



Minnesota's National Housing Trust Fund **Draft Allocation Plan**

Substantial Amendments to Minnesota's 2016 Annual Action Plan and 2012-2016 Consolidated Plan

May 20, 2016



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Introduction

These substantial amendments (amendments) to the State of Minnesota's 2012-2016 Consolidated Plan and the 2016 Annual Action Plan¹ are necessary to implement the federal government's National Housing Trust Fund (NHTF). The amendments are being offered for public comment.

The Minnesota Housing Finance Agency has been designated by the Governor as the Minnesota recipient of NHTF from the U.S. Department of Housing and Urban Development (HUD).

Minnesota will receive the minimum state grant amount of \$3,000,000 in 2016. All NHTF funds that Minnesota Housing receives in 2016 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 (\$300,000); up to one-third for operating cost assistance or funding operating cost assistance reserves (up to \$1,000,000); 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.

Goals

Because this is the final year of the 5-year strategic plan, the goals are the same as the 2016 plan.

Number of NHTF units constructed or rehabilitated in 2016:	22
Number of NHTF units receiving operating subsidies:	up to 12

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.

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 Proposals. The NHTF funds will be part of a deferred pool of

¹ Find current 2012-2016 Consolidated Plan and 2016 Annual Action Plan on Minnesota Housing's website: www.mnhousing.gov > Policy & Research > Plans for Federal Funds

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 HTF grant.

Application Requirements and Selection Criteria

Developers, owners, and the entire development team are required to meet the same eligibility criteria as for other agency programs, as specified in the Consolidated RFP.

The needs of very low income renters, those with incomes below 50% of area median income (AMI), are a high priority for the State of Minnesota, with significant priority on extremely low income renters (below 30% AMI). Applications will be evaluated in accordance with need and scoring criteria that emphasizes other State priorities. For the 2016 consolidated RFP, these strategic priorities include:

1. Preservation of developments that contain existing federal assistance or other critical affordable units at risk of loss,
2. Address specific and critical rental housing needs, for example, TOD on fixed transit, economic integration, workforce housing, senior housing,
3. Planned community development, and
4. Prevent and end homelessness through permanent supportive housing.

Among proposals that best satisfy 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. Selection priorities may be found in the "Multifamily Request for Proposal Guide." The 2016 Guide is located on the Minnesota Housing website, www.mnhousing.gov.

Priority for Awarding Funding to Eligible Applicants

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. See "Priority Housing Needs" below.

2. Applicant Capacity.

Applicants must be capable of undertaking and completing NHTF-funded activities in a timely manner. 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, and other factors relevant to the role of the entity.

3. Project-based Rental Assistance.

Minnesota Housing gives priority for preservation of rent-assisted projects; and for projects with binding commitments for project-based vouchers.

4. Duration of Affordability Period.

New Construction, rehabilitation, and rehabilitation and acquisition rental projects have an 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 current Consolidated Plan (2012-2016) identifies priority housing needs among extremely low income renters for all renter household types from small and large families to elderly households. The total unmet need among extremely low income renters in Minnesota was estimated to be 137,286 units in at the time of the Consolidated Plan publication.

In addition to helping to meet the substantial unmet need of extremely low income renters, Minnesota Housing has defined the following housing priorities:

- Affordable to the local workforce
- Located in high opportunity areas
- Located near transit
- Responsive to needs of underserved populations
- Furthers community recovery efforts
- Part of a broader community vision
- Tribally-sponsored
- Permanent supportive housing

6. Leveraging.

Minnesota Housing's NHTF funds will leverage other agency, private, and low-income housing tax credit investment.

7. 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.

8. Eligible Recipients.

Eligible entities for NHTF include owners or developers that must 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.

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 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.

9. Performance Goals and Benchmarks.

Minnesota will receive the minimum state grant amount of \$3,000,000 in 2016. All NHTF funds that Minnesota Housing receives in 2016 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 (\$300,000); up to one-third for operating cost assistance or funding operating cost assistance reserves (up to \$1,000,000); 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 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.

10. 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 in the State's Low-income Housing Tax Credit Qualified Allocation Plan (QAP). The thresholds, based upon total 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 Attachment A, but are subject to change whenever a new QAP is adopted or modified. Adjustments are made in response to cost trends.

11. Rehabilitation Standards.

Properties served with NHTF funds must comply with all applicable state and local codes, standards and ordinances by project completion. In cases where standards differ, the most restrictive standard will apply. In the absence of a State or local building code, the International Residential Code or International Building Code of the International Code Council will apply.

Properties must meet local housing habitability or quality standards throughout the effective period. If no such standards exist, HUD's Uniform Physical Conditions Standards (UPCS), as set forth in 24 CFR 5.705, will apply.

All projects funded through the HOME and NHTF programs must follow Minnesota Housing's Rental Housing Design/Construction Standards. These guidelines are available on Minnesota Housing's website: [Rental Housing Design/Construction Standards²](#).

All projects with 26 or more units are required to have the useful remaining life of the major systems determined. Major systems include: structural support; roofing; cladding and weatherproofing (e.g., windows, doors, siding, gutters); plumbing; electrical; and heating, ventilation, and air conditioning.

If the useful remaining life of one or more major system(s) is less than the applicable effective period, the system(s) must be either included in the scope of work or a replacement reserve must be established and monthly deposits made to the reserve account to adequately repair or replace the systems as needed.

All projects funded through the NHTF program must follow HUD 24 CFR 35 subparts A, B, J, K, M and R, Minnesota Housing's Rental Housing Design/Construction Standards and

² Minnesota Housing's Rental Housing Design/Construction Standards are found at http://www.mnhousing.gov/wcs/Satellite?blobcol=urldata&blobheadername1=Content-Type&blobheadername2=Content-Disposition&blobheadername3=MDT-Type&blobheadervalue1=application%2Fpdf&blobheadervalue2=attachment%3B+filename%3DMHFA_010794.pdf&blobheadervalue3=abinary%3B+charset%3DUTF-8&blobkey=id&blobtable=MungoBlobs&blobwhere=1361480699020&ssbinary=true

Minnesota Housing's Lead-Based Paint policy. Owners are required to follow disclosure requirements for Lead-Based Paint (LBP), including:

- Complete Minnesota Housing's Lead-Based Paint Pre-Construction Certification form and submit the original to Minnesota Housing in conjunction with signing the NHTF Form 1.
- Provide the EPA-approved lead hazard pamphlet "Protect Your Family from Lead in Your Home" to all tenant households in a property built prior to 1978. The pamphlet must be given upon execution of the NHTF application form titled NHTF Form 1 for existing tenants and for new tenants at move-in
- Distribute to all tenants residing at the property during rehabilitation, the "Renovate Right: Important Lead Hazard Information for Families, Child Care Providers, and Schools" pamphlet. This must be distributed no less than seven days and no more than 60 days prior to commencement of rehabilitation.
- Retain on file a Lead-Based Paint Acknowledgment of Disclosure form signed by the tenant. The signed Lead-Based Paint Acknowledgement of Disclosure must be retained for three years from the beginning of the leasing period.
- Post an assessment or notice of lead-based paint hazards present, whether determined by a risk assessment or presumption of lead. The owner must post the notice in a conspicuous location or deliver a copy of the assessment to each household within 15 days.

12. Resale and Recapture Provisions.

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

13. Affordable Homeownership Limits.

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

14. Limitation on Beneficiaries or Preferences.

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.

15. Refinancing Existing Debt.

Minnesota Housing will not use NHTF to refinance existing debt.

Attachment A

Per Unit Subsidy as Adjusted for Mix of Unit Sizes

	Subsidy limit adjustment for unit size mix	Subsidy limit for Families/Mixed Developments
New Construction Metro for Singles	1.17	\$242,000
New Construction Metro for Families/Mixed	1.00	
New Construction Metro for Large Families	0.96	
New Construction Greater MN for Singles	1.17	\$192,000
New Construction Greater MN for Families/Mixed	1.00	
New Construction Greater MN for Large Families	0.96	
Rehabilitation Metro for Singles	1.30	\$193,000
Rehabilitation Metro for Families/Mixed	1.00	
Rehabilitation Metro for Large Families	0.85	
Rehabilitation Greater MN for Singles	1.30	\$153,000
Rehabilitation Greater MN for Families/Mixed	1.00	
Rehabilitation Greater MN for Large Families	0.85	
<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. 		