building Code in effect at the time of the application for funding.

2.02 Purpose

The purpose is to ensure multifamily rental housing financed by Minnesota Housing is of decent quality, energy efficient, functional, sustainable and effective in reducing long-term maintenance costs.

2.03 Requirements

The following new construction minimum standards involving site design, building design, mechanical and electrical systems, and building components must be adhered to if receiving Minnesota Housing funding for new construction.

- A. **Site Design:** Site improvements must comply with the following standards associated with grading, drainage, parking, garages, sidewalks, play equipment/area and signage as follows:
 - 1. **Grading/Drainage:** The site must be well drained. Surface water must be directed away from structure. Snow removal/storage must be addressed.
 - 2. **Parking** must comply with the following requirements:
 - (a) Number of parking spaces must be in accordance with the local zoning requirements. For sites with no local zoning requirements, provide:
 - i. At least one parking space (off street/onsite) for each one-bedroom Dwelling Unit.
 - ii. At least two parking spaces (off street/onsite) for each two-bedroom or larger Dwelling Unit.
 - iii. Adaptive Reuse type projects or Efficiency Units may have less than one parking space for each Dwelling Unit.
 - iv. For special occupant population types (senior housing, supportive housing, congregate Sleeping Units, high density projects, and mixed-use projects), the exact number of parking spaces must be reviewed by Minnesota Housing on a case-by-case basis.
 - (b) Parking spaces must be at least 8'-6" wide except at designated handicapped parking space(s) and must be in compliance with applicable codes.

ADDENDUM C – National Housing Trust Fund Rental Property Standards

- (c) Parking spaces, drive lanes, vehicle access aisles, and pedestrian accessibility access aisles must be paved (concrete, bituminous, pavers, or other Minnesota Housing approved material).
 - (d) Provide a poured concrete curb and gutter at outer perimeter of drive lanes and parking.
 - i. Exceptions: Not required for semi-private driveway leading up to attached garage or if omission of a curb and gutter is part of a planned surface storm water management system.
3. **Garages:** If private garages are provided, they must meet the following:
- (a) A full partition extending from floor to ceiling made of solid material must separate each stall.
 - (b) Continuous foundations and frost footings are required at all attached garages and detached garages larger than two stalls.
 - (c) Minimum size requirements:
 - i. Clear Width: 11'-0" (single stall), 20'-0" (double stall)
 - ii. Net Area: 231 sq. ft. (single stall), 420 sq. ft. (double stall)
 - iii. Overhead Door: 9'-0" wide (single stall), 16'-0" wide (double stall)
 - (d) Garages required to be accessible must comply with minimum quantity, dimensions and clearances as required by applicable accessibility codes.
4. **Exterior Sidewalks:** Sidewalks must be a minimum of four feet wide and made of concrete reinforced with continuous wire mesh.
5. **Play Area/Play Equipment:** A play area for children, along with appropriate play equipment, must be provided for children, unless exempt.
- (a) The entire play area must be filled with natural or synthetic protective materials and equipped with reasonable play equipment for the size of the lot. The perimeter must be designed to keep play area material from spilling, such as curb or sidewalk.
 - (b) The size of the play area must be provided in proportion to the child population of the project.
 - (c) The play area and equipment must be in compliance with equipment manufacturer requirements.
 - (d) Avoid locating any play area(s) where children are required to cross driveways.
 - (e) Provide drain tile beneath all permeable play area surface materials with outlet to nearest storm sewer or drainage ditch.
 - (f) Provide shade, seating and trash receptacle near all play areas.
 - (g) Play areas must be on an accessible route with accessible entrance onto the play area surface.
 - (h) Play area equipment is not required if any of the following conditions apply: The project contains only one-bedroom or smaller units; the project is on a zero lot line site; there is a public park within a ¼ of a mile of the project (measured from the closest property line in a

straight-line to the park), unless separated by a busy street, or if Minnesota Housing agrees it is not economically viable.

6. **Signage:** Signage to be provided as follows:

- (a) If a temporary construction sign is provided, it must be at least 4'x8' in size and erected onsite at time of construction start. It must contain the project name, [Minnesota Housing Logo](#), names of other funders (or their logos – please confirm), Equal Housing Opportunity logo, owner's name, general contractor's name, architect's name, and leasing information and phone number.
- (b) Every project must have a permanent project sign that is visible from the nearest street. It must provide the name of project, Equal Housing Opportunity logo, and leasing information and phone number. Night-time lighting is recommended.

B. **Building Design: The building design must be reasonably appropriate for the intended site, resident population and anticipated market, and must be in compliance with the following minimum standards:**

1. **Laundry:** Housing must have access to laundry facilities and must comply with the following requirements:

- (a) Common laundry is required unless laundry equipment is provided in each Dwelling/Efficiency Unit.
- (b) If common laundry, one washer and one dryer must be provided for every 12 Dwelling Units. Provide folding table and seating area. For senior housing, one-bedroom Dwelling Units or Efficiency Units, provide one washer and one dryer for every 16 units.
- (c) If laundry equipment is provided in each Dwelling/Efficiency Unit, stackable equipment is acceptable in non-accessible units.
- (d) Every clothes washer must have a disaster pan with floor drain, or be located in a room with appropriate flooring whereby the floor slopes to floor drain.
- (e) Avoid locating clothes washers near areas with carpeting.

2. **Elevator:** Housing required to have an elevator must meet the following requirements associated with an elevator:

- (a) The maximum length of travel from any housing unit to an elevator must not exceed 250 lineal feet.
- (b) The number of required elevators in each building must be dictated by the number of stories above grade as follows:
 - i. Three to five stories above grade: one elevator required
 - ii. Six to nine stories above grade: two elevators required
 - iii. Nine or more stories above grade: consult Minnesota Housing

3. **Dwelling, Efficiency, and Sleeping Unit:** Housing must meet the following requirements associated with decent living space:

- (a) Living room: Minimum dimension must be 11'-6" and appropriately sized for anticipated household size. The room must have a window (or glass patio door) to exterior for natural lighting.

ADDENDUM C – National Housing Trust Fund Rental Property Standards

(b) Primary or master bedroom

- i. Minimum dimension must be 10'-0"
- ii. Minimum square footage must be 115 sq. ft.
- iii. Provide a window for natural light.
- iv. Closet (five lineal ft. of net rod/shelf length)
- v. Door and walls to ceiling for privacy. Exception: Efficiency Units/Sleeping Units.

(c) Secondary bedroom(s)

- i. Minimum dimension 9'-6"
- ii. Minimum square footage must be 100 sq. ft.
- iii. Provide a window for natural light
- iv. Closet (four lineal ft. of net rod/shelf length)
- v. Door and walls to ceiling for privacy

(d) Kitchen

- i. Kitchen counter work minimum area must be 6'-0" for one-bedroom Dwelling Units, 7'-0" for two- and three-bedroom Dwelling Units and 8'-0" for larger Dwelling Units. This distance is measured in lineal footage along the front, excluding sink, refrigerator and range.
- ii. In addition to the minimum work area noted above, Dwelling Units with three or more bedrooms must include a snack bar (minimum 4' length) or the Dwelling Units must accommodate an eat-in kitchen.
- iii. A range/oven is required in all Dwelling Units and Efficiency Units. All two-bedroom or larger Dwelling Units must have a 30" wide self-cleaning oven. All one-bedroom Dwelling units and Efficiency Units can use a 24" minimum self-cleaning oven. Avoid locating the oven at the end of a counter. Provide a grease shield behind all ovens or ranges and on abutting partitions. The shields must be high-pressure plastic laminate, enameled or stainless steel.
- iv. Provide a "frost-free" refrigerator with 15" minimum wide counter on the latch side. The refrigerator must be a minimum of 14 cu. ft. for one-bedroom Dwelling Units and Efficiency Units. Larger Dwelling Units must have a larger refrigerator appropriately sized.
- v. Provide hard surface flooring in kitchen.

(e) Dining

- i. Dining area must have hard-surface flooring and must be distinct from the living area. A dining area is required in two-bedroom and larger Dwelling Units. The area must have a window to the exterior or be open to the living room.
- ii. The dining area must be appropriately sized for the intended household size and accommodate the following:
 - a. Two-bedroom Dwelling Units: Table with four chairs

ADDENDUM C – National Housing Trust Fund Rental Property Standards

- b. Three-bedroom Dwelling Units: Table with six chairs
- c. Four-bedroom or larger Dwelling Units: Table with seven chairs
- iii. Dining area exceptions:
 - a. An eat-in kitchen may be substituted for a dining area as long as the kitchen can accommodate an appropriately sized table with chairs for the intended household size, plus two guests.
 - b. A 4'-0" long snack bar located on rear side of kitchen countertop may be used in lieu of designated dining room/area in one-bedroom Dwelling Units and Efficiency Units.
- (f) Bathroom. Defined as follows:

- i. Defined as follows:
 - a. Full bathroom includes a lavatory sink, water closet and tub with showerhead.
 - b. Three-quarter (3/4) bathroom includes a lavatory sink, water closet and shower
 - c. Half bathroom/powder room (1/2) includes a lavatory sink and water closet
 - d. Compartmentalized full bathroom includes all items of a full bathroom; however, the tub with shower head and water closet can be in a private room with a door. At least one vanity (lavatory) is in the separate alcove. Minnesota Housing encourages this design in three-bedroom and larger Dwelling Units.

- ii. Minimum bathroom requirements based upon unit type:

Unit Type	Minimum # of Bathrooms required
Sleeping Units	¾ Bath
Efficiency Units	¾ Bath
1 BR Dwelling Units	¾ Bath
2 BR Dwelling Units	1 Full Bath
3+ BR Dwelling Units	1 Full Bath + ¾ Bath
2 story Townhouse with <u>no</u> bedrooms on Ground level	½ Bath Ground Level and 1 Full Bath Upper Level
2 story Townhouse with at least one Ground level bedroom	¾ Bath Ground Level and 1 Full Bath Upper Level

- iii. Minimum accessories:
 - a. Towel bar(s) within reach of lavatory and tub/shower
 - b. Toilet paper holder
 - c. Shower curtain rod (if applicable)
 - d. Mirror

ADDENDUM C – National Housing Trust Fund Rental Property Standards

- e. A dedicated drawer, cabinet or shelf space for safe medicine storage is required in at least one bathroom of each Dwelling Unit.

(g) Storage space/closets

- i. Entry coat closet is required for one-bedroom and larger Dwelling Units in close proximity to the main entry.
- ii. Designated linen/towel storage space is required in a cabinet design or a closet.
- iii. General storage space for household cleaning supplies, vacuum, etc. is required.

(h) Multi-story Dwelling Unit living areas

- i. Individual Dwelling Units with multi-stories must have a kitchen/kitchenette, living area, dining (or eat-in kitchen) on the same or main level.
- ii. Refer to Chapter 7, *Visitability Standards*, for additional multi-story Dwelling Unit requirements.

C. **Mechanical, Electrical and Plumbing (MEP) Systems:** Housing must have plumbing, mechanical and electrical systems that comply with the following standards:

1. **Independent Technical Analysis:** Minnesota Housing reserves the right to require an independent technical analysis of any or all building components to determine life expectancy and anticipated ongoing lifecycle costs, as well as a maximum 10-year payback on energy-efficient investment premiums.
2. **Plumbing Systems:** Plumbing systems must meet the following requirements:
 - (a) All kitchen sinks must be double compartment (33" x 22" min.), 7" deep minimum with the exception of Efficiency Units, which may have a single compartment sink.
 - (b) Disaster pan with floor drain must be provided under any water heater or clothes washer located above ground level. On ground level floors, a floor drain may be provided in lieu of a disaster pan if floor slopes to drain.
 - (c) Water softening is required where the hardness exceeds 14 grains except where special circumstances exist.
 - (d) Plumbing chases and plumbing walls must not be located within building exterior walls.
 - (e) At locations with a roll-in shower, a floor drain must be provided in the drying area adjacent to the shower.
3. **Private Well and Septic:** Not allowed.
4. **Heating, Ventilating and Air Conditioning (HVAC) System:** Air conditioning (AC) or the ability for tenant supplied through-wall AC units, must be provided at all units. AC sleeves must be provided with a tight-fitting, insulated cover.
5. **Electrical Systems:** The following requirements must be met:
 - (a) Ceiling or wall mounted light fixture in all bedrooms
 - (b) Task lighting above kitchen range and kitchen sink
 - (c) Exterior light fixtures and lamps must be rated for -20 degree Fahrenheit weather

- (d) Separately Metered Commercial Space: All applicable utilities serving commercial space such as water service, gas service, electrical service, etc. must be metered separately from all housing space (Dwelling Units, common space, etc.)
- (e) Broadband Infrastructure: To provide a platform for all residents to participate in the digital economy, all multifamily new construction projects must include unit-based, broadband (aka High-speed Internet) infrastructure. Broadband Infrastructure is defined as cables, fiber optics, wiring, or other permanent (integral to the structure) infrastructure – including wireless infrastructure with a minimum broadband speed of 25 Megabits per second (Mbps) download and 3 Mbps upload. If receiving federal assistance, speed will be mandated by the U.S. Department of Housing and Urban Development (HUD). The cost for this infrastructure is an approved construction cost.

1. Exceptions:

- a. Internet Service (and its ongoing service fee) is not required and not allowed to be paid for with acquisition or construction funds
- b. Broadband Infrastructure is not required if:
 - The location of the property makes installation infeasible due to lack of Internet Service.
 - The cost of installing the infrastructure would result in a fundamental alteration in the nature of its program or activity or create an undue financial burden.
- c. The applicability of any of the above exceptions will be at the sole discretion of Minnesota Housing.

D. **Building Components:** Minnesota Housing encourages the advancement of sustainable building strategies. Refer to Chapter 8, *Sustainable Housing*, for requirements and guidance in meeting Mandatory and Optional Criteria. The following building components must also meet the following minimum standards:

1. **Millwork**

- (a) All new kitchen cabinets and new bathroom cabinets must have solid wood face-frames, solid wood doors and solid wood drawer fronts. Cabinet box construction may be particle board with melamine surface finish. Exposed end panels must be surfaced with plastic laminate or wood veneer. Exposed end panels in supportive housing units and areas must be plywood or solid wood for durability.
- (b) Drawer-box construction must have dovetail or other Minnesota Housing approved reinforced joint construction.
- (c) All millwork must meet the Kitchen Cabinet Manufacturers Association (KCMA) ANSI/KCMA A161.1 standards. KCMA Certification is suggested, but not required.

2. **Exterior Windows and Doors**

ADDENDUM C – National Housing Trust Fund Rental Property Standards

- (a) All new windows and doors must be ENERGY STAR-qualified. Confirm that the most updated ENERGY STAR requirements are met at the time of purchase. Confirm that the applicable Minnesota region is designated for ENERGY STAR requirements.
- (b) Special windows, such as those required for high-rise buildings, that are unable to meet ENERGY STAR qualifications are acceptable if they include double pane, low-e glass and thermally broken frames.
- (c) All windows and windows within doors must be furnished with window coverings for privacy and control of heat/solar shading.
- (d) All operable windows and operable windows within doors must have insect screens.
- (e) The sill of all windows must be solid wood, stone, man-made solid surface material, or other material approved by Minnesota Housing.
- (f) When possible, design the building garage overhead openings with two doors in lieu of one large door. This allows less energy to escape and provides an alternative opening in case of maintenance and repair.

3. Roofing

- (a) Low-slope roofing
 - i. Must have a minimum of ¼" inch per foot (finished) slope unless otherwise approved by Minnesota Housing staff architect and building official.
 - ii. Approved systems must be 60 mil adhered (EPDM or TPO) membrane, or four-ply asphalt/gravel built-up assembly.
 - iii. Ballasted or mechanically fastened single ply membranes are not accepted.
 - iv. A minimum 20-year manufacturer's warranty is required.
- (b) Sloped roofing: A minimum 25-year manufacturer's warranty is required.

4. Patio and Entrance Slabs must comply with the following requirements:

- (a) Stoop/footing frost protection required at all entrance slabs with ¼" per foot maximum slope.
- (b) Where soils are frost susceptible, stoop/footing frost protection required at all patio slabs.
- (c) Protect front entrance slab from rain/snow accumulation with an overhang or canopy.

5. Closet Doors: Conventional, residential grade, bi-fold doors and hardware package are not acceptable in new construction. Side-hinged, swinging type or other Minnesota Housing approved doors must be provided. If approved by Minnesota Housing, closets may be provided without doors under the following conditions:

- (a) Closets within Efficiency Units
- (b) Walk-thru closets separating a bedroom and ensuite bathroom.

6. Fire Protection

- (a) All townhomes and rental single family homes must have at least one fire extinguisher in each Dwelling Unit.

- (b) Range hood fire suppression canisters, although not required, are encouraged to be installed if the range hood over the stove will allow.
- E. **Schematic Design Concept/Cost Estimate:** The owner must have an architect develop a reasonable schematic design concept. The owner must also have a third-party entity (architect, professional engineer, general contractor, or qualified cost estimator) prepare a cost estimate that conforms to all applicable Minnesota Housing standards. Refer to the Formal Application section of Minnesota Housing's [Architect's Guide](#).

Chapter 3 – General Occupancy Rehabilitation Minimum Standards

3.01 Background

The following standards apply to any rental housing project receiving rehabilitation funding.

If the project involves Substantial Rehabilitation or Adaptive Reuse, the housing must also comply, to the maximum extent feasible, with Chapter 2, *General Occupancy New Construction Minimum Standards*. For rehabilitation projects, any building components or systems being replaced must also meet the requirements in Chapter 2, *General Occupancy New Construction Minimum Standards*. For example: roofing, kitchen cabinets, windows, etc.

Architectural services are likely to be essential to the success of the project. Refer to [Minnesota Housing Architect's Guide](#) to determine if architectural services are required for the project.

The following rehabilitation standards are supplemental to basic standards established by applicable building codes, local zoning and other applicable regulations. Where two standards govern the same condition, conformance to the most restrictive standard is required. Regardless if the local jurisdiction has adopted or not adopted Minnesota State Building Code, housing must be in compliance with Minnesota State Building Code.

3.02 Purpose

The purpose is to ensure rental housing receiving rehabilitation funding is of decent quality, energy efficient, functional, sustainable and effective in reducing long-term maintenance costs.

3.03 Rehabilitation Classification

For the purpose of applying our design standards and sustainability requirements, all rehabilitation projects must be classified as substantial or moderate at time of application for funding. This classification may not necessarily align with building code definitions; it is only intended to identify a compliance path for our purposes. Minnesota Housing has discretion for determining and approving category type of rehabilitation classification and compliance path. Limited scope status may only be considered by Minnesota Housing after funding is awarded.

3.04 Rehabilitation Classification Definitions

A. **Substantial Rehabilitation** (or gut rehab) is defined as a project that meets one of the following:

1. Includes the replacement or improvements or both of at least two major systems of the building, including its envelope. Major building systems include roof structures, wall or floor structures, foundations, plumbing, HVAC and electrical systems. The building envelope is defined as the air barrier and thermal barrier separating exterior from interior space.
2. The work area exceeds 50 percent of the aggregate area of the building per the 2015 Minnesota Conservation Code for Existing Buildings Section 505 - Level 3 Alteration.

B. **Moderate Rehabilitation** is defined as a project that meets one of the following:

1. Does not fall into the Substantial Rehabilitation classification as defined above.

2. Where the work is limited to the 2015 Minnesota Conservation Code for Existing Buildings definition of Section 502 Repairs, Section 503 Level 1 Alteration or Section 504 Level 2 Alteration.
- C. **Limited Scope Rehabilitation** status may be considered by Minnesota Housing based upon the cost, funding source, and number of Dwelling Units, number of stories, or other purpose.

3.05 Requirements

- A. **Needs Assessment [Physical Needs Assessment (PNA) or Capital Needs Assessment (CNA)]:** Multifamily projects proposing rehabilitation and applying for funds through the Minnesota Housing Consolidated RFP, Pipeline Application, or other Minnesota Housing funding, are required to submit a needs assessment. The primary difference between a CNA and PNA is that a CNA is performed in accordance with another party’s established protocol that is approved by Minnesota Housing, versus one that is performed in accordance with Minnesota Housing’s protocol for a PNA, which is described in more detail below.
1. **CNA:** If the applicant chooses to submit an approved CNA (or if a CNA is required for other funding sources), it must be completed in accordance with any of the following established formats:
 - (a) USDA Rural Development
 - (b) HUD/FHA Project Capital Needs Assessment (PCNA) or Green Capital Needs Assessment (GCNA). HUD Multifamily Accelerated Process (MAP) Appendix 5G
 - (c) ASTM E 2018-08 Standard Guide for Property Conditions Assessment
 - (d) Other Minnesota Housing approved format
 2. **PNA:** If the applicant chooses to submit a PNA (rather than a CNA), the PNA must consist of a satisfactorily completed Minnesota Housing [Physical Needs Assessment Template](#) (PNAT) that involves the following requirements:
 - (a) The PNA must represent the properties’ “as-is”, pre-rehabilitation condition.
 - (b) Life Expectancy of systems. The PNA must provide a Life Expectancy analysis including Estimated Age, EUL, and ERL of the following minimum elements identified in the [PNAT](#) and as necessary to complete the [20 year Capital Expenditure Template \(20YCE\)](#), that is described below.
 - (c) Inspections must be conducted to identify capital needs and deficiencies under applicable federal, state and local regulations/codes/ordinances as well as other deficiencies as identified by the qualified needs assessor, as follows:
 - i. **Site and Accessory Structures**
 - a. **Site and Roof Drainage:** The site must be well drained. There must be no standing water in non-designated holding pond areas 12 hours after a rain event. Surface drainage must be directed away from the structure, to a designated ponding area, or to municipal storm sewer system. Include roof drainage provisions when assessing site drainage conditions.
 - b. **Parking and Pavement:** Adequate parking for the resident population must be available for resident use. Any onsite pavement with initial signs of raveling,

transverse cracks, longitudinal cracks, or minor block cracking must have preventative maintenance that includes corrective measures such as crack sealing, seal coating, asphalt patching and repair. Any onsite pavement with severe cracking damage must be replaced. Hard surface parking must be properly striped and any accessible parking spaces properly identified.

- c. **Accessory Structures:** Detached garages, play structures, retaining walls, porches, decks, canopies, trash enclosures, sheds, etc., must be free of life safety hazards and must meet applicable codes unless grandfathered to remain.
- ii. **Structural Integrity:** Structures must be structurally sound and free of any pending or imminent structural collapse or failure. (e.g., decks, basement columns, foundations, floors, walls, roof framing, headers, lintels)
- iii. **Building Envelope:** The building envelope must be weather and water tight. All openings susceptible to water and air penetration must be sealed. Ensure envelope is adequately insulated or supplement the insulation to the envelope. Typically the attic is the cheapest and easiest to supplement, and will provide the greatest cost-to-benefit payback. Ensure that all attics are adequately ventilated to prevent ice-damming and all attic bypasses are sealed and insulated.
- iv. **Common Areas:** Stairs, attached/underground garages, furniture, fixtures and equipment, common area cabinetry, common area doors windows, common area finishes, and common area bathrooms must meet applicable codes and regulations and should be free of life safety hazards.
- v. **Dwelling/Efficiency Units:**
 - a. Minimum Dwelling Unit quantity and unit type for Minnesota Housing’s PNA inspection must include:
 - At least 25 percent of all units
 - Each type of unit size (such as 0BR/Sleeping Units, 1BR, 2B, 3BR etc.) and typical unit types in typical buildings
 - All accessible units
 - Those units that are subject to architectural stress such as ground level units, units underneath the roof, units adjacent to elevator cores, and units on the sides of the building that receive the most weathering
 - b. Minimum Dwelling/Efficiency Unit inspectable elements:
 - Functional kitchen: Kitchen must be appropriately sized and equipped with appropriate cabinets, sink, and operational range/oven/hood/refrigerator/exhaust appropriately sized for intended household.
 - Bath cabinets, bath exhaust, plumbing fixtures, flooring, wall/ceiling finish, doors, windows, window coverings, etc.
 - c. Decent living space must be as outlined in Chapter 2, *General Occupancy New Construction Minimum Standards*; however, Moderate Rehabilitation projects may request a variance for the minimum dimension(s) and area of the living room and

bedrooms by 15 percent. If approved by Minnesota Housing, the 15 percent reduction must be clarified as follows:

- Living room: $11'-6'' \times 85\% = 9'-9''$.
 - Primary/master bedroom: $10'-0'' \times 85\% = 8'-6''$. $115 \text{ sq. ft.} \times 85\% = 96 \text{ sq. ft.}$
 - Secondary bedroom(s): $9'-6'' \times 85\% = 8'-1''$. $100 \text{ sq. ft.} \times 85\% = 85 \text{ sq. ft.}$
- vi. **Plumbing and Sanitation Systems:** All plumbing systems must be code compliant, adequately sized and operable with an anticipated minimum seven-year life expectancy. Obsolete, water wasting fixtures must be replaced and no leaks allowed. Minnesota Housing may require sanitary sewer lines to be video-scoped to detect if any unforeseen repair and maintenance is necessary. If present, existing private wells or septic systems must be inspected by a third party entity to determine whether it is code compliant, permitted and functioning properly.
- vii. **Mechanical Systems:** All heating, AC, and ventilation systems must be code compliant, adequately sized, and operable with an anticipated minimum seven-year life expectancy. Bathrooms must have an operating exhaust vent ducted to the exterior. Clothes dryers must be connected to code compliant rigid type vent exhausting to the exterior. To the greatest extent feasible, ensure that all Dwelling Units are air conditioned or equipped with A/C sleeve(s).
- viii. **Electrical Systems:** All electrical systems must be code compliant with circuit breakers and adequately sized for the structure and intended use. All electrical life safety fixtures must be in place and functional including the following:
- a. Smoke detectors: Smoke detectors meeting requirements of Underwriter Laboratories, Inc. and approved by the International Conference of Building Officials must be furnished and installed in all areas as if required for new construction. If code permits, smoke detectors may be battery operated. However, at least one hard-wired smoke detector with battery back-up must be provided in each dwelling and be audible from all sleeping rooms.
 - b. Ground-fault circuit-interrupter (GFCI) protection: The same level of GFCI receptacle protection must be provided in rehabilitation projects as required for new construction, whether or not mandated by code/regulations.
 - c. Arc-fault circuit-interrupter (AFCI) protection. AFCI protection must be provided for receptacle outlets in locations as required per applicable codes/regulations.
 - d. Carbon Monoxide (CO) alarms and Nitrogen Dioxide (NO²) alarms must be provided as required per applicable state statute.
 - e. Emergency/exit lighting must be operational and code compliant.
- ix. **Elevator:** If there is an existing elevator and hoist way in a building then it must be made to be in compliance with 2007 Minnesota Elevator Code as applicable to existing buildings.
- x. **Fire Protection:**
- a. All townhomes and rental single family homes must have at least one fire extinguisher in each Dwelling Unit.

(c) **Need Category Three - CAPITAL NEEDS OVER A TERM:** Capital needs over a term may include component replacement and major maintenance over a term due to Expected Useful Life (EUL) estimates. The cost for a component or building item replacement must be indicated in the year the component/ item reaches its Effective Remaining Life (ERL). For Minnesota Housing’s purpose, the term for replacement must be 20 years from the time the CNA/PNA is completed. Other aesthetic/marketability needs may be included. In addition, some components may require repairs/replacement several times over the 20 year period.

C. **Other Requirements** for properties undergoing rehabilitation:

1. **Post-construction Capital Expenditures Needs Over a Term:** Not required for Minnesota Housing with exception to federally funded projects. See Chapter 9 of this guide for post-construction capital expenditure projection requirements.
2. **Other Inspections:** Minnesota Housing encourages the owner to engage the local building inspector, the Minnesota Housing staff architect, and any other funder’s inspecting rehabilitation specialist or architect in the initial inspection process. Conducting these inspections early in the development, planning and budgeting phase will ensure that all local property standards, local building codes and other deficiencies are identified and included in the preparation of the bid specification/scope of work.
3. **Preliminary Scope of Work/Cost Estimate:** The owner must provide a preliminary scope of work and cost estimate prepared by a third party entity such as an architect, professional engineer, general contractor, qualified cost estimator or Qualified Rehabilitation Specialist. The scope and estimate must adequately address property deficiencies to ensure compliance with all applicable building codes and all requirements within this guide. Work scope must include any reasonable accommodation requests for persons with accessibility needs.
4. **Decent, Safe, Sanitary and in Good Repair:** Unless local codes, ordinances or zoning requirements require more stringent standards, existing conditions with no improvements planned must be in compliance with HUD’s Uniform Physical Condition Standards (UPCS) (Title 24, Part 5, Subpart G). The type of funding will usually dictate which standard applies. If you are uncertain how UPCS applies to your property, contact your Minnesota Housing Management Officer (HMO). Regardless, the site, buildings and structures and all parts thereof must be kept in good repair. All defective components must be repaired or replaced.
5. **Broadband Infrastructure:** To provide a platform for all residents to participate in the digital economy, all multifamily rehabilitation projects must include unit-based, broadband (aka High-speed Internet) infrastructure. Broadband Infrastructure is defined as cables, fiber optics, wiring, or other permanent (integral to the structure) infrastructure – including wireless infrastructure with a minimum broadband speed of 25 Mbps download and 3 Mbps upload. If receiving federal assistance, speed will be mandated by HUD. The cost for this infrastructure is an approved construction cost.

(a) Exceptions:

1. Internet Service (and its ongoing service fee) is not required and not allowed to be paid for with acquisition or rehab funds.
2. Broadband Infrastructure is not required if:
 - a. the location of the property makes installation infeasible due to lack of Internet Service

ADDENDUM C – National Housing Trust Fund Rental Property Standards

- b. the cost of installing the infrastructure would result in a fundamental alteration in the nature of its program or activity or create an undue financial burden
 - c. at rehabilitation projects, the structure of the building makes installation infeasible
 - 3. The applicability of any of the above exceptions will be at the sole discretion of Minnesota Housing.
- D. **Energy Efficiency:** Refer to Chapter 8, *Sustainable Buildings*, for energy efficiency upgrade requirements.

Chapter 4 – Supportive Housing Minimum Design and Construction Standards

4.01 Background

The following design standards apply to all supportive rental housing receiving Minnesota Housing funding for new construction, rehabilitation and/or Adaptive Reuse of an existing building. These design standards are in addition to other applicable Minnesota Housing standards.

4.02 Purpose

The purpose is to ensure supportive rental housing financed by Minnesota Housing is of decent quality, energy efficient, functional, sustainable, durable and effective in reducing long-term maintenance costs.

4.03 Requirements

- A. **Durability:** Emphasis will be placed on durability of construction materials and finishes that achieve cost effective life-cycle costs and reduce ongoing maintenance (E.g., finish flooring, cabinet construction, windows, window treatments, solid-core doors, hardware, and toilet accessories).
- B. **Program Space:** If program space is provided, it must be appropriate for intended use and resident population and must be accessible via an accessible route. In addition, we encourage program space be convertible into housing space in the future.

Chapter 5 – Housing Tax Credit Only Design and Construction Standards

5.01 Background

This chapter is for projects receiving an allocation of either 4% or 9% Housing Tax Credits (HTCs) only from Minnesota Housing (no other capital funding from us). Projects receiving HTC allocation as well as other capital funding from us must comply with Minnesota Housing’s typical process for multifamily design, construction and submittals noted in the Architect’s Guide and Contractor’s Guide.

It is important to confirm design standards applicable for a given year’s HTC allocation at the time of initial HTC selection as design standards often change from year to year.

If Minnesota Housing’s allocated 9% HTCs are apportioned to a sub allocator, the project is still required to meet the requirements of this guide; however, no submittals to Minnesota Housing are required.

5.02 Purpose

The purpose is to ensure rental housing financed by HTCs is cost reasonable and of similar quality and livability as any other housing financed by or in part with other Minnesota Housing funding.

5.03 Requirements

- A. **Design and Construction Standards for all Housing Tax Credit Projects:** The design and construction of any project receiving HTC funding for new construction or rehabilitation must comply with all applicable requirements of this guide in effect at the time of initial HTC selection. If projects claim and are awarded large family points, the Moderate Rehabilitation 15 percent reduction in room sizes noted in Chapter 3 of this guide applies. Additional design requirements may be applicable if points are claimed or awarded that require the project to include specific design elements (such as non-smoking building and/or Universal Design).
- B. **Cost Reasonableness for all Housing Tax Credit Projects:** Minnesota Housing will evaluate the costs of each project in comparison to other current comparable projects. Unique characteristics will be accounted for in determining whether the proposed project costs are reasonable. Minnesota Housing will use its Predictive Cost Model to test cost reasonableness for all projects. The model uses cost data from previous projects, industry cost data from RSMeans, and regression analysis to predict total project costs. Based on a project’s characteristics (building type, project size, location, population served, financing, etc.), the model predicts the total project costs. Additional documentation will be required if the proposed costs are not comparable or reasonable.
- C. **Application Submittals applicable to 4% and 9% HTC:** All projects receiving only Minnesota 4% or 9% HTC allocation and no other funding (HTC only) from Minnesota Housing, must submit the following at application:
 1. [Minnesota Housing’s Tax Credit Design Standards/Review Process Certification form](#).
The Application Phase must be indicated on the form
 2. [Minnesota Housing Multifamily - Intended Methods Worksheet](#) (Intent to Comply Certification), which is associated with 2015 Enterprise Green Communities Criteria (EGCC) and applicable MN Overlay or, provide evidence that the project is seeking EGCC Certification

3. [Universal Design Worksheet](#) confirms which optional Universal Design features are being implemented (applicable only if awarded HTC scoring points for Universal Design features). For 9% HTC this worksheet may be provided after application but, prior to commencing construction
 4. Other submittals or information requested by Minnesota Housing
- D. **Pre-construction Submittals Applicable to 9% HTC Only:** In addition to the application submittals noted above (Item C), projects receiving only 9% HTC must also submit the following, prior to commencing with construction:
1. Concept/schematic design documents if revised after initial application
 2. Construction documents at 50 percent completed
 3. Construction documents at 100 percent prior to bidding
 4. [Universal Design Worksheet](#) which confirms which optional Universal Design features being implemented (is applicable only if awarded HTC scoring points for Universal Design features)
 5. Applicable Environmental Assessments per Minnesota Housing’s [Environmental Standards](#) including: Phase I ESA and Phase II ESA, Lead-Based Paint, Asbestos, Radon, and Minnesota Pollution Control Action Plan
 6. **NOTE:** Construction must not start until all construction documents (plans, specifications and addendum) and other required submittals have been approved by Minnesota Housing
- E. **Construction Monitoring Applicable to 9% HTC Only:** Minnesota Housing representatives must be granted access to the site, as deemed necessary, to monitor work in progress. If requested, Minnesota Housing must receive:
1. Regular construction meeting minutes
 2. Observation reports
 3. Change orders
 4. Any other documentation that alters the contract, alters the completion date, or as determined by Minnesota Housing.
- F. **End of Construction Submittals Applicable to 4% and 9% HTC Only:** Minnesota Housing must receive the following after construction and before IRS Form 8609 submittal:
1. Minnesota Housing’s [Tax Credit Design Standards/Review Process Certification form](#). The Project Completion Phase must be indicated on the form
 2. [Minnesota Housing Multifamily - Intended Methods Worksheet](#) (Compliance Certification), which is associated with EGCC and applicable MN Overlay or, provide evidence that the project received EGCC Certification
 3. ENERGY STAR New Homes Program Certification or, ENERGY STAR Multifamily High Rise Certification, if new construction (submittal is applicable only to projects receiving 9% HTCs)
 4. Certificate of Substantial Completion
 5. Certificate of Occupancy (if applicable, or proof all permits are closed)

ADDENDUM C – National Housing Trust Fund Rental Property Standards

6. Environmental Documentation (if applicable) including Lead Clearance Reports, Asbestos abatement reports or Management Plan, MPCA close-out and post-construction radon testing. HTC 4% only deals need only submit these if requested
 7. Other submittals or information, as requested by Minnesota Housing
- G. **General Notes:** Failure to comply with the standards or submittal requirements may be subject to penalty during subsequent HTC selections. The information listed in this Chapter 5 of this guide must not supersede or have preference over any requirements of the Housing Tax Credit Qualified Allocation Plan (QAP) or Procedure Manual.

Chapter 6 – Accessibility Standards

6.01 Background

In an effort to provide housing that reduces barriers for persons with disabilities and to be compatible with the Minnesota Accessibility Code, Minnesota Housing has adopted the following standards. The new construction requirements only apply to multifamily projects containing four or more units (Dwelling Units/Efficiency Units/Sleeping Units) that are financed by Minnesota Housing, including projects receiving only HTCs allocated by Minnesota Housing. Developments receiving only HTCs from a local sub allocator are exempt from this standard and need only comply with the Minnesota State Building Code provisions and the sub allocator’s requirements.

Regardless of whether or not the local jurisdiction has adopted the Minnesota State Building Code, all new construction projects and rehabilitation of existing properties financed by Minnesota Housing must be in compliance with all applicable accessibility codes and regulations (including Americans with Disabilities Act). Where two standards govern the same condition, conformance to the most restrictive standard is required.

All projects involving rehabilitation must have an Accessibility Analysis and Survey to identify accessibility deficiencies and determine whether it is feasible to make modifications to eliminate accessibility deficiencies.

6.02 Requirements

- A. **New Construction of projects with four or more housing units:** To promote housing that reduces physical barriers for persons who are physically disabled, new construction projects must meet the following:
1. In addition to applicable state and local codes, all new construction projects must comply with the Fair Housing Act of 1968 as amended.
 2. A minimum of five percent of the total housing units (with its fraction rounded up) in the project must be designed and constructed to meet accessibility requirements for a Type A Unit as promulgated by the Minnesota Accessibility Code. The five percent requirement applies to townhouses as well as all other types of multifamily housing units.
 3. In addition to, and separate from the five percent Type A Units, at least two percent (but not less than one) of the total housing units must be adaptable for persons with vision/hearing impairments. Adaptable communication features must include rough-in for audible and visual alarms and notification appliances per applicable ICC/ANSI A117.1 requirements and rough-in wiring to allow future installation of visual and audible notification devices.
 4. Accessible parking spaces must match the number of Type A Units provided. Additional parking spaces must be provided as required for visitor parking and/or commercial space. Required accessible parking spaces in excess of quantities per applicable building codes and ordinances may be left as non-accessible spaces. These spaces must be designed to allow conversion to accessible parking spaces if needed later.
 5. Where three or more Type A Units are required, at least one Type A Unit must be provided with an accessible roll-in shower.

6. If grab bars are not installed at time of initial occupancy in any Type A Unit as permitted by code, the owner must be responsible for installing code-compliant grab bars immediately upon request by a resident.

B. Rehabilitation of Existing Buildings: To promote housing that affords persons with disabilities equal opportunity to use and enjoy occupied buildings, Minnesota Housing requires existing buildings to have an Accessibility Analysis and Survey conducted by an architect, qualified needs assessor, or Qualified Rehabilitation Specialist prior to finalizing the work scope. Housing that is being rehabilitated must meet the following, as applicable:

1. **Accessibility Analysis and Survey:** Depending upon whether housing is receiving any federal financial assistance, each building receiving Minnesota Housing financial rehabilitation assistance is required to have an Accessibility Analysis and Survey conducted in accordance with the following:

(a) Housing receiving **NO** federal financial assistance must have an Accessibility Analysis and Survey that must determine compliance with the following, as applicable:

- i. The Fair Housing Act of 1968, as amended, that must also include any documented requests for reasonable accommodations and/or reasonable modifications.
- ii. Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189)
- iii. State and Local Codes

(b) Housing receiving federal financial assistance must have an Accessibility Analysis and Survey (in addition to all items listed above for housing receiving no federal financial assistance) to determine compliance with the following:

- i. The Architectural Barriers Act (1968)
- ii. Section 504 of the Rehabilitation Act (1973)

(c) A summary of Accessibility Analysis and Survey must be submitted to Minnesota Housing prior to finalizing work scope and must include the following:

- i. Total existing housing unit count, existing accessible housing unit count (Type A and Type B/Adaptable), housing unit types (efficiency, one-bedroom, two-bedroom, etc.), accessible and non-accessible parking count, and other general accessible property information
- ii. Identification of all accessibility deficiencies including any requests for reasonable accommodations and/or reasonable modifications
- iii. Determination of feasible and/or infeasible accessibility improvements
- iv. Cost estimates as needed to support feasibility
- v. Other information deemed necessary

2. Rehabilitation work scope must include all accessibility improvements that are determined to be reasonable and feasible as identified in the Accessibility Analysis and

Survey. Funded improvements must not reduce or have the effect of reducing accessibility of a building or portion of a building.

3. Housing involving gut rehabilitation, Substantial Rehabilitation or Adaptive Reuse must, to the maximum extent feasible, comply with new construction standards unless mandated otherwise by a local building code official.
- C. **HTC Universal Design:** Projects awarded Universal Design points for HTC application scoring must include all requirements per the HTC scoring sheet.
 - D. **State Visitability Statute:** Refer to Chapter 7, *Visitability Requirements*, for additional accessibility requirements applicable to certain new construction financed by Minnesota Housing.

Chapter 7 – Visitability Requirement

The 2001 Minnesota Legislature imposed a Visitability requirement on certain new construction financed by Minnesota Housing. This requirement was promoted by the disability community.

The Visitability requirement applies to the following types of new construction that is financed in whole or in part by Minnesota Housing:

- A. Single-family homes
- B. Duplexes
- C. Triplexes
- D. Multi-level townhomes

This requirement does not apply to projects receiving only a HTC allocation.

This requirement does not apply to owner-occupied housing financed by Minnesota Housing mortgage programs except in cases where Minnesota Housing has also provided financing for the construction.

Visitability is defined as designs that allow persons with mobility impairments to enter and stay, but not live, in a residence. There are three specific design elements that must be incorporated in each Dwelling Unit to satisfy the state Visitability requirement. The Dwelling Unit must include:

- A. At least one no-step entrance
- B. Thirty-two inch clear opening doorways
- C. At least a one-half bathroom on the main level that meets minimum clear floor space for half baths (powder room) as required by Fair Housing Act Part B: Usable Bathrooms

Chapter 8 – Sustainable Housing

8.01 Background

Minnesota Housing’s Sustainable Housing Standards are applicable for all new construction and rehabilitation and require compliance with the 2015 version of the Enterprise Green Communities Criteria (EGCC) and most current version of the MN Overlay and Guide to the 2015 Enterprise Green Communities Criteria.

Current and previous Sustainable Housing Standards are available on Minnesota Housing’s [Building Standards](#) web page.

8.02 Exception

The [State of Minnesota Sustainable Building Guidelines](#) are applicable for projects receiving Publicly Owned Housing Program (POHP) general obligation bond proceeds. Refer to Minnesota Housing POHP Program Guide for more information. The Minnesota Housing Sustainable Housing Standards do not apply if project is receiving POHP general obligation bond proceeds and it is determined project must comply with The State of Minnesota Sustainable Building Guidelines.

8.03 Energy Rebate Analysis

All projects receiving a tax credit allocation or deferred funding from Minnesota Housing must provide an Energy Rebate Analysis (ERA).

- A. At the application phase, submit a preliminary/draft explanation of energy rebates being considered with estimated rebate amounts.
- B. Prior to closing/loan commitment, submit a final ERA as follows:
 1. Prepared by a third-party entity with no identity of interest to the developer, borrower, or owner of the development property. The third-party entity must be a licensed architect, licensed engineer, needs assessor, HERS Rater or other entity deemed qualified by Minnesota Housing to provide this service.
 2. The ERA must be on the letterhead of the entity it was prepared by and must include contact information and date it was prepared.
 3. The ERA must include a list of eligible utility company, local, regional, state or federal rebate programs.
 4. The ERA must include recommendations of applicable rebates to be included with estimated rebate amounts or estimated tax credit amounts.
 5. Include calculations, energy models or other technical data to support recommendations.
 6. Include letters, program data information, or other documentation from utility providers to support noted programs
 7. If renewable energy strategies are proposed, a cost-benefit analysis must be included.

Visit the [state website](#) with rebate information.

Chapter 9 – Design, Construction, and Property Standards for Federally Funded Projects (i.e. National Housing Trust Fund/HOME)

9.01 Background

The Minnesota Housing National Trust Fund Program (NHTF) and HOME Investment Partnerships Program (HOME) are both federally funded programs and are subject to applicable Code of Federal Regulations (CFR). Projects receiving funding from both or either federal program(s) are required to comply with applicable Property Standards at 24 CFR Part 93, Subpart G, §93.301 (if receiving NHTF) and/or 24 CFR Part 92, Subpart F, §92.251 (if receiving HOME) funding, including part (a) *New construction projects* and part (b) *Rehabilitation projects*. In addition, the project must comply with all other applicable Minnesota Housing policies, including this guide.

Regardless if a project is new construction and/or rehabilitation, all building materials used during construction or rehabilitation must be new and compliant with applicable building codes and Minnesota Housing approved plans and specifications. Construction materials must also be installed in accordance with manufacturers' recommendations. Construction contracts and construction documents must describe the work to be undertaken in adequate detail and in compliance with Minnesota Housing [Building Standards](#).

Minnesota Housing must review and approve written cost estimates for construction or rehabilitation and determine that the costs are reasonable. Minnesota Housing staff must be given access to the site to conduct progress and final inspections to ensure work was done in accordance with approved plans and specifications, applicable codes, and the construction contract. For rehabilitation, Minnesota Housing will also conduct an initial property inspection to identify the minimum deficiencies that must be addressed in order for housing to meet UPCS.

The standards identified in this chapter may be changed by either statute, regulatory action of the federal government and/or building code change, which may be put into effect by the governing authorities having jurisdiction. Any change will be in effect on the effective date of the change. When previously approved designs are affected by new action(s), as described herewith, owners must discuss with Minnesota Housing the effect of the change on the project and whether previously approved plans and specifications must be altered. Where two standards govern the same condition, conformance to the most restrictive standard is required.

In addition, the owner must maintain the housing as decent, safe, and sanitary housing in good repair at the time construction or rehabilitation is completed and throughout the affordability period as required by federal regulations (24 CFR § 92.252 (HOME) and/or 24 CFR § 93.302 (NHTF)). The affordability period may vary depending upon funding type and amount.

9.02 Purpose

The purpose is to ensure projects funded with NHTF and/or HOME funds complies with all applicable building codes/standards, federal regulations and applicable requirements of this guide.

9.03 Property Standards (New Construction Projects)

The following federal regulations and Minnesota Housing [Building Standards](#) apply to new construction projects receiving NHTF and/or HOME funds, as applicable:

- A. **State and Local Codes, Ordinances, and Zoning Requirements:** (24 CFR §93.301(a)(1))/(24 CFR §92.251(a)(1)): Housing that is newly constructed with NHTF and/or HOME funds must be designed to meet all applicable state and local codes, ordinances, and zoning requirements. NHTF and/or HOME-assisted new construction projects must meet state or local residential and building codes, as applicable or, in the absence of a state or local building code, the International Residential Code or International Building Code (as applicable to the type of housing) of the International Code Council. The housing must meet the applicable requirements upon project completion.
- B. **Accessibility:** (24 CFR §93.301(a)(2)(i))/(24 CFR §92.251(a)(2)(i)): The housing must meet the accessibility requirements of 24 CFR part 8, which implements section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable. “Covered Multifamily Dwellings,” as defined at 24 CFR §100.201, must also meet the design and construction requirements at 24 CFR §100.205, which implements the Fair Housing Act (42 U.S.C. 3601-3619). In addition, housing must meet Minnesota Housing’s Accessibility Standards contained within Chapter 6 of this guide.
- C. **Energy Efficiency:** (24 CFR §93.301(a)(2)(ii)): Any housing that is receiving NHTF funds must meet the energy efficiency standards established pursuant to section 109 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12709). In addition, all housing must meet EGCC as amended per applicable MN Overlay. Depending upon type and size of the project the owner must commission either a HERS Rater or licensed mechanical engineer to determine applicable Building Performance requirements/strategies and ensure conformance to the most stringent requirements.
- D. **Disaster Mitigation:** (24 CFR §93.301(a)(2)(iii))/(24 CFR §92.251(a)(2)(iii)): The state of Minnesota does not impose additional standards that require housing to be improved to mitigate potential disasters. If a local governing authority has adopted standards to mitigate potential disasters, which are applicable to the project at hand, or if Minnesota or HUD adopts disaster mitigation requirements, those standards must be adhered to.
- E. **Construction Documents and Cost Estimates:** (24 C.F.R. § 93.301(b)(1)(iv)/§ 92.251 (b)(1)(iv)): To ensure that the work to be undertaken will meet NHTF and applicable Minnesota Housing Building Standards, the construction documents (work write-ups) must be prepared by a qualified entity (architect, engineer, or approved rehabilitation specialist) in sufficient detail and must be reviewed and approved by Minnesota Housing’s staff architect. In addition, the Minnesota Housing staff architect will review cost estimate and construction bids for cost reasonableness.
- F. **Broadband Infrastructure:** (24 CFR §93.301(a)(2)(vi))/(24 CFR §92.251(a)(2)(vi)): A building with more than 4 rental units, the construction must include installation of Broadband Infrastructure, as this term is defined in 24 CFR §5.100, except where Minnesota Housing determines and, in accordance with §93.407(a)(2)(iv), documents the determination that:
1. The location of the new construction makes installation of Broadband Infrastructure infeasible; or
 2. The cost of installing the infrastructure would result in a fundamental alteration in the nature of its program or activity or create an undue financial burden.
- G. **Other New Construction Standards:** Housing must also meet all applicable Minnesota Housing’s General Occupancy New Construction Standards as described within Chapter 2 of this guide.

9.04 Property Standards (Rehabilitation Projects)

The following federal regulations and Minnesota Housing [Building Standards](#) apply to all rehabilitation projects receiving Minnesota Housing’s NHTF and/or HOME funds, as applicable:

- A. **Health and Safety:** (24 CFR §93.301(b)(1)(i))/(24 CFR §92.251(b)(1)(i)): If the housing is occupied at the time of initial inspection, all Life-Threatening Items (LTI) must be identified and addressed immediately including all LTI associated with UPCS, as listed in **Appendix A** of this guide. All other deficiencies or items (non-Life-Threatening) not addressed immediately must be addressed in the rehabilitation work scope.
- B. **Major Systems:** (24 CFR §93.301(b)(1)(ii))/(24 CFR §92.251(b)(1)(ii)): All major systems must be assessed and include: structural support; roofing; cladding and weatherproofing (e.g., windows doors, siding gutters) plumbing, electrical, heating, ventilation, and AC. The owner must estimate (based on age and condition) the remaining useful life of these systems upon project completion of each major system. For rental housing, if the remaining useful life of one or more major system (that is/are scheduled to remain) is less than the applicable period of affordability, then the owner must establish a replacement reserve with monthly payments that are deemed adequate by Minnesota Housing to repair or replace the system(s) as needed. To assist the owner in assessing major systems the owner must commission an architect or rehabilitation specialist to carry out this assessment.
- C. **Capital Needs Assessment:** (24 CFR §93.301(b)(1)(ii), §93.301(b)(1)(ix))/(24 CFR §92.251(b)(1)(ii), §92.251(b)(1)(ix)): For multifamily housing projects of 26 units or more, the owner must undertake a capital needs assessment (CNA) in a format approved by Minnesota Housing. The CNA must determine all work that will be performed in the rehabilitation of the housing and the long-term physical needs of the project. The CNA must include determining the useful life of major systems upon project completion (including structural support, roofing, cladding and weatherproofing (e.g. windows, doors, siding, gutters), plumbing, electrical, and heating, ventilation, and AC). If the remaining useful life of one or more major system is less than the affordability period, then the owner must establish a replacement reserve with monthly payments that are deemed adequate by Minnesota Housing to replace the system(s) as needed).
- D. **Lead-Based Paint:** (24 CFR §93.301(b)(1)(iii))/(24 CFR §92.251 (b)(1)(iii)). Unless exempt from HUD’s lead-based paint regulations, housing must meet the lead-based paint requirements at 24 CFR Part 35. To determine applicable requirements under Subpart J - Rehabilitation, the level of federal assistance and the hard costs of rehabilitation must be evaluated and the level of federal rehabilitation assistance determined. The level of federal rehabilitation assistance will dictate appropriate lead hazard evaluation and reduction requirements. All notices required by 24 CFR Part 35 must be provided in accordance with the regulations.
- E. **Accessibility:** (24 CFR §93.301(b)(1)(iv))/(24 CFR §92.251(b)(1)(iv)). The housing must meet the accessibility requirements in 24 CFR Part 8, which implements section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented as 28 CFR Parts 35 and 36, as applicable. “Covered Multifamily Dwellings,” as defined at 24 CFR §100.201, must also meet the design and construction requirements at 24 CFR §100.205, which implements the Fair Housing Act (42 U.S.C. 3601-3619). Rehabilitation may include improvements that are not required by regulation or state law that permit use by a person with disabilities. In addition, housing must meet Minnesota Housing’s Accessibility Standards contained within Chapter 6 of this guide. Owner must commission an Accessibility Analysis and Survey per Minnesota Housing’s Accessibility Standards. Funded improvements must not reduce or have the effect of reducing accessibility of a building or portion of a building.

- F. **Disaster Mitigation:** (24 CFR § 93.301(b)(1)(vi))/(24 CFR § 92.251(b)(1)(vi)). The state of Minnesota does not impose any additional standards to mitigate the impact of potential disasters. If a local governing authority has adopted standards to mitigate potential disasters, which are applicable to the project at hand, or if Minnesota and/or HUD adopt disaster mitigation requirements, those standards must be adhered to.
- G. **State and Local Codes, Ordinances, and Zoning Requirements:** (24 CFR §93.301(b)(1)(vii))/(24 CFR §92.251 (b)(1)(vii)): The housing must meet all applicable state and local codes, ordinances and requirements or, in the absence of a state and local building code, the International Building Code of the International Code Council. Minnesota Housing encourages owners to contact their local building inspector early in the work scope development process to ensure property and all work is in conformance with state and local codes, ordinances, and zoning requirements.
- H. **Uniform Physical Condition Standards:** (24 CFR §93.301(b)(1)(viii))/(24 CFR §92.251(b)(1)(viii)): Upon completion, the project and units must be decent, safe, sanitary, and in good repair as described in 24 CFR §5.703. The minimum deficiencies that must be corrected under Minnesota Housing’s rehabilitation standards is based on inspectable items and inspected areas in accordance with HUD-prescribed physical inspection procedures (Uniform Physical Conditions Standards) pursuant to 24 CFR §5.705, see **Appendix A**
- I. **Broadband Infrastructure:** (24 CFR §93.301(b)(1)(x))/(24 CFR §92.251(b)(1)(x)): A building with more than 4 rental units and undergoing Substantial Rehabilitation as defined in 24 CFR §5.100, must provide for installation of Broadband Infrastructure, as this term is also defined in 24 CFR § 5.100, except where Minnesota Housing determines and, in accordance with §93.407(a)(2)(iv)/§92.508(a)(3)(iv), documents the determination that:
1. The location of the Substantial Rehabilitation makes installation of Broadband Infrastructure infeasible;
 2. The cost of installing the infrastructure would result in a fundamental alteration in the nature of its program or activity or creates an undue financial burden; or
 3. The structure of the housing to be substantially rehabilitated makes installation of Broadband Infrastructure infeasible.
- J. **Other Rehabilitation Standards:** Housing must also meet Minnesota Housing’s General Occupancy Rehabilitation Minimum Standards as described within Chapter 3 of this guide.

9.05 Post-Construction Capital Expenditure Analysis

A post-rehabilitation CNA must be provided to Minnesota Housing upon construction close out by the owner. Refer to the HOME and NHTF Combined Program Guide. It must include applicable capital projections through the end of the affordability period. Minnesota Housing’s staff architect will review the capital expenditure projections based on the completed work to ensure appropriate useful life timeline and items are included.

Chapter 10 – Critical Needs and Preservation Housing Projects

10.01 Background

This chapter is applicable only if pursuing Preservation funding through *Risk of Loss Due to Critical Physical Needs*. Refer to the [Multifamily 2018 Housing Tax Credit Self-Scoring Worksheet and 2017 Request for Proposals Deferred Loan Priority Checklist](#) to determine eligibility requirements. Applicants claiming *Risk of Loss Due to Critical Physical Needs* must determine (by third party assessment) the following:

- A. Whether or not there are any Critical Physical Needs. Critical Physical Needs are deficiencies that if left unattended will likely jeopardize the property's federal assistance.
- B. Whether or not repair/replacement of major physical plant components (including Critical Physical Needs) that have been identified will result in 15+ years of sustained operations.
- C. Whether or not identified scope of Critical Physical Needs exceeds the available reserves by at least \$5,000 per unit

Refer to Chapter 3 *Rehabilitation* of this guide for definitions and general information related to needs assessments, 20-Year Capital Expenditure Template, needs categories and other standard rehabilitation procedures.

10.02 Purpose

The purpose is to ensure projects submitting a proposal for Preservation funding through Minnesota Housing that claim *Risk of Loss Due to Critical Physical Needs* are in a physical condition likely to cause the project to be in imminent danger of losing its federal subsidy.

10.03 Requirements

Applicants claiming *Risk of Loss due to Critical Physical Needs* must provide the following to Minnesota Housing at time of initial application for funding in order for Minnesota Housing to consider the applicant's claim:

- A. Minnesota Housing Physical Needs Assessment Template (PNAT) or other Minnesota Housing approved CNA format, **which supports the following conclusions regarding any identified Critical Physical Needs:**
 1. As-is condition of a property's physical condition is determined to be deficient in accordance with HUD's UPCS. UPCS deficiencies that have the following characteristics may be considered Critical Physical Needs:
 - (a) Condition(s) determined to be critical via a certified HUD UPCS/Real Estate Assessment Center (REAC) Deficiencies Inspection Report. Other Deficiencies and Deficiently Levels defined in the [REAC Dictionary of Deficiency Definitions 2012 version](#) may be considered a Critical Physical Need if approved by Minnesota Housing. Health and safety hazards including building or fire code violation
 - (b) Conditions that adversely affect egress
 - (c) Conditions that prevent sustaining occupancy

- (d) Material existing of potential unsafe conditions
 - (e) Conditions that, if not remedied, having the potential to result in or contribute to critical element/system failure within one year or will most probably result in a significant escalation of remedial costs
 - (f) Site drainage issues causing water penetration into the building through situations that impact life and safety
 - (g) Repairs or replacements of code-required electrical items such as smoke detectors, fire alarms, GFCI protection, AFCI protection, carbon monoxide (CO) alarms or nitrogen dioxide (NO²) alarms
 - (h) Non-aesthetic, elevator life and safety work including work in compliance with the 2007 Minnesota Elevator Code
 - (i) Kitchen and Bath Cabinets and Counters
 - 1. Replacement due to other critical/immediate needs work. Example: If cabinets are removed/damaged due to the destructive repair and replacement of plumbing main lines, new cabinets may be included as critical/immediate needs
 - 2. Replacement if there's a presence of mold or other life and safety concern
 - 3. **NOTE:** Damaged cabinets and countertops such as missing loose doors/ drawers, delamination, holes, or other wear-and-tear are not necessarily critical/immediate needs. (These items must be included under Non-Critical Rehabilitation Needs.)
 - (j) Parking lot and other paved surfaces with systemic tripping hazards or other site life and safety corrections
 - (k) Environmental remediation for mold, radon, friable asbestos, lead-based paint hazards (deteriorated paint), etc. Remediation due to a proposed rehabilitation activity is not considered a critical/immediate need.
 - (l) Remedies to correct non-compliant accessibility features. Typically non-grandfathered improvements based upon the age of the building/site. Refer to Accessibility paragraph for more information.
2. Other building components and mechanical system deficiencies for which UPCS does not provide a measure, which are confirmed to exist by a qualified, independent third-party professional assessor. A deficiency that has the following characteristics may be considered a Critical Physical Need:
- (a) All components are of imminent structural collapse or failure
 - (b) Building envelope work limited to the replacement of siding, trim, stucco, masonry, windows, doors, roofing, sheathing, roof substrate, weather barrier, waterproofing, etc., that, due to its inability to adequately prevent water or air penetration, has resulted in mold or other unsafe, interior health and life safety conditions
 - (c) Remedies to replace systemic leaky or failed water and sewer piping. Sewer scoping and jet cleaning are maintenance items and not a Critical Need.

ADDENDUM C – National Housing Trust Fund Rental Property Standards

- (d) Repairs or replacements of mechanical equipment, controls, ductwork, etc., that, due to their inability to properly heat, cool, or ventilate, has resulted in mold or other unsafe, interior health and life safety conditions. Abandoned and non-functioning equipment or low cubic feet per minute (CFM) ventilation systems are considered a Critical Need.

B. Accessibility.

1. Remedies to bring existing conditions to current accessibility codes are typically not considered Critical Need.
2. Accessibility improvements are not Critical Need unless required by a building official or occupancy was threatened without improvement.
3. Accessibility improvements must be included in the general work scope (non-Critical Need).

C. Minnesota Housing 20-Year Capital Expenditure (20YCE) Template.

In addition to short-term needs and needs over term, Critical Needs must be identified in the Critical Needs column and must only include cost of repairs, replacements, remedies that address the conditions described above.

D. Critical Physical Needs - Additional Narrative:

When claiming and identifying a Critical Need on the 20YCE, it must be supported by an attached narrative to explain how and why the identified condition meets the definition of “Critical Need”. Items with 0 years or negative ERL are not automatically considered a Critical Need but instead must meet one of the conclusions in 10.3A.1 (a) through (m).

- E. Forensic/Destructive inspections, **X-ray imaging, plumbing pipe video-scoping, special testing, or third party professional opinion (architect, engineer, environmental specialist, etc.) may be required to confirm if repair or replacement is a Critical Need.**

- F. Energy efficiency upgrades **are not considered Critical Need.**

- G. Link to **Three Year Critical Needs Model**

Chapter 11 – Contract Compliance and Equal Opportunity; Fair Housing

11.01 Contract Compliance and Equal Opportunity Policy

It is the policy of Minnesota Housing to practice affirmative action to provide equal opportunity in all of our projects, programs, and other endeavors. Minnesota Housing’s goal is to achieve a client and recipient mix that is representative of the people who live in our state and our communities so that all employment and contractual benefits that develop as a result of our programs will be shared by all Minnesotans. This policy applies to all Minnesota Housing employees and Minnesota Housing’s external partners.

11.02 Purpose

The purpose of this policy is to make Minnesota Housing’s commitment to act affirmatively to achieve equal opportunity in all facets of its operation, clear to both internal staff and outside parties with whom we do business.

11.03 Goals

Our goal is to ensure minority and female contractors and subcontractors equal access to business opportunities on Minnesota Housing financed projects and to encourage the presence of minorities and women at all levels, including on the staffs of the program participants having contractual agreements with Minnesota Housing. Minnesota Housing’s goal is to ensure that the workforces on the projects and programs we finance reflect demographically the area in which they are located. These goals will apply for the length of the contract or the life of the mortgage. Minnesota Housing, at its discretion, may set numerical or percentage goals dependent on the location and size of a given project. Current goals will be determined by staff based on the location of the project.

11.04 Requirements

Minnesota Housing is required to comply with all applicable local, state, and federal laws. These requirements are passed on to everyone that Minnesota Housing does business with, either by contractual agreement or as a Minnesota Housing policy.

11.05 Sanctions

Minnesota Housing has the contractual authority to demand full payment of any loan or grant, stop proceeding with any project at any stage, and cease to do business with any entity or individual that fails to follow its affirmative action policies or fails to meet its/his/her contractual equal opportunity obligations.

11.06 Fair Housing

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

ADDENDUM C – National Housing Trust Fund Rental Property Standards

1988, as well as the Minnesota Human Rights Act. Housing providers are expected to comply with the applicable statutes, regulations, and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with nondiscrimination requirements.

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

- discriminate in the selection/acceptance of applicants in the rental of housing units;
- discriminate in terms, conditions or privileges of the rental of a Dwelling Unit or services or facilities;
- engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a Dwelling Unit;
- make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- represent a dwelling is not available when it is in fact available;
- deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- engage in harassment or quid pro quo negotiations related to the rental of a Dwelling Unit.

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for Covered Multifamily Dwellings and requires housing providers to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

Applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.

As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Housing Choice Voucher or other form of tenant-based rental assistance.

Appendix A: Uniform Physical Conditions Standards for Multifamily Housing Rehabilitation involving Federal Programs

NOTE: LTI = Life-threatening Item that must be addressed immediately if the housing is occupied.

REQUIREMENTS FOR SITE			
<i>Inspectable Item</i>	<i>Observed Deficiency</i>	<i>Type and Degree of Deficiency</i>	<i>LTI</i>
Fencing and Gates	Damaged/Falling/Leaning	Fence or gate is missing or damaged to the point it does not function as it should	
	Holes	Hole in fence or gate is larger than 6 inches by 6 inches	
	Missing Sections	An exterior fence, security fence or gate is missing a section, which could threaten safety or security	
Grounds	Erosion/Rutting Areas	A rut/groove is 6-8 inches wide and 3-5 inches deep. And/or runoff has extensively displaced soils, which has caused visible damage or potential failure to adjoining structures or threatens the safety of pedestrians or makes the grounds unusable	
	Overgrown/Penetrating Vegetation	Vegetation is extensive and dense; it is difficult to see broken glass, holes and other hazards. And/ or Vegetation contacts or penetrates an unintended surface. And/or Vegetation has visibly damaged a component, area or system of the property or has made them unusable or unpassable	
	Ponding/Site Drainage	There is an accumulation of more than 5 inches deep and/or a large section of the grounds – more than 20% – is unusable for its intended purpose due to poor drainage or ponding	
Health & Safety	Air Quality – Sewer Odor Detected	Sewer odors that could pose a health risk if inhaled for prolonged periods	
	Air Quality – Propane/Natural Gas/ Methane Gas Detected	Strong propane, natural gas or methane odors that could pose a risk of explosion/ fire and/or pose a health risk if inhaled	Yes
	Electrical Hazards – Exposed Wires/Open Panels	Any exposed bare wires or openings in electrical panels (capped wires do not pose a risk)	Yes
	Electrical Hazards – Water Leaks on/near Electrical Equipment	Any water leaking, puddling or ponding on or immediately near any electrical apparatus that could pose a risk of fire, electrocution or explosion	Yes
	Flammable Materials – Improperly Stored	Flammable materials are improperly stored, causing the potential risk of fire or explosion	
	Garbage and Debris – Outdoors	Too much garbage has gathered – more than the planned storage capacity – or garbage has gathered in an area not sanctioned for staging or storing garbage or debris	

ADDENDUM C – National Housing Trust Fund Rental Property Standards

Health & Safety Cont.	Hazards – Other	Any general defects or hazards that pose risk of bodily injury	
	Hazards – Sharp Edges	Any physical defect that could cause cutting or breaking of human skin or other bodily harm	
	Hazards – Tripping	Any physical defect in walkways or other travelled area that poses a tripping risk	
	Infestation – Insects	Evidence of infestation of insects – including roaches and ants throughout a unit or room, food preparation or storage area or other area of building substantial enough to present a health and safety risk	
	Infestation – Rats/Mice/Vermin	Evidence of rats or mice – sightings, rat or mouse holes, or droppings substantial enough to present a health and safety risk	
Mailboxes/Project Signs	Mailbox – Missing/Damaged	Mailbox cannot be locked or is missing	
	Signs Damaged	The project sign is not legible or readable because of deterioration or damage	
Parking Lots/Driveways/Roads	Cracks	Cracks that are large enough to affect traffic ability over more than 5% of the property's parking lots/driveways/roads or pose a safety hazard	
	Ponding	3 inches or more of water has accumulated making 5% or more of a parking lot/driveway unusable or unsafe	
	Potholes/Loose Material	Potholes or loose material that have made a parking lot/driveway unusable/unpassable for vehicles and/or pedestrians or could cause tripping or falling	
	Settlement/Heaving	Settlement/heaving has made a parking lot/driveway unusable/unpassable or creates unsafe conditions for pedestrians and vehicles	
Play Areas and Equipment	Damaged/Broken Equipment	More than 20% of the equipment is broken or does not operate as it should or any item that poses a safety risk	
	Deteriorated Play Area Surface	More than 20% of the play surface area shows deterioration or the play surface area could cause tripping or falling and thus poses a safety risk	
Refuse Disposal	Broken/Damaged Enclosure-Inadequate Outside Storage Space	A single wall or gate of the enclosure has collapsed or is leaning and in danger of falling or trash cannot be stored in the designated area because it is too small to store refuse until disposal	
Retaining Walls	Damaged/Falling/Leaning	A retaining wall is damaged and does not function as it should or is a safety risk	
Storm Drainage	Damaged/Obstructed	The system is partially or fully blocked by a large quantity of debris , causing backup into adjacent areas or runoffs into areas where runoff is not intended	

ADDENDUM C – National Housing Trust Fund Rental Property Standards

Walkways/Steps	Broken/Missing Hand Railing	The hand rail is missing, damaged, loose or otherwise unusable	
	Cracks/Settlement/Heaving	Cracks, hinging/tilting or missing sections that affect traffic ability over more than 5% of the property's walkways/steps or any defect that creates a tripping or falling hazard	
	Spalling/Exposed Rebar	More than 5% of walkways have large areas of spalling – larger than 4 inches by 4 inches--they affects traffic ability	

REQUIREMENTS FOR BUILDING EXTERIOR			
<i>Inspectable Item</i>	<i>Observed Deficiency</i>	<i>Type and Degree of Deficiency</i>	<i>LTI</i>
Doors	Damaged – Frames/Threshold/Lintels/Trim	Any door that is not functioning or cannot be locked because of damage to the frame, threshold, lintel or trim	
	Damaged – Hardware/Locks	Any door that does not function as it should or cannot be locked because of damage to the door's hardware	
	Damaged – Surface (Holes/Paint/Rusting/Glass)	Any door that has a hole or holes greater than 1 inch in diameter, significant peeling/cracking/no paint or rust that affects the integrity of the door surface, or broken/missing glass	
	Damaged/Missing Screen/Storm/Security Door	Any screen door or storm door that is damaged or is missing screens or glass – shown by an empty frame or frames or any security door that is not functioning or is missing	
	Deteriorated/Missing Caulking/Seals	The seals/caulking is missing on any entry door, or they are so damaged that they do not function as they should	
	Missing Door	Any exterior door that is missing	
Fire Escapes	Blocked Egress/Ladders	Stored items or other barriers restrict or block people from exiting	Yes
	Visibly Missing Components	Any of the functional components that affect the function of the fire escape – one section of a ladder or railing, for example – are missing	
Foundations	Cracks/Gaps	Large cracks in foundation more than 3/8 inches wide by 3/8 inches deep by 6 inches long that present a possible sign of a serious structural problem, or opportunity for water penetration or sections of wall or floor that are broken apart	
	Spalling/Exposed Rebar	Significant spalled areas affecting more than 10% of any foundation wall or any exposed reinforcing material – rebar or other	

ADDENDUM C – National Housing Trust Fund Rental Property Standards

Health and Safety	Electrical Hazards – Exposed Wires/Open Panels	Any exposed bare wires or openings in electrical panels (capped wires do not pose a risk)	Yes
	Electrical Hazards – Water Leaks on/near Electrical Equipment	Any water leaking, puddling or ponding on or immediately near any electrical apparatus that could pose a risk of fire, electrocution or explosion	Yes
	Emergency Fire Exits – Emergency/Fire Exits Blocked/Unusable	The exit cannot be used or exit is limited because a door or window is nailed shut, a lock is broken, panic hardware is chained, debris, storage, or other conditions block exit	Yes
	Emergency Fire Exits – Missing Exit Signs	Exit signs that clearly identify all emergency exits are missing or there is no illumination in the area of the sign	
	Flammable/Combustible Materials – Improperly Stored	Flammable materials are improperly stored, causing the potential risk of fire or explosion	
	Garbage and Debris – Outdoors	Too much garbage has gathered – more than the planned storage capacity – or garbage has gathered in an area not sanctioned for staging or storing garbage or debris	
	Hazards – Other	Any general defects or hazards that pose risk of bodily injury	
	Hazards – Sharp Edges	Any physical defect that could cause cutting or breaking of human skin or other bodily harm	
	Hazards – Tripping	Any physical defect in walkways or other travelled area that poses a tripping risk	
	Infestation – Insects	Evidence of infestation of insects – including roaches and ants throughout a unit or room, food preparation or storage area or other area of building substantial enough to present a health and safety risk	
	Infestation – Rats/Mice/Vermin	Evidence of rats or mice – sightings, rat or mouse holes, or droppings substantial enough to present a health and safety risk	
Lighting	Broken Fixtures/Bulbs	10% or more of the lighting fixtures and bulbs surveyed are broken or missing	
Roofs	Damaged Soffits/Fascia	Soffits or fascia that should be there are missing or so damaged that water penetration is visibly possible	
	Damaged Vents	Vents are missing or so visibly damaged that further roof damage is possible	
	Damaged/Clogged Drains	The drain is damaged or partially clogged with debris or the drain no longer functions	
	Damaged/Torn Membrane/Missing Ballast	Ballast has shifted and no longer functions as it should or there is damage to the roof membrane that may result in water penetration	

ADDENDUM C – National Housing Trust Fund Rental Property Standards

Roofs Cont.	Missing/Damaged Components from Downspout/Gutter	Drainage system components are missing or damaged causing visible damage to the roof, structure, exterior wall surface, or interior	
	Missing/Damaged Shingles	Roofing shingles are missing or damaged enough to create a risk of water penetration	
	Ponding	Evidence of standing water on roof, causing potential or visible damage to roof surface or underlying materials	
Walls	Cracks/Gaps	Any large crack or gap that is more than 3/8 inches wide or deep and 6 inches long that presents a possible sign of serious structural problem or opportunity for water penetration	
	Damaged Chimneys	Part or all of the chimney has visibly separated from the adjacent wall or there are cracked or missing pieces large enough to present a sign of chimney failure or there is a risk of falling pieces that could create a safety hazard	
	Missing/Damaged Caulking/Mortar	Any exterior wall caulking or mortar deterioration that presents a risk of water penetration or risk of structural damage	
	Missing Pieces/Holes/Spalling	Any exterior wall deterioration or holes of any size that present a risk of water penetration or risk of structural damage	
	Stained/Peeling/Needs Paint	More than 20% of the exterior paint is peeling or paint is missing and siding surface is exposed thereby exposing siding to water penetration and deterioration	
Windows	Broken/Missing/Cracked Panes	Any missing panes of glass or cracked panes of glass where the crack is either greater than 4" and/or substantial enough to impact the structural integrity of the window pane	
	Damaged Sills/Frames/Lintels/Trim	Sills, frames, lintels, or trim are missing or damaged, exposing the inside of the surrounding walls and compromising its weather tightness	
	Damaged/Missing Screens	Missing screens or screens with holes greater than 1 inch by 1 inch or tears greater than 2 inches in length	
	Missing/Deteriorated Caulking/Seals/Glazing Compound	There are missing or deteriorated caulk or seals--with evidence of leaks or damage to the window or surrounding structure	
	Peeling/Needs Paint	More than 20% of the exterior window paint is peeling or paint is missing and window frame surface is exposed thereby exposing window frame to water penetration and deterioration	
	Security Bars Prevent Egress	The ability to exit through egress window is limited by security bars that do not function properly and, therefore, pose safety risks	Yes

ADDENDUM C – National Housing Trust Fund Rental Property Standards

REQUIREMENTS FOR BUILDING SYSTEMS			
<i>Inspectable Item</i>	<i>Observed Deficiency</i>	<i>Type and Degree of Deficiency</i>	<i>LTI</i>
Domestic Water	Leaking Central Water Supply	Leaking water from water supply line is observed	
	Missing Pressure Relief Valve	There is no pressure relief valve or pressure relief valve does not drain down to the floor	
	Rust/Corrosion on Heater Chimney	The water heater chimney shows evidence of flaking, discoloration, pitting or crevices that may create holes that could allow toxic gases to leak from the chimney	
	Water Supply Inoperable	There is no running water in any area of the building where there should be	
Electrical System	Blocked Access/Improper Storage	One or more fixed items or items of sufficient size and weight impede access to the building system's electrical panel during an emergency	
	Burnt Breakers	Carbon residue, melted breakers or arcing scars are evident	
	Evidence of Leaks/Corrosion	Any corrosion that affects the condition of the components that carry current or any stains or rust on the interior of electrical enclosures, or any evidence of water leaks in the enclosure or hardware	
	Frayed Wiring	Any nicks, abrasion or fraying of the insulation that exposes any conducting wire	
	Missing Breakers/Fuses	Any open and/or exposed breaker port	Yes
	Missing Outlet Covers	A cover is missing, which results in exposed visible electrical connections	Yes
Elevators	Not Operable	The elevator does not function at all or the elevator doors open when the cab is not there	
Emergency Power	Auxiliary Lighting Inoperable (if applicable)	Auxiliary lighting does not function	
Fire Protection	Missing Sprinkler Head	Any sprinkler head is missing, visibly disabled, painted over, blocked, or capped	
	Missing/Damaged/Expired Extinguishers	There is missing, damaged or expired fire extinguisher an any area of the building where a fire extinguisher is required	Yes
Health & Safety	Air Quality – Mold and/or Mildew Observed	Evidence of mold or mildew is observed that is substantial enough to pose a health risk	
	Air Quality – Propane/Natural Gas/ Methane Gas Detected	Strong propane, natural gas or methane odors that could pose a risk of explosion/ fire and/or pose a health risk if inhaled	Yes
	Air Quality – Sewer Odor Detected	Sewer odors that could pose a health risk if inhaled for prolonged periods	

ADDENDUM C – National Housing Trust Fund Rental Property Standards

Health & Safety Cont.	Electrical Hazards – Exposed Wires/Open Panels	Any exposed bare wires or openings in electrical panels (capped wires do not pose a risk)	Yes
	Electrical Hazards – Water Leaks on/near Electrical Equipment	Any water leaking, puddling or ponding on or immediately near any electrical apparatus that could pose a risk of fire, electrocution or explosion	Yes
	Elevator – Tripping	An elevator is misaligned with the floor by more than 3/4 of an inch. The elevator does not level as it should, which causes a tripping hazard	
	Emergency Fire Exits – Emergency/Fire Exits Blocked/Unusable	The exit cannot be used or exit is limited because a door or window is nailed shut, a lock is broken, panic hardware is chained, debris, storage, or other conditions block exit	Yes
	Emergency Fire Exits – Missing Exit Signs	Exit signs that clearly identify all emergency exits are missing or there is no illumination in the area of the sign	
	Flammable Materials – Improperly Stored	Flammable materials are improperly stored, causing the potential risk of fire or explosion	
	Garbage and Debris – Indoors	Too much garbage has gathered – more than the planned storage capacity or garbage has gathered in an area not sanctioned for staging or storing garbage or debris	
	Hazards – Other	Any general defects or hazards that pose risk of bodily injury	
	Hazards – Sharp Edges	Any physical defect that could cause cutting or breaking of human skin or other bodily harm	
	Hazards – Tripping Hazards	Any physical defect in walkways or other travelled area that poses a tripping risk	
	Infestation – Insects	Evidence of infestation of insects – including roaches and ants – throughout a unit or room, food preparation or storage area or other area of building substantial enough to present a health and safety risk	
	Infestation – Rats/Mice/Vermin	Evidence of rats or mice – sightings, rat or mouse holes, or droppings substantial enough to present a health and safety risk	
	HVAC	Boiler/Pump Leaks	Evidence of water or steam leaking in piping or pump packing
Fuel Supply Leaks		Evidence of any amount of fuel leaking from the supply tank or piping	
General Rust/Corrosion		Significant formations of metal oxides, significant flaking, discoloration, or the development of a noticeable pit or crevice	
Misaligned Chimney/Ventilation System		A misalignment of an exhaust system on a combustion fuel-fired unit (oil, natural gas, propane, wood pellets etc.) that causes improper or dangerous venting of gases	Yes

ADDENDUM C – National Housing Trust Fund Rental Property Standards

Roof Exhaust System	Roof Exhaust Fan(s) Inoperable	The roof exhaust fan unit does not function	
Sanitary System	Broken/Leaking/Clogged Pipes or Drains	Evidence of active leaks in or around the system components or evidence of standing water, puddles or ponding – a sign of leaks or clogged drains	
	Missing Drain/Cleanout/Manhole Covers	A protective cover is missing	

REQUIREMENTS FOR COMMON AREAS			
<i>Inspectable Item</i>	<i>Observed Deficiency</i>	<i>Type and Degree of Deficiency</i>	<i>LTI</i>
Basement/Garage /Carport	Baluster/Side Railings – Damaged	Any damaged or missing balusters or side rails that limit the safe use of an area	
Closet/Utility/ Mechanical	Cabinets – Missing/Damaged	10% or more of cabinet, doors, or shelves are missing or the laminate is separating	
Community Room	Call for Aid – Inoperable	The system does not function as it should	
Halls/Corridors/Stairs	Ceiling – Holes/Missing Tiles/Panels/Cracks	Any holes in ceiling, missing tiles or large cracks wider than 1/4 of an inch and greater than 11 inches long	
Kitchen	Ceiling – Peeling/Needs Paint	More than 10% of ceiling has peeling paint or is missing paint	
Laundry Room	Ceiling – Water Stains/ Water Damage/Mold/Mildew	Evidence of a leak, mold or mildew – such as a darkened area – over a ceiling area greater than 1 foot square	
Lobby	Countertops – Missing/Damaged	10% or more of the countertop working surface is missing, deteriorated, or damaged below the laminate; not a sanitary surface to prepare food	
Office	Dishwasher/Garbage Disposal-Inoperable	The dishwasher or garbage disposal does not operate as it should	
Other Community Spaces	Doors- Damaged Frames/Threshold/Lintels/ Trim	Any door that is not functioning or cannot be locked because of damage to the frame, threshold, lintel or trim	
Patio/Porch/ Balcony	Doors – Damaged Hardware/Locks	Any door that does not function as it should or cannot be locked because of damage to the door's hardware	
Restrooms	Doors – Damaged Surface (Holes/Paint/Rust/Glass)	Any door that has a hole or holes greater than 1 inch in diameter, significant peeling/cracking/no paint or rust that affects the integrity of the door surface, or broken/missing glass	

ADDENDUM C – National Housing Trust Fund Rental Property Standards

Storage	Doors – Damaged/Missing Screen/Storm/Security Door	Any screen door or storm door that is damaged or is missing screens or glass – shown by an empty frame or frames or any security door that is not functioning or is missing	
	Doors – Deteriorated/Missing Seals (Entry Only)	The seals/caulking is missing on any entry door, or they are so damaged that they do not function as they should	
	Doors – Missing Door	Any door that is missing that is required for the functional use of the space	
	Dryer Vent – Missing/Damaged/ Inoperable	The dryer vent is missing or it is not functioning because it is blocked. Dryer exhaust is not effectively vented to the outside	
	Electrical – Blocked Access to Electrical Panel	One or more fixed items or items of sufficient size and weight impede access to the building system's electrical panel during an emergency	
	Electrical – Burnt Breakers	Carbon residue, melted breakers or arcing scars are evident	
	Electrical – Evidence of Leaks/Corrosion	Any corrosion that affects the condition of the components that carry current or any stains or rust on the interior of electrical enclosures or any evidence of water leaks in the enclosure or hardware	
	Electrical – Frayed Wiring	Any nicks, abrasion, or fraying of the insulation that exposes any conducting wire	
	Electrical – Missing Breakers	Any open and/or exposed breaker port	
	Electrical – Missing Covers	A cover is missing, which results in exposed visible electrical connections	Yes
	Floors – Bulging/Buckling	Any flooring that is bulging, buckling or sagging or a problem with alignment between flooring types	
	Floors – Floor Covering Damaged	More than 10% of floor covering has stains, surface burns, shallow cuts, small holes, tears, loose areas or exposed seams	
	Floors – Missing Floor/Tiles	More than 5% of the flooring or tile flooring is missing	
	Floors- Peeling/Needs Paint	Any painted flooring that has peeling or missing paint on more than 10% of the surface	
	Floors – Rot/Deteriorated Subfloor	Any rotted or deteriorated subflooring greater than 6 inches by 6 inches	
	Floors – Water Stains/Water Damage/ Mold/Mildew	Evidence of a leak, mold or mildew – such as a darkened area – covering a flooring area greater than 1 foot square	
	GFI – Inoperable	The GFI does not function	
	Graffiti	Any graffiti on any exposed surface greater than 6 inches by 6 inches	

ADDENDUM C – National Housing Trust Fund Rental Property Standards

Storage Cont.	HVAC – Convection/ Radiant Heat System Covers Missing/Damaged	Cover is missing or substantially damaged, allowing contact with heating/surface elements or associated fans	
	HVAC – General Rust/Corrosion	Significant formations of metal oxides, flaking, or discoloration – or a pit or crevice	
	HVAC – Inoperable	HVAC does not function. It does not provide the heating and cooling it should. The system does not respond when the controls are engaged	
	HVAC – Misaligned Chimney/ Ventilation System	Any misalignment that may cause improper or dangerous venting of gases	Yes
	HVAC – Noisy/Vibrating/Leaking	HVAC system shows signs of abnormal vibrations, other noise, or leaks when engaged	
	Lavatory Sink – Damaged/Missing	Sink has extensive discoloration or cracks in over 50% of the basin or the sink or associated hardware have failed or are missing and the sink can't be used	
	Lighting – Missing/Damaged/Inoperable Fixture	More than 10% of the permanent lighting fixtures are missing or damaged so they do not function	
	Mailbox – Missing/Damaged	The U.S Postal Service mailbox cannot be locked or is missing	
	Outlets/Switches/Cover Plates-Missing/Broken	Outlet or switch is missing or a cover plate is missing or broken, resulting in exposed wiring	Yes
	Pedestrian/Wheelchair Ramp	A walkway or ramp is damaged and cannot be used by people on foot, in wheelchair, or using walkers	
	Plumbing – Clogged Drains	Drain is substantially or completely clogged or has suffered extensive deterioration	
	Plumbing – Leaking Faucet/Pipes	A steady leak that is adversely affecting the surrounding area	
	Range Hood /Exhaust Fans – Excessive Grease/Inoperable	A substantial accumulation of dirt or grease that threatens the free passage of air	
	Range/Stove – Missing/Damaged/Inoperable	One or more burners are not functioning or doors or drawers are impeded or on gas ranges pilot is out and/or flames are not distributed equally or oven not functioning	
	Refrigerator – Damaged/Inoperable	The refrigerator has an extensive accumulation of ice or the seals around the doors are deteriorated or is damaged in any way, which substantially impacts its performance	
	Restroom Cabinet – Damaged/Missing	Damaged or missing shelves, vanity top, drawers, or doors that are not functioning as they should for storage or their intended purpose	

ADDENDUM C – National Housing Trust Fund Rental Property Standards

Storage Cont.	Shower/Tub – Damaged/Missing	Any cracks in tub or shower through which water can pass or extensive discoloration over more than 20% of tub or shower surface or tub or shower is missing	
	Sink – Missing/Damaged	Any cracks in sink through which water can pass or extensive discoloration over more than 10% of the sink surface or sink is missing	
	Smoke Detector – Missing/Inoperable	Smoke detector is missing or does not function as it should	Yes
	Stairs – Broken/Damaged/Missing Steps	A step is missing or broken	
	Stairs Broken/Missing Hand Railing	The hand rail is missing, damaged, loose or otherwise unusable	
	Ventilation/Exhaust System – Inoperable	Exhaust fan is not functioning or window designed for ventilation does not open	
	Walls – Bulging/Buckling	Bulging, buckling or sagging walls or a lack of horizontal alignment	
	Walls – Damaged	Any hole in wall greater than 2 inches by 2 inches	
	Walls – Damaged/Deteriorated Trim	10% or more of the wall trim is damaged	
	Walls – Peeling/Needs Paint	10% or more of interior wall paint is peeling or missing	
	Walls – Water Stains/ Water Damage/Mold/Mildew	Evidence of a leak, mold or mildew – such as a common area – covering a wall area greater than 1 foot square	
	Water Closet/Toilet – Damaged/Clogged/Missing	Fixture elements – seat, flush handle, cover etc. – are missing or damaged or the toilet seat is cracked or has a broken hinge or toilet cannot be flushed	
	Windows – Cracked/Broken/Missing Panels	Any missing panes of glass or cracked panes of glass where the crack is either greater than 4" and/or substantial enough to impact the structural integrity of the window pane	
	Windows – Damaged Window Sill	The sill is damaged enough to expose the inside of the surrounding walls and compromise its weather tightness	
	Windows – Inoperable/Not Lockable	Any window that is not functioning or cannot be secured because lock is broken	
	Windows – Missing/Deteriorated Caulking/ Seals/Glazing Compound	There are missing or deteriorated caulk or seals--with evidence of leaks or damage to the window or surrounding structure	

ADDENDUM C – National Housing Trust Fund Rental Property Standards

Storage Cont.	Windows – Peeling/Needs Paint	More than 10% of interior window paint is peeling or missing	
	Windows – Security Bars Prevent Egress	The ability to exit through the window is limited by security bars that do not function properly and, therefore, pose safety risks	Yes
Health & Safety	Air Quality – Mold and/or Mildew Observed	Evidence of mold or mildew is observed that is substantial enough to pose a health risk	
	Air Quality – Propane/Natural Gas/Methane Gas Detected	Strong propane, natural gas or methane odors that could pose a risk of explosion/ fire and/or pose a health risk if inhaled	Yes
	Air Quality – Sewer Odor Detected	Sewer odors that could pose a health risk if inhaled for prolonged periods	
	Electrical Hazards – Exposed Wires/Open Panels	Any exposed bare wires or openings in electrical panels (capped wires do not pose a risk)	Yes
	Electrical Hazards – Water Leaks on/near Electrical Equipment	Any water leaking, puddling or ponding on or immediately near any electrical apparatus that could pose a risk of fire, electrocution or explosion	Yes
	Emergency Fire Exits – Blocked/Unusable	The exit cannot be used or exit is limited because a door or window is nailed shut, a lock is broken, panic hardware is chained, debris, storage, or other conditions block exit	Yes
	Emergency Fire Exits – Missing Exit Signs	Exit signs that clearly identify all emergency exits are missing or there is no illumination in the area of the sign	
	Flammable/Combustible Materials – Improperly Stored	Flammable or combustible materials are improperly stored, causing the potential risk of fire or explosion	
	Garbage and Debris – Indoors	Too much garbage has gathered-more than the planned storage capacity or garbage has gathered in an area not sanctioned for staging or storing garbage or debris	
	Garbage and Debris – Outdoors	Too much garbage has gathered-more than the planned storage capacity or garbage has gathered in an area not sanctioned for staging or storing garbage or debris	
	Hazards – Other	Any general defects or hazards that pose risk of bodily injury	
	Hazards – Sharp Edges	Any physical defect that could cause cutting or breaking of human skin or other bodily harm	
	Hazards – Tripping	Any physical defect in walkways or other travelled area that poses a tripping risk	
	Infestation – Insects	Evidence of infestation of insects – including roaches and ants – throughout a unit or room, food preparation or storage area or other area of building substantial enough to present a health and safety risk	

ADDENDUM C – National Housing Trust Fund Rental Property Standards

Health & Safety Cont.	Infestation – Rats/Mice/Vermin	Evidence of rats or mice – sightings, rat or mouse holes, or droppings substantial enough to present a health and safety risk	
Pools and Related Structures	Fencing – Damaged/Not Intact	Any damage that could compromise the integrity of the fence	
Trash Collection Areas	Chutes – Damaged/Missing Components	Garbage has backed up into chutes, because the collection structure is missing or broken or compactors or components – chute, chute door, and other components – have failed	

REQUIREMENTS FOR UNIT			
<i>Inspectable Item</i>	<i>Observed Deficiency</i>	<i>Type and Degree of Deficiency</i>	<i>LTI</i>
Bathroom	Bathroom Cabinets – Damaged/Missing	Damaged or missing shelves, vanity tops, drawers, or doors that are not functioning as they should for storage or their intended purpose	
	Lavatory Sink – Damaged/Missing	Any cracks in sink through which water can pass or extensive discoloration over more than 10% of the sink surface or sink is missing	
	Plumbing – Clogged Drains, Faucets	Drain or faucet is substantially or completely clogged or has suffered extensive deterioration	
	Plumbing – Leaking Faucet/Pipes	A steady leak that is adversely affecting the surrounding area	
	Shower/Tub – Damaged/Missing	Any cracks in tub or shower through which water can pass or extensive discoloration over more than 20% of tub or shower surface or tub or shower is missing	
	Ventilation/Exhaust System-Absent/Inoperable	Exhaust fan is not functioning or window designed for ventilation does not open	
	Water Closet/Toilet-Damaged/Clogged/Missing	Fixture elements – seat, flush handle, cover etc. – are missing or damaged or the toilet seat is cracked or has a broken hinge or toilet cannot be flushed	
Call-for-Aid (if applicable)	Inoperable	The system does not function as it should	
Ceiling	Bulging/Buckling/Leaking	Bulging, buckling or sagging ceiling or problem with alignment	
	Holes/Missing Tiles/Panels/Cracks	Any holes in ceiling, missing tiles or large cracks wider than 1/4 of an inch and greater than 6 inches long	
	Peeling/Needs Paint	More than 10% of ceiling has peeling paint or is missing paint	
	Water Stains/Water Damage/Mold/Mildew	Evidence of a leak, mold or mildew – such as a darkened area – over a ceiling area greater than 1 foot square	

ADDENDUM C – National Housing Trust Fund Rental Property Standards

Doors	Damaged – Frames/Threshold/Lintels/Trim	Any door that is not functioning or cannot be locked because of damage to the frame, threshold, lintel or trim	
	Damaged – Hardware/Locks	Any door that does not function as it should or cannot be locked because of damage to the door's hardware	
	Damaged/Missing – Screen/Storm/Security Door	Any screen door or storm door that is damaged or is missing screens or glass – shown by an empty frame or frames or any security door that is not functioning or is missing	
	Damaged Surface – Holes/Paint/Rusting/Glass/Rotting	Any door that has a hole or holes greater than 1 inch in diameter, significant peeling/cracking/no paint or rust that affects the integrity of the door surface, or broken/missing glass	
	Deteriorated/Missing Seals (Entry Only)	The seals/caulking is missing on any entry door, or they are so damaged that they do not function as they should	
	Missing Door	Any door that is required for security (entry) or privacy (Bathroom) that is missing or any other unit door that is missing and is required for proper unit functionality	
Electrical System	Blocked Access to Electrical Panel	One or more fixed items or items of sufficient size and weight impede access to the building system's electrical panel during an emergency	
	Burnt Breakers	Carbon residue, melted breakers or arcing scars are evident	
	Evidence of Leaks/Corrosion	Any corrosion that affects the condition of the components that carry current or any stains or rust on the interior of electrical enclosures or any evidence of water leaks in the enclosure or hardware	
	Frayed Wiring	Any nicks, abrasion, or fraying of the insulation that exposes any conducting wire	
	GFI – Inoperable	The GFI does not function	
	Missing Breakers/Fuses	Any open and/or exposed breaker port	Yes
	Missing Covers	A cover is missing, which results in exposed visible electrical connections	Yes
Floors	Bulging/Buckling	Any flooring that is bulging, buckling or sagging or a problem with alignment between flooring types	
	Floor Covering Damage	More than 10% of floor covering has stains, surface burns, shallow cuts, small holes, tears, loose areas or exposed seams.	
	Missing Flooring Tiles	Any flooring or tile flooring that is missing	
	Peeling/Needs Paint	Any painted flooring that has peeling or missing paint on more than 10% of the surface	

ADDENDUM C – National Housing Trust Fund Rental Property Standards

Floors Cont.	Rot/Deteriorated Subfloor	Any rotted or deteriorated subflooring greater than 6 inches by 6 inches	
	Water Stains/Water Damage/Mold/Mildew	Evidence of a leak, mold or mildew – such as a darkened area – covering a flooring area greater than 1 foot square	
Health & Safety	Air Quality – Mold and/or Mildew Observed	Evidence of mold or mildew is observed that is substantial enough to pose a health risk	
	Air Quality – Sewer Odor Detected	Sewer odors that could pose a health risk if inhaled for prolonged periods	
	Air Quality – Propane/Natural Gas/Methane Gas Detected	Strong propane, natural gas or methane odors that could pose a risk of explosion/ fire and/or pose a health risk if inhaled	Yes
	Electrical Hazards – Exposed Wires/Open Panels	Any exposed bare wires or openings in electrical panels (capped wires do not pose a risk)	Yes
	Electrical Hazards – Water Leaks on/near Electrical Equipment	Any water leaking, puddling or ponding on or immediately near any electrical apparatus that could pose a risk of fire, electrocution or explosion	Yes
	Emergency Fire Exits – Blocked/Unusable	The exit cannot be used or exit is limited because a door or window is nailed shut, a lock is broken, panic hardware is chained, debris, storage, or other conditions block exit	Yes
	Emergency Fire Exits – Missing Exit Signs	Exit signs that clearly identify all emergency exits are missing or there is no illumination in the area of the sign	
	Flammable Materials – Improperly Stored	Flammable materials are improperly stored, causing the potential risk of fire or explosion	
	Garbage and Debris – Indoors	Too much garbage has gathered-more than the planned storage capacity or garbage has gathered in an area not sanctioned for staging or storing garbage or debris	
	Garbage and Debris – Outdoors	Too much garbage has gathered-more than the planned storage capacity or garbage has gathered in an area not sanctioned for staging or storing garbage or debris	
	Hazards – Other	Any general defects or hazards that pose risk of bodily injury	
	Hazards – Sharp Edges	Any physical defect that could cause cutting or breaking of human skin or other bodily harm	
	Hazards – Tripping	Any physical defect in walkways or other travelled area that poses a tripping risk	
	Infestation – Insects	Evidence of infestation of insects – including roaches and ants – throughout a unit or room, food preparation or storage area or other area of building substantial enough to present a health and safety risk	

ADDENDUM C – National Housing Trust Fund Rental Property Standards

Health & Safety Cont.	Infestation – Rats/Mice/Vermin	Evidence of rats or mice – sightings, rat or mouse holes, or droppings substantial enough to present a health and safety risk	
Hot Water Heater	Misaligned Chimney/Ventilation System	Any misalignment that may cause improper or dangerous venting of gases	Yes
	Inoperable Unit/Components	Hot water from hot water taps is no warmer than room temperature indicating hot water heater is not functioning properly	
	Leaking Valves/Tanks/Pipes	There is evidence of active water leaks from hot water heater or related components	
	Pressure Relief Valve Missing	There is no pressure relief valve or pressure relief valve does not drain down to the floor	
	Rust/Corrosion	Significant formations of metal oxides, flaking, or discoloration – or a pit or crevice	
HVAC System	Convection/Radiant Heat System Covers Missing/Damaged	Cover is missing or substantially damaged, allowing contact with heating/surface elements or associated fans	
	Inoperable	HVAC does not function. It does not provide the heating and cooling it should. The system does not respond when the controls are engaged	
	Misaligned Chimney/Ventilation System	Any misalignment that may cause improper or dangerous venting of gases	Yes
	Noisy/Vibrating/Leaking	The HVAC system shows signs of abnormal vibrations, other noise, or leaks when engaged	
	Rust/Corrosion	Deterioration from rust or corrosion on the HVAC system in the Dwelling Unit	
Kitchen	Cabinets – Missing/Damaged	10% or more of cabinet, doors, or shelves are missing or the laminate is separating	
	Countertops – Missing/Damaged	10% or more of the countertop working surface is missing, deteriorated, or damaged below the laminate – not a sanitary surface to prepare food	
	Dishwasher/Garbage Disposal- Inoperable	The dishwasher or garbage disposal does not operate as it should	
	Plumbing – Clogged Drains	Drain is substantially or completely clogged or has suffered extensive deterioration	
	Plumbing – Leaking Faucet/Pipes	A steady leak that is adversely affecting the surrounding area	
	Range Hood/Exhaust Fans – Excessive Grease/Inoperable	A substantial accumulation of dirt or grease that threatens the free passage of air	
	Range/Stove – Missing/Damaged/ Inoperable	One or more burners are not functioning or doors or drawers are impeded or on gas ranges pilot is out and/or flames are not distributed equally or oven not functioning	

ADDENDUM C – National Housing Trust Fund Rental Property Standards

Kitchen Cont.	Refrigerator – Missing/Damaged/ Inoperable	The refrigerator has an extensive accumulation of ice or the seals around the doors are deteriorated or is damaged in any way, which substantially impacts its performance	
	Sink – Damaged/Missing	Any cracks in sink through which water can pass or extensive discoloration over more than 10% of the sink surface or sink is missing	
Laundry Area (Room)	Dryer Vent – Missing/Damaged/ Inoperable	The dryer vent is missing or it is not functioning because it is blocked. Dryer exhaust is not effectively vented to the outside	
Lighting	Missing/Inoperable Fixture	A permanent light fixture is missing or not functioning, and no other switched light source is functioning in the room	
Outlets/Switches	Missing	An outlet or switch is missing	Yes
	Missing/Broken Cover Plates	An outlet or switch has a broken cover plate over a junction box or the cover plate is missing	Yes
Patio/Porch/Balcony	Baluster/Side Railings Damaged	Any damaged or missing balusters or side rails that limit the safe use of an area	
Smoke Detector	Missing/Inoperable	Smoke detector is missing or does not function as it should	Yes
Stairs	Broken/Damaged/Missing Steps	A step is missing or broken	
	Broken/Missing Hand Railing	The hand rail is missing, damaged, loose or otherwise unusable	
Walls	Bulging/Buckling	Bulging, buckling or sagging walls or a lack of horizontal alignment	
	Damaged	Any hole in wall greater than 2 inches by 2 inches	
	Damaged/Deteriorated Trim	10% or more of the wall trim is damaged	
	Peeling/Needs Paint	10% or more of interior wall paint is peeling or missing	
	Water Stains/Water Damage/Mold/Mildew	Evidence of a leak, mold or mildew covering a wall area greater than 1 foot square	
Windows	Cracked/Broken/Missing Panes	Any missing panes of glass or cracked panes of glass where the crack is either greater than 4" and/or substantial enough to impact the structural integrity of the window pane	
	Damaged Window Sill	The sill is damaged enough to expose the inside of the surrounding walls and compromise its weather tightness	
	Missing/Deteriorated Caulking/Seals/Glazing Compound	There are missing or deteriorated caulk or seals--with evidence of leaks or damage to the window or surrounding structure	
	Inoperable/Not Lockable	Any window that is not functioning or cannot be secured because lock is broken	

ADDENDUM C – National Housing Trust Fund Rental Property Standards

Windows Cont.	Peeling/Needs Paint	More than 10% of interior window paint is peeling or missing	
	Security Bars Prevent Egress	The ability to exit through the window is limited by security bars that do not function	Yes

Appendix B – Terms

Term	Definition
20YCE	Twenty-year Capital Expenditure
AC	Air conditioning
Accessibility Analysis and Survey	A Minnesota Housing required written report documenting an existing property’s compliance with applicable accessibility codes and regulations based upon a site inspection and review of existing as-built plans or new plans. Applicability and other requirements are based on funding sources.
Adaptive Reuse	Refers to the process of reusing an old site or building for a purpose other than which it was originally built or designed.
AFCI	Arc-fault circuit-interrupter
Americans with Disabilities Act	42 U.S.C. 12131-12189
Broadband Infrastructure	Cables, fiber optics, wiring, or other permanent (integral to the structure) infrastructure – including wireless infrastructure with a minimum broadband speed of 25 Mbps download and 3 Mbps upload (if receiving federal assistance, speed will be mandated by the U.S. Department of Housing and Urban Development.
CFR	Code of Federal Regulations
CNA	Capital Needs Assessment
Covered Multifamily Dwellings	As defined at 24 CFR §100.201
Critical Need or Critical Physical Needs	Property condition deficiencies that if left unattended will likely jeopardize the property’s federal assistance.
Design/Construction Standards	Minnesota Housing design and construction standards contained in this guide.
Dwelling Unit	A single unit providing complete, independent living facilities for one or more persons, including permanent provisions for living, sleeping (separated bedroom or bedrooms), eating, cooking (full kitchen) and sanitation (3/4 or full bath).
Efficiency Unit (a/k/a SRO)	A single room occupant unit providing complete, independent living facilities, including living, sleeping, and eating. Includes provisions for in-unit sanitation (bathroom) and kitchen facilities.
EGCC	2015 Enterprise Green Communities Criteria

ADDENDUM C – National Housing Trust Fund Rental Property Standards

ENERGY STAR	A U.S. Environmental Protection Agency program that helps save money, reduces financial risk from rising energy costs, and protects our climate through energy efficiency. ENERGY STAR labeled/qualified designation may include windows, doors, plumbing fixtures, lighting, and appliances. ENERGY STAR certified buildings follow either the Homes program or Multifamily High Rise program.
ESAs	Environmental Site Assessments
ERA	Energy Rebate Analysis
ERL	Effective Remaining Life
EUL	Expected Useful Life
GFCI	Ground-fault circuit-interrupter
HERS Rater	A Residential Energy Services Network (RESNET) certified individual required for ENERGY STAR for Homes certification program.
HOME	HOME Investment Partnerships Program
HTC	Housing Tax Credits
HUD	The United States Department of Housing and Urban Development
HVAC	Heating, ventilating and air conditioning system
IRS	Internal Revenue Service
KCMA	Kitchen Cabinet Manufacturers Association
Mbps	Megabits per second
Minnesota Housing	The Minnesota Housing Finance Agency
MN Overlay	Minnesota Housing's amendment to the 2015 Enterprise Green Communities Criteria.
Moderate Rehabilitation	See Section 3.04
MPCA	Minnesota Pollution Control Agency
NHTF	National Housing Trust Fund Program
PNA	Physical Needs Assessment
PNAT	Physical Needs Assessment Template
Predictive Cost Model	A Minnesota Housing developed software used to compare a project's proposed costs with the expected costs based upon Minnesota Housing's experience with similar projects and industry-wide standards. The model considers the following project specific attributes: activity type (new construction vs. rehabilitation), building type, unit sizes, gross square foot, amount of non-residential space, location, year built, garage type, and acquisition type (land or structure).
Preservation	Funding priority and policy focused on preserving properties with existing federal assistance (project based rental assistance or operating subsidies).

ADDENDUM C – National Housing Trust Fund Rental Property Standards

Property Standards	Refer to 24 CFR Part 93, Subpart G, §93.301 (if receiving NHTF funding) and/or 24 CFR Part 92, Subpart F, §92.251 (if receiving HOME funding), including part (a) New construction projects and part (b) Rehabilitation projects.
Qualified Rehabilitation Specialist	As defined in the Minnesota Housing Architect’s Guide.
REAC	Real Estate Assessment Center
Sleeping Unit	Also known as congregate living or dormitory. A room or space in which people sleep, which can also include permanent provisions for living, eating and either sanitation (bathroom) or kitchen facilities but not both.
Story(ies)	Also known as level or floor. That portion of a building included between the upper surface of the floor and the upper surface of the floor or roof next above.
Substantial Rehabilitation	See Section 3.04.B
Sustainable Building Guidelines	State building guidelines that apply to projects receiving Minnesota Housing Publicly Owned Housing Program general obligation bond proceeds.
Sustainable Housing Standards	Minnesota Housing standards for new construction and rehabilitation that requires compliance with the 2015 Enterprise Green Communities Criteria and most current version of the MN Overlay and Guide to the 2015 Enterprise Green Communities Criteria.
Type A	Accessible Dwelling Units or Sleeping Units which meet the Type A Unit requirements of the Minnesota Accessibility Code.
Type B	Accessible Dwelling Units or Sleeping Units which meet the Type B Unit requirements of the Minnesota Accessibility Code.
Universal Design	As defined in the Multifamily 2018 Housing Tax Credit Self-Scoring Worksheet.
UPCS	HUD’s Uniform Physical Condition Standards
USDA	The United States Department of Agriculture
Visitability	Designs that allow persons with mobility impairments to enter and stay, but not live, in a residence.