

CHAPTER 4900
MINNESOTA HOUSING FINANCE AGENCY
HOUSING LOANS AND GRANTS

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4900.1920 [Repealed, 26 SR 1511]

4900.1921 [Repealed, 26 SR 1511]

4900.1922 [Repealed, 26 SR 1511]

4900.1923 [Repealed, 26 SR 1511]

4900.1924 [Repealed, 26 SR 1511]

4900.2420 DEFINITIONS.

[For text of subps 1 to 5, see MR]

Subp 6 **Designated area.** "Designated area" means a specific area where the acquisition, rehabilitation, and sale of eligible properties may take place under the program

[For text of subps 7 to 12, see MR]

Subp 13 [Repealed, 26 SR 863]

Statutory Authority: *MS s 462A.06*

History: *26 SR 863*

4900.2440 URBAN AND RURAL HOMESTEADING PROGRAM.

[For text of subpart 1, see MR]

Subp 2 **Uses of grant money.** The grants must be used by eligible organizations to buy eligible properties and pay for the cost of acquiring and rehabilitating those properties. The agency may establish an allocation plan for the program to provide for the greater likelihood of awarding such grants among urban and rural properties. The agency may also establish requirements pertaining to maximum allowable administrative costs under the program, but in no instance may the administrative costs exceed

ten percent of the amount awarded per eligible organization from funds appropriated for the program during the period of acquisition, rehabilitation, and sale

Statutory Authority: *MS s 462A 06*

History: *26 SR 863*

4900.2480 SELECTION OF ELIGIBLE ORGANIZATION.

Subpart 1. **Criteria.** The agency shall take the following criteria into consideration when determining whether an applicant will receive a grant under the program

[For text of items A to C, see MR]

D The feasibility of the program as developed by the applicant.

[For text of item E, see M.R]

F The feasibility of the proposed budget in meeting the objectives of the program

[For text of item G, see MR]

[For text of subp 2, see M.R.]

Statutory Authority: *MS s 462A.06*

History: *26 SR 863*

4900.2500 LOCAL NEIGHBORHOOD ADVISORY BOARD.

[For text of subpart 1, see MR]

Subp 2 **Racial composition.** Wherever possible, residents selected to serve on the advisory board must reflect the racial composition of the designated area. The eligible organization must undertake adequate outreach with each designated area to achieve such racial composition. If, despite such outreach, the eligible organization is unable to obtain such racial composition, the eligible organization must demonstrate to the satisfaction of the agency that a reasonable effort was made to do so

[For text of subp 3, see M.R]

Statutory Authority: *MS s 462A 06*

History: *26 SR 863*

4900.2520 ELIGIBLE PROPERTIES.

Subpart 1 **General.** Eligible properties are to be acquired by the eligible organization for rehabilitation and sale to at-risk homebuyers with the input of the local neighborhood advisory board for the designated area. The eligible organization may initially acquire up to five properties in a designated area with funds appropriated for the program or may acquire more than five properties if funds other than appropriated funds are used. Mobile homes, townhomes in planned unit developments, and condominium units are not eligible under the program. Upon sale of the property, clear and marketable title subject to the contract for deed described in part 4900.2560 must be provided to the homebuyer

[For text of subps 2 to 4, see MR]

Statutory Authority: *MS s 462A.06*

History: *26 SR 863*

4900.2560 CONTRACT FOR DEED.

The agency shall establish the terms and conditions for the contract for deed to be used to convey the rehabilitated property from the eligible organization to the at-risk homebuyer. The terms and conditions shall reflect state law pertaining to such documents, the requirements of Minnesota Statutes, section 462A.07, and parts 4900.2400 to 4900.2600 pertaining to the program, and specific requirements of the program as implemented by the eligible organization.

Statutory Authority: *MS s 462A 06*

History: *26 SR 863*

4900.3600 SCOPE.

Parts 4900 3600 to 4900 3652 govern the implementation of the economic development and housing challenge program authorized by Minnesota Statutes, section 462A.33.

Statutory Authority: *MS s 462A.06*

History: *26 SR 1510*

4900.3610 DEFINITIONS.

Subpart 1 **Scope.** The terms used in parts 4900.3600 to 4900 3652 have the meanings given them in this part

Subp 2. **Affordable to the local work force.** "Affordable to the local work force" means that the amount of rent or housing payments made by the occupants of housing funded under the challenge program is affordable based on the wages of the jobs being created or retained in the local area, the fastest growing jobs in the local area, the jobs with the most openings in the local area, or the wages of the work force employed by organizations making contributions under the challenge program Rent or housing payments are affordable if they do not exceed 30 percent of the wages being paid in the local area as the wages are described in the application for challenge program funding

Subp 3 **Agency.** "Agency" means the Minnesota Housing Finance Agency created by Minnesota Statutes, chapter 462A.

Subp 4 **Application guide.** "Application guide" means the informational materials developed by the agency for the purposes of soliciting applications for and releasing funds under the challenge program

Subp 5 **Challenge program.** "Challenge program" means the economic development and housing challenge program authorized by Minnesota Statutes, section 462A.33.

Subp. 6 **Continuum of care plan.** "Continuum of care plan" means a community plan prescribed by HUD to organize and deliver housing and services to meet the specific needs of people who are homeless as they move to stable housing and maximum self-sufficiency and includes action steps to end homelessness and prevent a return to homelessness

Subp 7 **Cooperatively developed plan.** "Cooperatively developed plan" means a plan that encompasses multiple affordable housing and related service initiatives in a geographically defined area that is developed through the cooperation and input of a city or county, or instrumentality thereof, or a regional unit of government and one or more of the following entities

- A a neighborhood group or community group;
- B housing providers, and
- C. housing funders

Subp 8 **Deferred loan.** "Deferred loan" means a non- or low-interest-bearing loan made without periodic payments and repaid in full at the end of the loan term or upon the occurrence of a specified event

Subp. 9 **Economic vitality and housing initiative group.** "Economic vitality and housing initiative group" means a regional advisory group that has been developed according to the agency's economic vitality and housing initiative created under Laws 1995, chapter 255, article 2, section 16, and has submitted a proposal to the agency for a capacity building grant under Minnesota Statutes, section 462A.21, subdivision 3b

Subp 10 **Economic vitality and housing initiative guidelines.** "Economic vitality and housing initiative guidelines" means the regional affordable housing investment guidelines developed by an economic vitality and housing initiative group that address the affordable housing needed in connection with economic development and redevelopment efforts in their region

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Subp. 11 **Eligible homebuyer.** “Eligible homebuyer” means a household that satisfies the income limits provided in Minnesota Statutes, section 462A 33, subdivision 5, with respect to homeownership projects

Subp. 12. **Household at risk of becoming homeless.** “Household at risk of becoming homeless” means a household that is faced with a situation or set of circumstances that is likely to cause the household to become homeless in the future, including living in substandard housing, living in housing that is inadequate for the size of the household, living in housing with a person who engages in domestic violence, paying more than 50 percent of household income for rent, or having insufficient household resources to pay for current housing and meet other basic needs

Subp. 13. **Interim loan.** “Interim loan” means a short-term non- or low-interest-bearing loan made to a successful applicant to assist with acquiring, demolishing, rehabilitating, or constructing owner-occupied housing.

Subp. 14. **Local area.** “Local area” means the geographic area in Minnesota that the agency uses to determine what constitutes the local work force and to compute average hourly or annual wages.

Subp. 15 **Member-adopted plan for affordable housing.** “Member-adopted plan for affordable housing” means the affordable housing plan adopted by the members that the agency uses to project the resources that will be available to the agency to invest in housing programs during each biennium and to plan for how the resources are invested

Subp. 16 **Owner-occupied housing.** “Owner-occupied housing” means housing that is the principal place of residence for the owner and the owner’s household. Housing that is primarily intended to be used in a trade or business, as an investment property, or as a recreational home is not owner-occupied housing, however, a property that contains rental housing units qualifies as owner-occupied housing so long as the property includes no more than four housing units, at least one of which is occupied by the property’s owner

Subp. 17. **Private developer.** “Private developer” means an individual or a for-profit nongovernmental entity, including a cooperative housing corporation as defined in part 4900 0010, subpart 8, and a limited dividend entity as defined in part 4900 0010, subpart 14

Subp. 18 **Public housing agency.** “Public housing agency” means any state, county, municipality, or other governmental entity or public body, or agency thereof, that is authorized to engage or assist in the development or operation of low-income housing.

Subp. 19 **Rental housing.** “Rental housing” means housing with a minimum of four units that is used to provide living accommodations to persons or families on a rental basis. Rental housing does not include owner-occupied housing or a unit in a hotel, motel, inn, or other establishment where units are used on a transient basis

Subp. 20 **Tenant-based rental assistance.** “Tenant-based rental assistance” means a rental subsidy provided for an individual household that chooses its own housing unit

Subp. 21. **Underserved populations.** “Underserved populations” means individuals and households of color, single female heads of households with minor children, and disabled individuals.

Statutory Authority: *MS s 462A 06*

History: *26 SR 1510*

4900.3620 ALLOCATION OF FUNDS.

The agency shall apportion challenge program funds among the permitted uses authorized by Minnesota Statutes, section 462A 33, according to the member-adopted plan for affordable housing. The agency shall issue an application guide prior to each round of funding under the challenge program.

Statutory Authority: *MS s 462A 06*

History: *26 SR 1510*

4900.3630 TYPES OF FUNDING AVAILABLE.

Funds awarded to successful applicants from the challenge program must take the form of loans or grants as described in parts 4900 3632 and 4900 3634

Statutory Authority: *MS s 462A 06*

History: *26 SR 1510*

4900.3632 RENTAL HOUSING.

Subpart 1 **Generally.** For rental housing, the agency shall provide challenge program funds in the form of a deferred loan. The agency shall provide challenge program funds in the form of a grant if

A the applicant provides documentation confirming that another funding source requires the agency's funds to be provided in the form of a grant, and

B the other funding source is providing a greater amount of funding than the agency is providing

Subp 2 Loans for rental housing.

A The agency shall award challenge program loans in the form of a deferred loan unless an amortizing loan is requested by the borrower and deemed financially feasible by the agency. The agency shall base its determination of financial feasibility on whether the rental housing shall generate enough cash flow to support the amortizing loan. In making this determination, the agency shall consider the rental housing's projected income less its projected expenses. The term of the loan is 30 years from the date of the loan closing, however, the agency may adjust the loan term based on any of the following factors

(1) requirements and conditions of other funding sources related to loan term,

(2) the existence of a leasehold mortgage on the property benefited by the loan; or

(3) economic analysis by agency staff demonstrating that the housing will not have sufficient value at the end of the loan term to allow the borrower to repay the loan.

B Challenge program loans bear interest at a rate of zero percent unless a higher interest rate is necessary to allow challenge program funds to be used with other funding sources. Principal and interest, if any, is due and payable at the end of the 30-year term

Subp 3 Grants for rental housing.

A The term of challenge program grants is 30 years from the date of the grant award, however, the agency may adjust the grant term based on requirements and conditions of other funding sources related to the grant term or the existence of a leasehold mortgage on the property benefited by the grant.

B Challenge program grants must be repaid in full to the agency if the grant recipient does not comply with the conditions of the grant agreement with the agency. Challenge program grants must be forgiven in full at the end of the 30-year term if the grant recipient remains in compliance with the grant agreement throughout the grant term

Subp 4. **Repayment processing fee.** The agency shall charge borrowers a repayment processing fee when a challenge program loan or grant is repaid in full, as provided in the loan or grant agreement between the borrower or grant recipient and the agency. The amount of the processing fee is equal to the approximate administrative costs incurred by the agency in processing the repayment

Subp. 5 **Sale of housing or assumption of loan.** The agency shall approve the sale of rental housing financed, or the assumption of a loan or grant made, under this part if the entity purchasing the rental housing or assuming the loan meets the agency's current mortgage credit and underwriting standards. The agency shall charge the original borrower or grant recipient an assumption fee in an amount equal to the

approximate administrative costs incurred by the agency in processing the sale or assumption, as provided in the loan or grant agreement between the borrower or grant recipient and the agency.

Statutory Authority: *MS s 462A 06*

History: *26 SR 1510*

4900.3634 OWNER-OCCUPIED HOUSING.

Subpart 1 **Generally.** To determine whether to award challenge program funds for owner-occupied housing in the form of an interim loan or a deferred loan, the agency shall consider the type of activity for which the applicant seeks funding and the needs described in the application. The agency shall provide funding to a successful applicant in the form of a loan unless the applicant provides documentation satisfying the conditions in subpart 3.

Subp 2 **Loans for owner-occupied housing.** Challenge program funds provided in the form of a loan may be interim loans or deferred loans.

A The agency may provide challenge program funds in the form of an interim loan to acquire, rehabilitate, demolish, or construct owner-occupied housing. Interim loans bear interest at a rate of two percent unless the interest rate would adversely affect the affordability of the housing for the eligible homebuyers that the applicant is proposing to serve, in which case the interim loan is interest free.

The term of an interim loan is 20 months, however, the agency may adjust the loan term based on requirements and conditions of other funding sources related to the loan term or economic analysis by agency staff of the financial feasibility of the owner-occupied housing. The determination of financial feasibility shall be based on whether all sources of funding are available and sufficient to cover the total development costs of the housing. Principal and interest, if any, is due and payable at the end of the 20-month term. Interim loans shall not be transferred to eligible homebuyers.

B The agency may also provide challenge program funds in the form of an interest-free deferred loan for purposes of interim or permanent financing. A deferred loan is used to help bridge funding gaps not covered by a first mortgage or other sources of funding for owner-occupied housing. A deferred loan must be repaid

(1) when the owner-occupied housing constructed, acquired, or improved with the proceeds of the deferred loan is sold, transferred, or otherwise conveyed by the eligible homebuyer,

(2) when the eligible homebuyer ceases to use owner-occupied housing constructed, acquired, or improved with the proceeds of the deferred loan as owner-occupied housing, or

(3) on the date that is 30 years from the date of the loan closing,
whichever occurs first.

Subp 3 **Grants.** Challenge program funds may be provided in the form of a grant if the funds will be used to finance

A. the gap that exists between the sale price of the owner-occupied housing and the construction costs of the housing, or

B. other eligible activities for which the agency could not recoup loans without increasing housing costs beyond that which the eligible homebuyer could afford. In deciding to award grant funds, the agency shall also consider administrative ease and whether the award would expand and preserve affordable housing opportunities for a longer period of time.

Subp 4 **Loan repayment.**

A A successful applicant shall repay to the agency all challenge program funds awarded to it in the form of a loan if the successful applicant ceases to use the funds as stated in its application to the agency and in the manner provided in any agreement between the successful applicant and the agency governing the use of the challenge program funds.

B The successful applicant may retain the proceeds of the challenge program loan and revolve the funds under either of the following two conditions

(1) Condition one

(a) the successful applicant uses the challenge program funds for the same purpose for which the agency originally awarded the funds within two years of the original award, and

(b) the location of the owner-occupied housing to be acquired, rehabilitated, or constructed with the funds is identified in the application

The successful applicant's authority to revolve the funds beyond the initial two years may be renewed upon application to and approval by the agency

(2) Condition two

(a) the successful applicant uses the challenge program funds to finance the difference between the cost of the owner-occupied housing and the amount that the eligible homebuyers targeted by the successful applicant can afford for housing, based on industry standards and practices, and

(b) the successful applicant uses the challenge program funds for the same purpose for which the agency originally awarded the funds within two years of repayment of the funds to the successful applicant

Statutory Authority: *MS s 462A.06*

History: *26 SR 1510*

4900.3640 ELIGIBLE APPLICANTS.

To be eligible to apply for funds under the challenge program, an applicant must be

A a nonprofit organization, as defined in Minnesota Statutes, section 462A.03, subdivision 22,

B a city, as defined in Minnesota Statutes, section 462A.03, subdivision 21,

C a joint powers board established by two or more cities that owns or will own the housing,

D a public housing agency that owns or will own the housing,

E an Indian tribe or tribal housing corporation that owns or will own the housing,

F a natural person who owns or will own the housing, or

G a private developer

Statutory Authority: *MS s 462A.06*

History: *26 SR 1510*

4900.3642 ELIGIBLE APPLICATIONS.

The applicant shall provide an application in the form prescribed by the agency. The application must include:

A a description of the applicant's goals and objectives in meeting the area's need for the type of housing proposed,

B a detailed description of how the housing will be developed and managed, including a description of the proposed site for the housing and preliminary architectural plans or proposed work scope for the housing when applicable,

C the development staff's qualifications and, for rental housing, the management staff's qualifications,

D a detailed budget for the development of the housing showing all development costs and the sources of funds to pay for them,

E a detailed budget for the operation of the housing showing all anticipated operating costs and the proposed rents and other income;

F a detailed description of whether the proposal involves temporary or permanent displacement or relocation of persons living in affected housing. If the

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proposal involves temporary or permanent displacement or relocation of persons living in affected housing, the applicant shall develop and submit a plan for minimizing relocation and displacement of the affected persons,

G specific documentation that allows the agency to evaluate whether the housing is affordable to the local work force, including, but not limited to

(1) for all proposals, a description of the local area and a justification as to why the applicant is defining the local area in terms of a city, county, or region. The justification must include, but not be limited to, an analysis of data related to the local area's economy and work force, typical commuting modes and distances, and transportation options,

(2) for all proposals, average hourly or annual wage data from the Minnesota Department of Economic Security or its successor, or another form of documentation acceptable to the agency, related to jobs being created or retained in the local area, the fastest growing jobs in the local area, the jobs with the most openings in the local area, and the wages of the work force employed by organizations making contributions under the challenge program,

(3) for proposals that include rental housing, the most recent data related to average or median rent in the local area or fair market rent as determined by HUD for the local area, and

(4) for proposals that include owner-occupied housing, the most recent data from the county assessor related to the average or median home sales price in the local area and proposed purchase prices of the housing in the application,

H for proposals that include rental housing, a description of the proposed development, management, and operation of any common or commercial space,

I for proposals that include owner-occupied housing, a description of the pool of eligible homebuyers that the applicant proposes to serve and a marketing plan to sell the owner-occupied housing to those homebuyers,

J for proposals that include owner-occupied housing, if the applicant wants to revolve recaptured proceeds and challenge program funds at the local level according to part 4900 3634, subpart 4, item B, documentation to justify the need for the funds to revolve and a plan for reinvestment of the funds for eligible activities, and

K specific documentation, as requested by the agency, that will allow the agency to evaluate the ability of the proposal to meet the selection standards in part 4900 3648 and the funding priorities in part 4900 3650

Statutory Authority: *MS s 462A 06*

History: *26 SR 1510*

4900.3644 ELIGIBLE USES OF FUNDS.

Subpart 1 **Generally.** The agency shall award loans or grants under the challenge program for the purposes specified in Minnesota Statutes, section 462A 33, subdivision 1

Subp. 2. **Permitted uses.** Challenge program funds may be used for the following purposes

A acquisition of land or existing structures,

B construction of housing;

C rehabilitation of housing,

D conversion to housing from another use;

E demolition or removal of existing structures according to Minnesota Statutes, section 462A 33, subdivision 1, paragraph (c),

F provision of interim financing for owner-occupied housing,

G provision of construction financing for rental housing,

H provision of permanent financing;

I reduction of interest rates for owner-occupied housing,

J. refinancing of existing loans, or

K provision of financing to fill a funding gap, as provided in Minnesota Statutes, section 462A.33, subdivision 1, paragraph (a)

Statutory Authority: *MS s 462A 06*

History: *26 SR 1510*

4900.3646 HOUSING REQUIREMENTS.

Subpart 1 **Requirements for owner-occupied housing.** To be eligible for challenge program funds, owner-occupied housing must be

A. attached or detached, residential in nature, and able to be used profitably for a minimum of ten years after the end of the loan term,

B occupied by an eligible homebuyer;

C affordable to the local work force, and

D able to be completed no later than the date that is 20 months after the date on which the successful applicant receives a written loan or grant agreement from the agency.

Subp 2 **Requirements for rental housing.** To be eligible for challenge program funds, rental housing must satisfy the following requirements.

A the rental housing must be residential in nature, and each rental housing unit must contain a kitchen and a bathroom,

B the rental housing must be permanent housing for which the term of tenancy may be extended indefinitely beyond the initial lease term,

C the rental housing units must be occupied by households that satisfy the income limits provided in Minnesota Statutes, section 462A 33, subdivision 5, with respect to rental housing projects,

D the rent charged for the rental housing units must be affordable to the local work force,

E if the rental housing includes single-family or duplex properties, these properties must be located in the same city or county and contain a minimum of four units total, and

F the use restrictions in this subpart must remain in effect until the later of

(1) the date on which the loan is repaid or the grant agreement is terminated, or

(2) the date that is 15 years from the closing date of the loan or grant

Subp. 3 **Eligible contributions.**

A An in-kind contribution satisfies the requirements of Minnesota Statutes, section 462A 33, subdivision 3, clause (1), if it is a quantifiable noncash contribution in support of housing funded from the challenge program A waiver of fees by a unit of local government constitutes an in-kind contribution

B A premium paid for federal housing tax credits by an area employer satisfies the requirements of Minnesota Statutes, section 462A 33, subdivision 3, if the applicant provides evidence to the agency that the price to be paid for the tax credits is higher than the market price for tax credits

Statutory Authority: *MS s 462A 06*

History: *26 SR 1510*

4900.3648 SELECTION STANDARDS.

Subpart 1 **Generally.** To be considered for funding under the challenge program, applicants must comply with the requirements in Minnesota Statutes, section 462A 33, parts 4900 3640 to 4900 3646, and satisfy the threshold criteria in this part.

Subp 2 **Overall project feasibility.** The agency shall consider the following factors in determining whether an applicant has demonstrated overall project feasibility

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A the nature of the proposed site,

B whether the proposed housing is needed in the market that is intended to be served, based upon the population, job growth, and low housing vacancy rates, and

C whether costs of developing the housing are reasonable and the housing is economically viable

Subp 3 Organizational capacity. The agency shall consider the following factors in determining whether an applicant has demonstrated sufficient organizational capacity

A the applicant's purpose and mission,

B the applicant's related housing experience,

C whether the applicant has successfully completed similar projects or is partnering with other organizations that have successfully completed similar projects, and

D whether the applicant has the strong current and expected ongoing capacity to complete the proposed housing as well as other proposals being developed by the organization and the expected ongoing capacity to maintain the rental housing long term

Subp 4 Other considerations.

A. To the extent that economic vitality and housing initiative guidelines have been reviewed by the economic vitality and housing initiative group within the two years prior to the applicable application deadline and do not conflict with Minnesota Statutes, section 462A.33, the agency shall consider whether the applicant meets threshold criteria established in the economic vitality and housing initiative guidelines. The agency shall also consider priorities established in the economic vitality and housing initiative guidelines

B For proposals for housing for homeless or households at risk of becoming homeless persons, the agency shall consider whether the application is consistent with priorities stated in the applicable continuum of care plan

Statutory Authority: *MS s 462A.06*

History: *26 SR 1510*

4900.3650 FUNDING PRIORITY.

The agency shall give priority in awarding loans or grants under the challenge program to those proposals that best address the greatest number of the following priorities.

A the extent to which the proposal includes contributions that comply with Minnesota Statutes, section 462A.33, subdivision 3, and whether the proposal includes contributions from a unit of local government; an area employer, and a private philanthropic, religious, or charitable organization;

B the extent to which the proposal addresses the housing needs of underserved populations;

C. the extent to which the proposal contains clearly identified goals relating to the housing element of a cooperatively developed plan consistent with the mission of the agency,

D. the extent to which the proposed housing is located near jobs, transportation, including regional and interregional transportation corridors and transitways; recreation, retail services, social and other services, and schools;

E the extent to which the proposed housing is part of the infrastructure necessary to sustain economic vitality;

F. the extent to which the proposed housing maximizes the adaptive reuse of existing buildings and the use of existing infrastructure. If the proposal includes new housing, the agency shall consider the extent to which the efficient use of land and infrastructure is maximized and the loss of agricultural land and green space is minimized;

G the extent to which private investment is included as a funding source,

H the projected long-term affordability of the proposed housing,

I the extent to which the proposed housing provides or maintains housing opportunities for households with a wide range of incomes and housing needs within a community or provides housing opportunities for a wide range of incomes within the proposed housing,

J. the extent to which the cost per unit is held as low as possible while not compromising the quality and sustainability of the proposed housing;

K the extent to which the proposal identifies and includes identifiable cost avoidance or cost reductions from regulatory changes, incentives, or waivers by the local governing body, including, but not limited to

(1) density bonuses,

(2) reduced setbacks and parking requirements,

(3) decreased road widths,

(4) flexibility in site development standards and zoning code requirements and waiver of permit or impact fees,

(5) fast-track permitting and approvals, and

(6) other regulatory incentives that will result in cost avoidance or reductions

If a proposal identifies and includes cost savings, the application must provide a quantified breakdown of the cost savings due to regulatory incentives or innovative building techniques or materials,

L the extent to which the site and design of the proposed housing is suitable for the housing needs of the proposed tenant and homebuyer populations,

M the extent to which the applicant has the capacity to complete the proposed housing in a timely fashion and, if the proposal includes rental housing, maintain the rental housing after completion, and

N temporary priorities, as established by the members or the legislature, that reflect unexpected short-term changes in the demand for housing. An example of an unexpected short-term change is the need to direct resources to respond to a natural disaster, such as a flood or tornado. Temporary priorities are described in the application guide

Statutory Authority: *MS s 462A 06*

History: *26 SR 1510*

4900.3652 MANAGEMENT AND OPERATION.

Subpart 1 **Generally.** Applicants that are awarded challenge program funds for proposals that include rental housing shall comply with the management and operation requirements in this part.

Subp 2 **Rent increases.** All rent increases must be approved by the agency and rent must remain affordable to the local work force

Subp 3. **Prohibition against discrimination.** The rental housing owner and the management agent shall not violate any federal, state, or local law or regulation prohibiting discrimination in the provision of housing and shall not refuse to rent to a household solely on the basis of the household's status as a recipient of tenant-based rental assistance

Subp. 4 **Screening and affirmative marketing.** The rental housing owner or the management agent shall provide the agency with the screening criteria and the affirmative marketing fair housing plan to be used in managing the rental housing

Subp 5 **Utilization of units.** The rental housing owner or the management agent shall rent housing units to households in sizes appropriate to the unit size, with a ratio of at least one person per bedroom. If the household size changes during the course of tenancy, the household may request in writing to the owner or management agent to

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transfer to another unit or be placed on a waiting list for a transfer. The owner or management agent may also establish transfer criteria in house rules.

Statutory Authority: *MS s 462A 06*

History: *26 SR 1510*

4900.3700 SCOPE.

Parts 4900.3700 to 4900.3769 govern the implementation of the housing trust fund program authorized by Minnesota Statutes, section 462A 201.

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3705 DEFINITIONS.

Subpart 1 **Scope.** The terms used in parts 4900 3700 to 4900.3769 have the meanings given them in this part.

Subp. 2 **Administrator.** "Administrator" means an entity that has applied for and has been awarded funds from the housing trust fund program for rental assistance.

Subp. 3 **Agency.** "Agency" means the Minnesota Housing Finance Agency created by Minnesota Statutes, chapter 462A

Subp. 4 **Application guide.** "Application guide" means the informational materials developed by the agency for the purposes of soliciting applications for and releasing funds under the housing trust fund program

Subp. 5 **Assisted unit.** "Assisted unit" means a unit of housing that complies with part 4900 3725 in a housing development for which the agency has made a loan or grant under the housing trust fund program.

Subp. 6 **Continuum of care plan.** "Continuum of care plan" means a community plan prescribed by HUD to organize and deliver housing and services to meet the specific needs of people who are homeless as they move to stable housing and maximum self-sufficiency and includes action steps to end homelessness and prevent a return to homelessness

Subp. 7. **Cooperatively developed plan.** "Cooperatively developed plan" means a plan that encompasses multiple affordable housing and related service initiatives in a geographically defined area that is developed through the cooperation and input of a city or county, or agency thereof, or a regional unit of government and one or more of the following entities

A a neighborhood group or community group,

B housing providers, and

C housing funders

Subp. 8 **Deferred loan.** "Deferred loan" means a non- or low-interest-bearing loan made without periodic payments and repaid in full at the end of the loan term.

Subp. 9 **Gross rent.** "Gross rent" means the sum of the rent paid to the owner, plus the utilities for which the tenant is responsible.

Subp. 10 **Household at risk of becoming homeless.** "Household at risk of becoming homeless" means a household that is faced with a situation or set of circumstances that is likely to cause the household to become homeless in the future, including living in substandard housing, living in housing that is inadequate for the size of the household, living in housing with a person who engages in domestic violence, paying more than 50 percent of household income for rent, or having insufficient household resources to pay for current housing and meet other basic needs

Subp. 11 **Metropolitan area.** "Metropolitan area" means the area defined in Minnesota Statutes, section 462A 03, subdivision 23

Subp. 12 **Permanent rental housing.** "Permanent rental housing" means housing for which the term of tenancy may be extended indefinitely beyond the initial lease term

Subp 13 **Permanent supportive housing.** “Permanent supportive housing” means permanent rental housing where support services are available to residents. Permanent supportive housing is available to individuals and families with multiple barriers to obtaining and maintaining housing, including those who are formerly homeless or at risk of homelessness and those with mental illness, substance abuse disorders, or HIV/AIDS.

Subp 14. **Project-based rental assistance.** “Project-based rental assistance” means a rental subsidy provided for an individual household that resides in a specific housing development owned by the administrator of the project-based rental assistance.

Subp 15. **Public housing agency.** “Public housing agency” means any state, county, municipality, or other governmental entity or public body, or agency thereof, that is authorized to engage or assist in the development or operation of low-income housing.

Subp. 16. **Rental housing.** “Rental housing” means housing that is used to provide living accommodations to persons or families on a rental basis. This definition does not include owner-occupied housing.

Subp 17 **Rental subsidy.** “Rental subsidy” means that portion of the gross rent paid to a landlord on behalf of a tenant.

Subp. 18. **Sponsor-based rental assistance.** “Sponsor-based rental assistance” means a rental subsidy provided for an individual household through a sponsor organization that owns or leases rental housing units in various locations and that has contracts with property owners to make the rental housing units available to eligible households.

Subp. 19 **Super request for proposals (RFP) round.** “Super request for proposals (RFP) round” means the agency’s multifamily request for proposals as authorized by the members.

Subp. 20 **Tenant-based rental assistance.** “Tenant-based rental assistance” means a rental subsidy provided for an individual household that chooses its own rental housing unit.

Subp. 21 **Underserved populations.** “Underserved populations” means individuals or households of color, single female heads of households with minor children, and disabled individuals.

Subp. 22. **Utilities for which the tenant is responsible.** “Utilities for which the tenant is responsible” means one or more of the following utilities, as specifically provided for in the lease agreement between a landlord and a tenant.

- A. water,
- B. sewer,
- C. gas, and
- D. electric.

Statutory Authority: *MS s 462A.06*

History: *26 SR 1511*

4900.3710 ALLOCATION AND AVAILABILITY OF FUNDS.

Subpart 1 **Permitted activities.** The agency may use funds from the housing trust fund program to fund the following activities:

- A. capital financing;
- B. operating subsidies for unique costs and revenue shortfall, and
- C. rental assistance.

The agency shall issue an application guide prior to each round of funding under the housing trust fund program.

Subp. 2. **Allocation of funds among activities.** Each biennium, the agency shall determine how the funds will be allocated among the activities permitted under the

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housing trust fund program. The agency shall take into consideration the following factors when determining the allocation of funds among the activities

- A past allocation of agency resources among activities,
- B market conditions such as vacancy rates, rent levels, utilization of Section 8 vouchers, and Section 8 waiting lists,
- C unanticipated events such as natural disasters,
- D other agency resources that are available to meet the need for housing trust fund program activities, and
- E. other nonagency resources that are available to meet the need for housing trust fund program activities

The agency shall review the allocation of funds between capital financing, operating subsidy, and rental assistance activities periodically and no less frequently than during each super request for proposals round. The agency may make adjustments to this allocation based on the factors listed in items A to E, the number of applications received in each funding round, and the quality of applications received in each funding round.

Subp 3 Availability of funds. The agency shall accept applications for housing trust fund program funding in every super request for proposals round in which funding is available. The agency may accept applications for housing trust fund program funding outside the super request for proposals rounds under the following circumstances.

- A unanticipated changes in market conditions such as vacancy rates, rent levels, utilization of Section 8 vouchers, and Section 8 waiting lists,
- B unanticipated events such as natural disasters; or
- C changes in nonagency resources that are available to meet the need for housing trust fund program activities

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3720 TYPES OF FUNDING AVAILABLE.

The agency shall provide construction and permanent financing for rental housing from the housing trust fund program in the form of a deferred loan. The agency shall provide housing trust fund program funds in the form of a grant if

- A. the applicant provides documentation confirming that another funding source requires the agency's funds to be provided in the form of a grant, and
- B the other funding source is providing a greater amount of funding than the agency is providing

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3721 LOANS.

Subpart 1. Loan type and term. The agency shall award housing trust fund program loans in the form of a deferred loan unless an amortizing loan is requested by the borrower and deemed financially feasible by the agency. The agency will base its determination of financial feasibility on whether the rental housing will generate enough cash flow to support the amortizing loan. In making this determination, the agency will consider the rental housing's projected income less its projected expenses. The term of the loan is 30 years from the date of the loan closing; however, the agency may adjust the loan term based on any of the following factors.

- A. requirements and conditions of other funding sources related to loan term,
- B the existence of a leasehold mortgage on the property benefited by the loan; or

C. economic analysis by agency staff demonstrating that the housing will not have sufficient value at the end of the loan term to allow the borrower to repay the loan

Subp 2 **Interest rate and repayment.** Housing trust fund program loans bear interest at a rate of zero percent unless a higher interest rate is necessary to allow housing trust fund program funds to be used with other funding sources. Principal and interest, if any, are due and payable at the end of the 30-year term.

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3722 GRANTS.

Subpart 1 **Term.** The term of housing trust fund program grants is 30 years from the date of the grant award; however, the agency may adjust the grant term based on requirements and conditions of other funding sources related to the grant term or the existence of a leasehold mortgage on the property benefited by the grant.

Subp 2 **Repayment.** Housing trust fund program grants must be repaid in full to the agency if the grant recipient does not comply with the conditions of its grant agreement with the agency and shall be forgiven in full at the end of the 30-year term if the grant recipient complies with the grant agreement throughout the grant term

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3723 REPAYMENT PROCESSING FEE.

The agency shall charge borrowers a repayment processing fee when a housing trust fund program loan or grant is repaid in full, as provided in the loan or grant agreement between the borrower or grant recipient and the agency. The amount of the processing fee is equal to the approximate administrative costs incurred by the agency in processing the repayment.

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3724 SALE OF HOUSING OR ASSUMPTION OF LOAN.

The agency shall approve the sale of rental housing financed, or the assumption of a loan or grant made, under this part if the entity purchasing the rental housing or assuming the loan satisfies the eligibility requirements of part 4900 3725 and the organizational capacity standards in part 4900 3729, subpart 3, items A to D. The agency shall charge the original borrower or grant recipient an assumption fee in an amount equal to the approximate administrative costs incurred by the agency in processing the sale or assumption, as provided in the loan or grant agreement between the borrower or grant recipient and the agency.

Statutory Authority: *MS s 462A.06*

History: *26 SR 1511*

4900.3725 ELIGIBLE APPLICANTS.

To be eligible to apply for capital funding under the housing trust fund program, an applicant must be

A. a nonprofit organization, as defined in Minnesota Statutes, section 462A 03, subdivision 22,

B a for-profit organization,

C a limited dividend entity, as defined in part 4900.0010, subpart 14;

D a cooperative housing corporation, as defined in part 4900 0010, subpart 8,

E a city, as defined in Minnesota Statutes, section 462A.03, subdivision 21,

F a joint powers board established by two or more cities,

G a public housing agency,

H an Indian tribe or tribal housing corporation, or

I a natural person

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3726 ELIGIBLE APPLICATIONS.

The applicant shall provide an application in the form prescribed by the agency. The application for capital funding must include

A a description of the applicants' goals and objectives in meeting the area's need for the type of housing proposed,

B a detailed description of how the housing will be developed and managed, including a description of the proposed site for the housing and preliminary architectural plans or proposed work scope for the housing,

C a description of the development and management staffs' qualifications,

D a detailed budget for the development of the housing showing all development costs and the sources of funds to pay for them,

E a detailed budget for the operation of the housing showing all anticipated operating costs and the proposed rents and other income,

F a description of the proposed development, management, and operation of any common or commercial space,

G a detailed description of whether the proposal involves temporary or permanent displacement or relocation of persons living in affected housing. If the proposal involves temporary or permanent displacement or relocation of persons living in affected housing, the applicant shall develop and submit a plan for minimizing relocation and displacement of the affected persons,

H for housing developments where tenants will need social and related services in order to establish or maintain residency, a plan for how the service needs of tenants will be met, including, as appropriate, a detailed budget showing the costs of the services and proposed funding sources for the services,

I. specific documentation, as requested by the agency, that will allow the agency to evaluate the ability of the proposal to meet the selection standards in part 4900.3727 and the funding priorities in part 4900.3728, and

J a proposed tenant selection plan

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3727 ELIGIBLE USES OF FUNDS.

To be eligible for capital funding under the housing trust fund program, rental housing must satisfy the following requirements

A The proposed housing development must consist of living accommodations for persons and families. State licensed nursing homes, board and care facilities, and supervised living facilities are not eligible housing developments

B The assisted units in the proposed housing development must provide rental housing for persons and families whose income, at the time of initial occupancy, does not exceed 60 percent of median income as determined by HUD for the metropolitan area. Incomes may be adjusted for family size for families with five or more people. A household with a Section 8 housing assistance voucher is deemed to meet the income requirements of this item

C. The proposed housing developments must consist of a minimum of four rental housing units

D. If the proposed housing development will include single family or duplex properties, these properties must be located in the same city or county and contain a minimum of four units total

E The use restrictions in this part must remain in effect until the later of

(1) the date on which the loan is repaid or the grant agreement is terminated, or

(2) the date that is 15 years from the closing date of the loan or grant.

F At least 75 percent of funds in the housing trust fund program must be used for the benefit of persons and families whose income, at the time of initial occupancy, does not exceed 30 percent of the median family income for the metropolitan area. Incomes may be adjusted for family size for families with five or more people

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3728 HOUSING-RELATED SPACE.

The proposed housing development may include housing-related space such as community, administrative, or program space. The agency shall consider the following factors when determining the amount of housing-related space that will be funded

A. the extent to which the proposed use of the space fits with the service needs of the tenants of the proposed housing development and does not expose the tenants to security risks or the development to financial risk,

B the ease with which the space is convertible to residential space,

C the capacity of the applicant or any partner organization to operate and manage the space;

D whether similar services or facilities that are appropriate for the tenants of the proposed housing development are located nearby,

E whether the space will be used exclusively by the tenants of the proposed housing development; and

F the availability of other funding for the space

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3729 SELECTION STANDARDS.

Subpart 1 **Generally.** To be considered for capital funding under the housing trust fund program, applicants must comply with the requirements in Minnesota Statutes, section 462A 201, parts 4900 3725 to 4900.3728, and satisfy the threshold criteria in subparts 2 and 3.

Subp. 2 **Overall project feasibility.** The agency shall consider the following factors in determining whether an applicant has demonstrated overall project feasibility:

A the nature of the proposed site,

B. whether the proposed housing is needed in the market that is intended to be served, based upon the population, job growth, and very low housing vacancy rates,

C. whether costs of developing the housing are reasonable and whether the housing is economically viable, and

D for permanent supportive housing, whether the applicant has secured long-term funding for the support services that address the special needs of proposed tenants.

Subp. 3. **Organizational capacity.** The agency shall consider the following factors in determining whether an applicant has demonstrated sufficient organizational capacity:

A the applicant's purpose and mission,

B the applicant's related housing experience,

C. whether the applicant has successfully completed similar projects or is partnering with other organizations that have successfully completed similar projects, and

D. whether the applicant has the strong current and expected ongoing capacity to complete the proposed housing as well as other proposals being developed by the organization and the expected ongoing capacity to maintain the rental housing long term

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3730 FUNDING PRIORITIES.

Among proposals that satisfy the selection standards in part 4900 3729, the agency shall give priority in awarding loans or grants for capital funding under the housing trust fund program to those proposals that best address the greatest number of the following priorities

A. the extent to which the proposed housing will serve persons and families whose incomes, at the time of initial occupancy, do not exceed 30 percent of the median family income for the metropolitan area. Incomes may be adjusted for family size for families with five or more people;

B. the extent to which the amount of rent to be paid by tenants of the proposed housing does not exceed 30 percent of the area median income as determined by HUD. Incomes may be adjusted for family size for families with five or more people;

C. the extent to which the proposal addresses the housing needs of underserved populations,

D. the extent to which the proposal contains clearly identified goals relating to the housing element of a cooperatively developed plan consistent with the mission of the agency,

E. the extent to which the proposed housing is located near jobs, transportation, including regional and interregional transportation corridors and transitways, recreation, retail services, social and other services, and schools,

F. the extent to which the proposed housing is part of the infrastructure necessary to sustain economic vitality;

G. the extent to which the proposed housing maximizes the adaptive reuse of existing buildings and the use of existing infrastructure. If the proposal includes new housing, the agency shall consider the extent to which the efficient use of land and infrastructure is maximized and the loss of agricultural land and green space is minimized,

H. the extent to which private investment or investment of local units of government is included as a funding source,

I. the projected long-term affordability of the proposed housing,

J. the extent to which the proposed housing provides or maintains housing opportunities for households with a wide range of incomes and housing needs within a community or provides housing opportunities for a wide range of incomes within the proposed housing,

K. the extent to which the cost per unit is held as low as possible while not compromising the quality and sustainability of the proposed housing,

L. the extent to which the proposal identifies and includes identifiable cost avoidance or cost reductions from regulatory changes, incentives, or waivers by the local governing body, including, but not limited to.

(1) density bonuses;

(2) reduced setbacks and parking requirements,

(3) decreased road widths;

- (4) flexibility in site development standards and zoning code requirements and waiver of permit or impact fees;
- (5) fast-track permitting and approvals, and
- (6) other regulatory incentives that will result in cost avoidance or reductions.

If a proposal identifies and includes cost savings, the application must provide a quantified breakdown of the cost savings due to regulatory incentives,

M. for proposed housing that will serve homeless persons or families, or households at risk of becoming homeless, the extent to which the proposal reflects locally determined priorities described in the continuum of care plan;

N. the extent to which the site and design of the proposed housing development is suitable for the housing needs of the proposed tenant population;

O. the extent to which the applicant has the capacity to complete the proposed housing development in a timely fashion and maintain the housing development after completion, and

P. temporary priorities, as established by the members or the legislature, that reflect unexpected short-term changes in the demand for housing. An example of an unexpected short-term change is the need to direct resources to respond to a natural disaster, such as a flood or tornado. Temporary priorities are described in the application guide.

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3731 MANAGEMENT AND OPERATION.

Subpart 1 **Generally.** Applicants that are awarded housing trust fund program funds must comply with the management and operations requirements in this part.

Subp 2. **Rent increases.** All rent increases must be approved by the agency and must comply with the terms of any lease and applicable law

Subp 3. **Prohibition against discrimination.** The housing development owner and its management agent shall not violate any federal, state, or local law or regulation prohibiting discrimination in the provision of housing and shall not refuse to rent to a household solely on the basis of the household's status as a recipient of tenant-based rental assistance

Subp 4. **Screening and affirmative marketing.** The housing development owner or its management agent shall provide the agency with the screening criteria and the affirmative fair housing marketing plan to be used in managing the housing development

Subp. 5. **Utilization of units.** The housing development owner or its management agent shall rent housing units to households in sizes appropriate to the unit size, with a ratio of at least one person per bedroom. If the household size changes during the course of tenancy, the household may request in writing to the owner or management agent to transfer to another unit or be placed on a waiting list for a transfer. In the event of a decrease in household size, the household shall be required to move to the next available suitably sized smaller unit if a smaller unit is available in the housing development. If the decrease in household size is not expected to last for six months beyond the month of departure of a household member, the household shall not be required to move. The owner or management agent may also establish transfer criteria in house rules.

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3740 TYPES OF FUNDING AVAILABLE.

The agency may provide an operating subsidy from the housing trust fund program for rental housing for which the agency has provided capital funding. The operating

subsidy is available in two forms. (1) operating subsidy-unique costs, for those costs of operating rental housing that are unique to the operation of low-income rental or supportive housing, or (2) operating subsidy-revenue shortfall. The agency shall award the operating subsidy in the form of a grant.

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3741 ELIGIBLE APPLICANTS.

To be eligible to apply for an operating subsidy under the housing trust fund program, an applicant must be:

A the owner of a housing development that is funded with a loan or a grant from the agency; or

B an applicant for a loan or grant from the agency to fund the acquisition, construction, or rehabilitation of rental housing.

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3742 ELIGIBLE APPLICATIONS.

The applicant shall provide an application in the form prescribed by the agency. The application for an operating subsidy must include:

A for existing housing developments, the most recent budget for the operation of the housing development showing all operating costs and rents and other income,

B a ten-year projected budget for the operation of the housing development showing all operating costs and the rents and other income,

C a description of the applicant's goals and objectives in meeting the area's need for the type of housing proposed,

D a detailed description of how the housing will be developed and managed, including:

(1) the qualifications of the development and management staff,

(2) a proposed tenant selection plan;

(3) a description of the existing or proposed development, management, and operation of any community, administrative, or program space, and

(4) a description of the existing or proposed development, management, and operation of any commercial space,

E for housing developments where tenants will need social and related services in order to establish or maintain residency, a plan for how the service needs of tenants will be met, including, as appropriate, a detailed budget showing the costs of the services and proposed funding sources for the services, and

F. specific documentation, as requested by the agency, that will allow the agency to evaluate the ability of the proposal to meet the selection standards in part 4900.3745 and the funding priorities in part 4900.3746.

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3743 ELIGIBLE USES OF FUNDS.

Subpart 1 Generally. At least 75 percent of funds in the housing trust fund program must be used for the benefit of persons and families whose income, at the time of the initial occupancy, does not exceed 30 percent of the median family income for the metropolitan area. Incomes may be adjusted for family size for families with five or more people.

Subp 2. Operating subsidy-unique costs. The agency may fund those costs of operating rental housing that are unique to the operation of low-income rental housing.

and supportive housing To be eligible for operating subsidy-unique costs funding under the housing trust fund program, applicants must satisfy the requirements in items A and B

A. The proposed operating costs must be critical both to the economic viability of the housing development and to serving the population for whom the housing is designed Examples of operating costs that are eligible for funding under this subpart include front desk operation, costs of operating service-related space, security, tenant coordinator, and interpretative services.

B. The housing trust fund program funds must be used to provide an operating subsidy for a housing development in which the assisted units provide housing for persons and families whose incomes at the time of initial occupancy do not exceed 60 percent of median income as determined by HUD for the metropolitan area Incomes may be adjusted for family size for families with five or more people A household with a Section 8 housing assistance voucher is deemed to meet the income requirements of this item

Subp. 3 Operating subsidy-revenue shortfall. The agency may provide an operating subsidy to cover a housing development's revenue shortfall To be eligible for operating subsidy-revenue shortfall funding under the housing trust fund program, applicants must satisfy the requirements in items A and B

A. The operating subsidy funds must be used to reduce the difference between the costs of operating the housing development and the rents that the tenants expected to reside in the assisted units can afford to pay The operating subsidy funds may not be used to pay an asset management fee to the owner of the housing development.

B. The housing trust fund program funds must be used to provide an operating subsidy for a housing development in which the assisted units provide housing for persons and families whose incomes, at the time of initial occupancy, do not exceed 60 percent of median income as determined by HUD for the metropolitan area Incomes may be adjusted for family size for families with five or more people. A household with a Section 8 housing assistance voucher is deemed to meet the income requirements of this item

Statutory Authority: *MS s 462A.06*

History: *26 SR 1511*

4900.3744 SELECTION STANDARDS.

To be considered for operating subsidy funding under the housing trust fund program, applicants must comply with the requirements in Minnesota Statutes, section 462A 201, parts 4900 3741 to 4900 3743, and satisfy the threshold criteria in this part To determine whether an applicant will be selected for operating subsidy funding, the agency shall consider

A whether the proposed operating subsidy is needed in the market to be served;

B. the financial feasibility of the housing development without the proposed operating subsidy;

C. the likelihood that the applicant or its partner organization will be able to implement and operate the proposed operating subsidy;

D. the availability of funds from private or public sources to assist in making the housing development economically feasible, and

E for permanent supportive housing, the extent to which long-term funding is secured for the support services that address the special needs of proposed tenants

Statutory Authority: *MS s 462A.06*

History: *26 SR 1511*

4900.3745 FUNDING PRIORITIES.

Among proposals that satisfy the selection standards in part 4900 3744, the agency shall give priority in awarding operating subsidies under the housing trust fund program to those proposals that best address the greatest number of the following priorities

A the extent to which the proposed housing will serve persons and families whose incomes at the time of initial occupancy do not exceed 30 percent of the median family income for the metropolitan area. Incomes may be adjusted for family size for families with five or more people,

B the extent to which the amount of rent to be paid by tenants of the proposed housing does not exceed 30 percent of 30 percent of the area median income as determined by HUD. Incomes may be adjusted for family size for families with five or more people,

C. the extent to which the proposal addresses the housing needs of underserved populations,

D the extent to which the proposal contains clearly identified goals relating to the housing element of a cooperatively developed plan consistent with the mission of the agency,

E the extent to which the proposed housing is located near jobs, transportation, including regional and interregional transportation corridors and transitways, recreation; retail services, social and other services, and schools,

F the extent to which the proposed housing is part of the infrastructure necessary to sustain economic vitality,

G the extent to which private investment or investment of local units of government is included as a funding source,

H. the projected long-term affordability of the proposed housing,

I the extent to which the proposed housing provides or maintains housing opportunities for households with a wide range of incomes and housing needs within a community or provides housing opportunities for a wide range of incomes within the proposed housing,

J the extent to which the operating subsidy is held as low as possible while not compromising the economic viability of the proposed housing,

K a priority for permanent supportive housing developments,

L a priority for the creation of new assisted housing units,

M for proposed housing that will serve homeless or households at risk of becoming homeless, the extent to which the proposal reflects locally determined priorities described in the continuum of care plan, and

N for operating subsidies-unique costs, whether the proposed housing development includes creative approaches to the provision of affordable housing that can be replicated and serve as a model for other providers of affordable housing

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3746 ADMINISTRATION OF OPERATING SUBSIDY.**Subpart 1 Unique costs.**

A The agency shall provide operating subsidy-unique costs to the owner of the benefited housing development according to the agreement between the owner and the agency governing the use of the operating subsidy.

B The operating subsidy-unique costs may be provided for up to ten years

C The agency may terminate the operating subsidy if (1) the operating subsidy is no longer needed to ensure the economic viability of the housing development, or (2) the owner of the benefited housing development has failed to comply with any agreement with the agency governing the use of the operating subsidy

D The agency may reduce the operating subsidy if the full amount of the operating subsidy is not necessary to ensure the economic viability of the housing development

Subp. 2 Revenue shortfall.

A The agency shall provide an operating subsidy-revenue shortfall to the owner of the benefited housing development in the form of periodic payments for the benefit of a fixed number of units. In determining the amount of funding to be awarded, the agency shall consider the following factors:

- (1) the most recent budget for the operation of the housing development, if applicable,
- (2) a ten-year projected budget for the operation of the housing development,
- (3) the ability of the tenants expected to reside in the housing development to pay the proposed rents, and
- (4) the reasonableness of rents and operating costs for the housing development based on housing industry standards

B Owners of housing developments benefited by an operating subsidy-revenue shortfall under the housing trust fund program will be responsible for the following:

- (1) recruiting tenants,
- (2) maintaining a current waiting list of applicants,
- (3) determining the eligibility of tenants according to Minnesota Statutes, section 462A.201, subdivision 2, paragraph (b);
- (4) verifying tenant incomes at initial occupancy,
- (5) providing and adhering to a budget for the operation of the housing development showing all operating costs, rents and other income, and rent schedules;
- (6) requisitioning operating subsidy payments from the agency,
- (7) meeting agency reporting requirements;
- (8) maintaining and retaining records as required by the agency; and
- (9) other requirements as described in any agreement with the agency governing the use of the operating subsidy

C The operating subsidy-revenue shortfall may be provided for up to ten years

D The agency may terminate the operating subsidy if (1) the operating subsidy is no longer needed to ensure the economic viability of the housing development, or (2) the owner of the benefited housing development has failed to comply with any agreement with the agency governing the use of the operating subsidy.

E The agency may reduce the number of units for which an operating subsidy is provided, or the amount of assistance per unit, if the full amount of the operating subsidy is not necessary to ensure the economic viability of the housing development.

Subp. 3 Economic viability. As used in this part, a determination of economic viability is based on whether the rental housing can generate sufficient operating income to meet its operating expenses if the operating subsidy provided under the housing trust fund program is reduced or eliminated.

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3760 TYPES OF FUNDING AVAILABLE.

The agency may provide rental assistance to an administrator from the housing trust fund program. The agency shall award all forms of rental assistance in the form of a grant. Rental assistance from the housing trust fund program is intended to be temporary in nature and to provide assistance through an administrator to an individual household until the household's income rises above the income limits in Minnesota.

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HOUSING LOANS AND GRANTS 4900.3762

Statutes, section 462A.201, subdivision 2, paragraph (b), or until the household receives rental assistance that is not time limited, such as Section 8

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3761 ELIGIBLE APPLICANTS.

To be eligible to apply for rental assistance funding under the housing trust fund program, an applicant must be

A a nonprofit organization, as defined in Minnesota Statutes, section 462A.03, subdivision 22,

B a for-profit organization,

C a limited dividend entity, as defined in part 4900 0010, subpart 14,

D a cooperative housing corporation, as defined in part 4900 0010, subpart 8,

E a city, as defined in Minnesota Statutes, section 462A.03, subdivision 21,

F a joint powers board established by two or more cities,

G a public housing agency,

H an Indian tribe or tribal housing corporation, or

I a natural person

Applicants must demonstrate experience and ability in the administration of tenant-based, sponsor-based, or project-based rental assistance or must partner with an organization with demonstrated experience and ability in the administration of tenant-based, sponsor-based, or project-based rental assistance

Applicants for project-based rental assistance must be the owner of a rental housing development that is funded with a loan or a grant from the agency or an applicant for a loan or grant from the agency to fund the acquisition, construction, or rehabilitation of rental housing

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3762 ELIGIBLE APPLICATIONS.

The applicant shall provide an application in the form prescribed by the agency. The application must include

A a description of the population to be served and its need for rental assistance,

B a description of the applicant's service area and goals and objectives in providing rental assistance,

C a description of how the applicant will

(1) recruit and select tenants for participation,

(2) terminate tenants from its rental assistance program, and

(3) locate rental housing units,

D a plan for transitioning tenants off housing trust fund program rental assistance,

E a description of the applicant's experience and ability to administer a tenant-based, sponsor-based, or project-based rental assistance program or its partnership with an organization that has this experience and ability,

F a detailed budget for the rental assistance, including how the applicant will determine the amount of rental subsidy that it will pay on behalf of the tenants, and administrative fees as permitted by part 4900 3765, subpart 6,

G a description of how the applicant will ensure that the rental assistance is used only in rental housing units that meet the requirements set forth in Minnesota Statutes, section 462A 201, subdivision 2, paragraph (c),

H if the administrator plans to allow more than annual recertifications of tenant income, a description of how often and under what circumstances recertification will be allowed, and

I specific documentation, as required by the agency, that will allow the agency to evaluate the ability of the proposal to meet the selection standards in part 4900.3768 and the funding priorities in part 4900.3769

Statutory Authority: *MS s 462A.06*

History: *26 SR 1511*

4900.3763 ELIGIBLE USES OF FUNDS.

A Funds from the housing trust fund program may be used to provide tenant-based rental assistance, sponsor-based rental assistance, or project-based rental assistance and to pay security deposits

B Administrators of tenant-based rental assistance and sponsor-based rental assistance may receive administrative fees under the housing trust fund program according to part 4900.3767, subpart 6. Administrators of project-based rental assistance may not receive administrative fees under the housing trust fund program.

C The following items are not eligible for funding under the housing trust fund program: damage claims or fees, application fees, vacancy payments, and utility connection fees

D At least 75 percent of funds in the housing trust fund program must be used for the benefit of persons and families whose income, at the time of initial occupancy, does not exceed 30 percent of the median family income for the metropolitan area. Incomes may be adjusted for family size for families with five or more people.

Statutory Authority: *MS s 462A.06*

History: *26 SR 1511*

4900.3764 ELIGIBLE TENANTS.

Eligible tenants are persons or families whose income, at the time of initial occupancy, does not exceed 60 percent of median income as determined by HUD for the metropolitan area. Incomes may be adjusted for family size for families with five or more people. A household with a Section 8 housing assistance voucher is deemed to meet the income requirements of this part.

Tenants do not have to be eligible for the Section 8 tenant-based rental assistance housing choice voucher program in order to be eligible for rental assistance funded by the housing trust fund program.

Statutory Authority: *MS s 462A.06*

History: *26 SR 1511*

4900.3765 SELECTION STANDARDS.

To be considered for rental assistance funding under the housing trust fund program, applicants must comply with the requirements in Minnesota Statutes, section 462A.201 and parts 4900.3761 to 4900.3764, and satisfy the threshold criteria in this part. To determine whether an applicant will be selected for rental assistance funding, the agency shall consider

A the likelihood that the applicant's rental assistance program will be implemented in a timely manner, and

B the likelihood that the applicant will be able to implement and operate the proposed rental assistance program, based on a consideration of whether the:

(1) purpose of the applicant is housing related,

(2) proposed rental assistance program is consistent with the applicant's mission,

(3) applicant or its partner organization has demonstrated experience and ability in administering rental assistance, and

(4) applicant has sufficient, qualified staff to administer the proposed rental assistance program.

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3766 FUNDING PRIORITIES.

Among proposals that satisfy the selection standards in part 4900 3765, the agency shall give priority in awarding rental assistance funding under the housing trust fund program to those proposals that best address the greatest number of the following priorities.

A. the extent to which the rental assistance program proposes to serve persons and families whose income at the time of initial occupancy does not exceed 30 percent of the median family income for the metropolitan area. Incomes may be adjusted for family size for families with five or more people,

B. the extent to which the amount of rent to be paid by tenants of the proposed housing does not exceed 30 percent of 30 percent of the area median income as determined by HUD. Incomes may be adjusted for family size for families with five or more people,

C. for rental assistance proposals that propose to serve homeless or households at risk of becoming homeless, the extent to which the rental assistance program reflects locally determined priorities described in the continuum of care plan,

D. the extent to which the applicant's plan to transition households off rental assistance under the housing trust fund program includes components necessary to stabilize a household by either increasing the household's income or locating a source of rental assistance that is not time limited,

E. the extent to which the proposal addresses the housing needs of underserved populations;

F. the extent to which the proposed administrative fees are reasonable and demonstrate cost effectiveness,

G. the extent to which the rental subsidy is kept as low as possible without compromising the stability of the tenant; and

H. the extent to which other resources are not available to provide rental assistance in the service area, including but not limited to, the availability of Section 8 rental assistance.

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3767 ADMINISTRATION OF TENANT-BASED AND SPONSOR-BASED RENTAL ASSISTANCE.

Subpart 1 **Amount of assistance.** There is no minimum amount of rental subsidy that an administrator must provide to each tenant. The maximum amount of rental subsidy provided to each tenant will be no greater than the difference between 30 percent of the tenant's income and the payment standard as established by the local public housing agency or housing and redevelopment authority according to Code of Federal Regulations, title 24, part 982

Subp 2. **Form of funding.** The agency shall provide tenant-based and sponsor-based rental assistance funding to the administrator according to the agreement between the administrator and the agency governing the use of the rental assistance funding.

Subp 3. **Length of time.** An administrator shall provide a rental subsidy to a tenant for no more than five consecutive years. This time limit does not apply when Section 8 rental assistance is not available in the administrator's service area

Subp 4 **Termination of rental subsidy.**

A An administrator must terminate a tenant's rental subsidy, according to the termination procedures in subpart 5, item A, when, upon annual recertification and verification of income, it determines that 30 percent of the household's monthly income for the preceding four consecutive months equals or exceeds the market rent for the unit in which the household resides plus the utilities for which the tenant is responsible. The utilities for which the tenant is responsible will be determined by using the utility allowance calculation provided by the local public housing agency or housing and redevelopment authority.

B An administrator may terminate a tenant's rental subsidy, according to the termination procedures in subpart 5, item B, if the tenant is evicted for (1) serious or repeated violations of terms and conditions of the lease or (2) violation of any federal, state, or local law that imposed obligation on the tenant in connection with occupancy or use of the unit in which the tenant resides.

Subp 5 Notice of termination.

A. If an administrator terminates a tenant's rental subsidy because the tenant's household income at recertification exceeds the limits in subpart 4, item A, the administrator shall provide written notice to both the tenant and the landlord that the rental subsidy will end on the last day of the second month following the month in which the notice is given.

Example: if on January 12 the administrator determines that 30 percent of the tenant's income for each of the four months from September through December equals or exceeds the market rent for the unit in which the household resides plus the utilities for which the tenant is responsible, the administrator will provide notice to the tenant that the rental subsidy will end on the last day of March.

B If an administrator terminates a tenant's rental subsidy because the tenant is being evicted under the conditions in subpart 4, item B, the administrator shall provide written notice to both the tenant and the landlord that the rental subsidy will end on the last day of the month in which the tenant vacates the unit.

Subp. 6 Administrative fees. The agency shall pay administrators of tenant-based and sponsor-based rental assistance a monthly administrative fee for each month in which an eligible household resides in a rental housing unit. The applicant shall propose an administrative fee in its application. The applicant's proposed monthly administrative fee may not exceed the fee paid by HUD to administrators of the Section 8 housing assistance program in the same jurisdiction, as described in Code of Federal Regulations, title 24, section 982.152.

Subp 7. Responsibilities of administrators. Administrators of tenant-based and sponsor-based rental assistance are responsible for the following activities:

A. recruiting tenants and landlords;

B determining the eligibility of tenants according to Minnesota Statutes, section 462A.201, subdivision 2, paragraph (b),

C. assuring the quality of the housing according to Minnesota Statutes, section 462A.201, subdivision 2, paragraph (c),

D conducting verification and annual recertifications of tenant incomes,

E requisitioning rental subsidy payments from the agency,

F paying rental subsidies directly to landlords in a timely manner;

G meeting agency reporting requirements,

H maintaining and retaining records, and

I implementing plans for transitioning tenants off housing trust fund program rental assistance, as described in part 4900.3762.

Subp 8 Termination of administrator. The agency shall terminate an administrator if the administrator has failed to comply with any agreement with the agency governing the use of the rental assistance funds within the time allowed by any applicable cure period. Under such circumstances, the administrator shall provide

written notice to all applicable tenants and landlords that the rental subsidy will end on the last day of the second month following the month in which the notice is given

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3768 ADMINISTRATION OF PROJECT-BASED RENTAL ASSISTANCE.

Subpart 1 Amount of assistance. There is no minimum amount of rental subsidy that an administrator must provide to each tenant. The maximum amount of rental subsidy provided to each tenant will be no greater than the difference between 30 percent of the tenant's income and the payment standard as established by the local public housing agency or housing and redevelopment authority in accordance with Code of Federal Regulations, title 24, part 982

Subp. 2 Form of funding. The agency shall provide project-based rental assistance funding to the administrator according to the agreement between the administrator and the agency governing the use of the rental assistance funding

Subp 3 Length of time. An administrator shall provide a rental subsidy to a tenant for no more than five consecutive years. This time limit does not apply when Section 8 rental assistance is not available in the administrator's service area.

Subp 4 Termination of rental subsidy. An administrator must terminate a tenant's rental subsidy, according to the termination procedures in subpart 5, when, upon annual recertification and verification of income, it determines that 30 percent of the household's monthly income for the preceding four consecutive months equals or exceeds the market rent for the unit in which the household resides plus the utilities for which the tenant is responsible. The utilities for which the tenant is responsible will be determined by using the utility allowance calculation provided by the local public housing agency or housing and redevelopment authority

Subp 5 Notice of termination. If an administrator terminates a tenant's rental subsidy because the tenant's household income at recertification exceeds the limits in subpart 4, the administrator shall provide written notice to both the tenant and the landlord that the rental subsidy will end on the last day of the second month following the month in which the notice is given.

Example. If on January 12 the administrator determines that 30 percent of the tenant's income for each of the four months from September through December equals or exceeds the market rent for the unit in which the household resides plus the utilities for which the tenant is responsible, the administrator will provide notice to the tenant that the rental subsidy will end on the last day of March

Subp 6. Responsibilities of administrators. Administrators of project-based rental assistance shall be responsible for the following activities:

A. determining the eligibility of tenants according to Minnesota Statutes, section 462A.201, subdivision 2, paragraph (b),

B. maintaining a waiting list of tenants,

C. assuring the quality of the housing according to Minnesota Statutes, section 462A 201, subdivision 2, paragraph (c),

D. conducting verification and annual recertifications of tenant incomes,

E. requisitioning rental subsidy payments from the agency;

F. meeting agency reporting requirements, and

G. maintaining and retaining records

Subp. 7 Termination of administrator. The agency shall terminate an administrator if the administrator has failed to comply with any agreement with the agency governing the use of the rental assistance funds within the time allowed by any applicable cure period. Under such circumstances, the administrator shall provide

written notice to all applicable tenants and landlords that the rental subsidy will end on the last day of the second month following the month in which the notice is given

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*

4900.3769 EXTENSION OF FUNDING FOR RENTAL ASSISTANCE.

A. The agency shall review the performance of administrators on an annual basis. Administrators may, at that annual review, apply for an extension of rental assistance funding.

B The agency shall consider the following factors when determining whether an administrator will receive an extension of funding:

(1) the performance of the administrator, including its timely expenditure of rental assistance funds and its success in reaching the goals and objectives described in its application;

(2) the availability of funding for housing trust fund program rental assistance,

(3) the availability of funding for rental assistance from sources other than the housing trust fund program,

(4) market conditions in the administrator's service area, such as area vacancy rates, market rents, and the utilization of Section 8 vouchers, and

(5) the selection standards in part 4900.3765 and the funding priorities in part 4900.3766

If the agency does not approve an extension of funding for an administrator, the administrator shall give written notice to all participating tenants and landlords that the rental subsidies will end. This notice must be given no fewer than six months before the rental subsidy will end.

Statutory Authority: *MS s 462A 06*

History: *26 SR 1511*