MINNESOTA HOUSING

Multifamily Underwriting Standards

April 2018

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Introduction

The Minnesota Housing Finance Agency (Minnesota Housing) Multifamily Underwriting Standards are current as of the date on the cover page. The Multifamily Underwriting Standards reflect Minnesota Housing's general approach to underwriting, but they are not meant to be comprehensive, nor are they meant to address every possible situation. If you have a question as to how the standards will apply to a particular project, it is best to consult Minnesota Housing early in the development process. Minnesota Housing will update the standards as appropriate at its sole discretion.

Chapter 1 – Mortgage Credit

The individuals and entities who exercise operational and financial control over a development must have a positive credit history demonstrating that they will honor their legal, financial and contractual obligations. Minnesota Housing's credit review will analyze the appropriate entities as applicable.

1.01 Owner

An Owner is the entity or person who holds title to the real property.

1.02 Borrower

A Borrower is an entity who has received an amortizing first mortgage loan or Deferred Loan from Minnesota Housing.

A Borrower must be a single asset entity in order to obtain a nonrecourse amortizing first mortgage or nonrecourse Deferred Loan. In addition, Minnesota Housing's amortizing first mortgage and Deferred Loan programs require that Borrowers be Eligible Mortgagors as defined in Minnesota Statutes Section 462A.03, subdivision 13. For the purposes of these Multifamily Underwriting Standards, there are two applicable entity types outlined in the statute:

- A nonprofit or cooperative housing corporation, or;
- A limited profit entity needing to adhere to the following requirements:
  - The annual distribution must not exceed 15 percent of the initial capital contribution (or, absent an initial capital contribution, 1.5 percent of Total Mortgageable Cost (TMC) less Developer Fee)
  - Returns exceeding 15 percent are transferred to a residual receipts fund and may be used for project improvements approved by Minnesota Housing

Or such other recipient as allowed under the specific program requirements.

Loans to multiple asset entities will be limited to Deferred Loans and will be full recourse to the Borrower and Guarantor(s).

Minnesota Housing Bridge Loans will be full recourse to the Borrower and Guarantor(s).

1.03 Sponsor

A Sponsor is an individual or legal entity that exercises control, financial responsibility and decision-making authority over the project.

All loans and funding awards require full Sponsor credit reviews, including submission of the Minnesota Housing Qualification of Sponsor and/or Guarantor (Form 203B) and financial information required therein as part of the initial application for funding or HTCs. Sponsor(s) must collectively demonstrate acceptable multifamily housing experience and financial capacity to guaranty performance. Financial capacity may be supported by additional Guarantor(s) as described in 1.04 below.

1.04 Guarantor

A Guarantor is the entity or individual who signs a guaranty. In many cases the Sponsor is the Guarantor, this subchapter provides guidance for when additional parties are proposed. Minnesota Housing will base its financial capacity review of the Sponsor and proposed Guarantor(s) identified on the Development Team tab of the Workbook, and Guarantor's must submit Minnesota Housing Form 203B Qualifications of Sponsor and/or Guarantor along with the required financial attachments. Minnesota Housing reserves the right to require additional Guarantor(s) to enhance the financial capacity of the proposed Guarantor(s) to ensure that Guarantor(s) collectively demonstrate acceptable financial capacity to guarantee performance as described below.

- Construction Completion Guaranty, guarantees timely lien-free completion of the work in accordance with the construction plans and specifications and the applicable loan documents.
- Repayment Guaranty, guarantees principal and interest payments until the development has achieved a 1.11 Debt Coverage Ratio (DCR) (assuming stabilized expenses) for three consecutive months.
- Operations Guaranty, guarantees everything under the loan documents excluding construction completion and principal and interest.

Minnesota Housing Loan:	**Construction Completion Guaranty**	**Repayment Guaranty**	**Operations Guaranty**
LMIR Amortizing Loan	If applicable[1]	Yes	Yes
LMIR Bridge Loan	Yes	Yes	Yes
Deferred Loan when the construction budget is not in balance at closing	Yes	Yes	No
Deferred Loan when the construction budget is in balance at closing	If applicable[2]	If applicable[2]	No

1. Construction Completion Guarantees are only required when the Low and Moderate Income Rental Program (LMIR) amortizing loan is closed and may be drawn upon during the construction period.

2. Minnesota Housing reserves the right to require Construction Completion Guarantees and Repayment Guarantees for any Deferred Loan that is in first lien position and is greater than $2 million.

Minnesota Housing reserves the right to require Construction Completion Guarantees from the Developer, regardless of its affiliation with the Sponsor.

Minnesota Housing reserves the right to require additional guarantees at its sole discretion based on the risks of the transaction and the financial strength of the entities involved.

1.05 Tribal Nation Guarantor

Both amortizing first mortgage loans and Deferred Loans to projects located on tribal land are full recourse or, at a minimum, must be guaranteed by the tribal government in the form of a tribal council resolution addressing:

- Construction completion
- Operating cost shortfalls
- Debt service payments

1.06 Developer

The Developer is typically a separate legal entity from the Borrower or Guarantor(s) who may complete any or all of the following tasks for a development:

- Submits the HTC or funding application(s) on behalf of the Borrower
- Receives a Developer Fee, if any, from the Owner
- May defer a portion of the Developer Fee as a receivable from the Owner to close funding gaps as needed
- Is a party to a Development Services Agreement or contract with the Owner
- Incurs pre-development costs on behalf of the Owner

Developers must demonstrate acceptable multifamily housing experience and financial capacity to guarantee performance of their duties as described in the Development Services Agreement. The Developer must submit the Minnesota Housing Form 203A Qualification of Developer and all required attachments as part of the initial application for funding or HTC.

NOTE: Minnesota Housing reserves the right to approve the replacement of the Developer after a project is selected for an HTC reservation.

1.07 Credit Review

Minnesota Housing conducts credit reviews at a minimum at the following times:

- During the application and selection process
- Prior to final Mortgage Credit Committee approval for loan closings and/or loan commitments
- Or as Minnesota Housing deems necessary throughout the transaction.

1.08 Financial Responsibility

The Owner is responsible for all the costs incurred as a result of applying for, or securing a loan or HTCs from Minnesota Housing, whether or not the development is funded. These costs include, but are not limited to, the appraisal, environmental reviews, market study, title insurance, closing and legal fees, and publication fees.

1.09 Interim Replacement General Partner or Managing Member

Limited partners or investor members seeking preapproval at loan closing for the future ability to remove and replace the general partner or managing member of the Borrower, for cause, with an affiliated entity on an interim basis (not to exceed ninety (90) days), must obtain Mortgage Credit Committee approval.

Chapter 2 – Income

2. 01 Rent Revenue

Rents shown in the Workbook and year one of the cash flow will be the rents that will be in effect when the development is placed in service. Existing operating developments will be underwritten at current rents unless there is sufficient evidence that a rent increase for the development is feasible in the local market.

Project-based Section 8 Rental Assistance

For developments with project-based Section 8 Rental Assistance, Minnesota Housing will underwrite and size debt based upon the lower of U.S Department of Housing and Urban Development (HUD) - approved rents under a Housing Assistance Payments (HAP) contract or market rents. In the case of developments pursuing renewal options that allow for staged-in, HUD-approved “after rehab” rents, Minnesota Housing may allow the higher rent levels to be incorporated into the underwriting, but will underwrite a transition reserve into the development budget.

Privately Funded Rental Assistance

Developments proposing to include privately funded tenant Rental Assistance must submit documentation from the organization pledging the Rental Assistance as part of the application. Required documentation includes a narrative explaining how the assistance was calculated and will be administered; a board resolution committing and restricting the full amount of the assistance pledged for the term of the assistance; and evidence of the financial ability to meet the pledge as demonstrated using audited financial statements, IRS Form 990, current bank statements, etc. Evidence of the financial ability to meet the pledge will also be required prior to final Mortgage Credit Committee approval/closing.

For rental assistance proposed by a tribal government, documentation must include a tribal council resolution committing to provide the rental assistance in the amount and for the term proposed as well as the source of the funding.

2.02 Supportive Housing Standards – High Priority Homeless or People with Disabilities

Developments that have units set aside and rented to households who are High Priority Homeless (HPH) or People with Disabilities (PWD) are considered supportive housing units.

Housing Support (fka Group Residential Housing -GRH)

For supportive housing units with Housing Support, formerly known as Group Residential Housing (GRH), Rental Assistance, the gross rents should be underwritten at the following levels:

- Efficiencies and one bedroom units: Recommended maximum gross rent level of $704 per unit. **NOTE:** Total available Housing Support is $904 per month, but $200 may be used by the tenant for other housing expenses, and the administrator may also use a portion for administration, which is the preferred Housing Support use.
- Larger units (more than one bedroom): Housing Support can also be used for families, but the rent/income payment structure is more complex. Consult with the local county or the state

Department of Human Services (DHS) for assistance in developing the Housing Support rent structure. The total amount of available assistance is $904.

- Some settings are allowed to use the total Housing Support rate for housing costs if the room and board provisions can be provided with other resources. This should be determined by the Developer in consultation with the service provider and the county.
- Justification should be submitted to support cases where higher gross Housing Support rent levels are needed.
- Housing Support gross rents cannot exceed the gross rents paid by non-Housing Support tenants for comparable units in the development.

Supportive Housing Rent Levels

For High Priority Homeless (HPH) or People with Disabilities (PWD) units without any form of rental assistance or subsidy, rents must be set at affordable levels for the population. The gross rent (contract rent + tenant- paid utilities) should be
underwritten at the following levels:

Target Population	Monthly Gross Rent Per Unit
SRO and Efficiency/Singles (only)	$100
1 BR/Singles or Families with Children	$130
2 BR or larger/Families with Children (only)	$180

Upon occupancy, for units set aside for HPH or PWD in properties without project-based rental assistance for such units, tenant rents, including an allowance for tenant-paid utilities, cannot exceed the greater of 30 percent of the household's monthly income or the most current Supportive Housing Standard rental rate for the unit size, as published annually with the rent and income limits by Minnesota Housing.

For information on rent increases for supportive housing units with no rent subsidies and other Supportive Housing Information, refer to the Supportive Housing Information and Resources publication on Minnesota's Housing website.

2.03 Other Income

Minnesota Housing will evaluate other income (e.g., fees, laundry, parking), and it should be reasonable and comparable to other developments within the region. The amounts will be evaluated by Minnesota Housing's staff.

2.04 Commercial Space

Income from commercial space will be underwritten on an exception basis only. Five years of operating history will be required, and Minnesota Housing will, at its sole discretion, determine an appropriate vacancy rate.

2.05 Vacancy Factor

Properties will generally be underwritten at a 7 percent vacancy rate. A lower vacancy rate of 5 percent may be used if the property has any of the following:

- Rents at least 20 percent below comparable market rents; or
- Existing properties are supported by historic performance; or
- Section 8 assisted properties, if justified by historic operations.

The above percentages are minimums, and if warranted by historic performance or market conditions, a higher vacancy rate will be used. Minnesota Housing will, at its sole discretion, determine the appropriate vacancy rate.

Chapter 3 – Expenses

3.01 Management and Operating Expenses

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

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

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

Unit Type	Rental Rooms Per Unit
Bed/Shelter	2
EFF/SRO	2.5
1 BR	3.5
2 BR	4.5
3 BR	6
4 BR	7
5 BR	8.5

The proposed M&O expenses should be based on the Developer/management company's current portfolio and supported by:

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

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

3.02 Property Taxes

The Low Income Rental Classification (LIRC) tax rate was created by the Minnesota Legislature in 2005 to provide significant relief to certain housing developments where a minimum of 20 percent of the units meet specific income and rent restrictions.

All properties that are eligible for LIRC or Payment in Lieu of Taxes (PILOT) must participate in the applicable programs. Refer to Low Income Rental Classification (LIRC) on Minnesota Housing's website.

3.03 Construction Contingency

A construction contingency is required.

- For new construction developments, a 4 percent construction contingency, subject to Minnesota Housing review, is required.
- For rehabilitation developments, a 7 percent construction contingency, subject to Minnesota Housing review, is required.

3.04 Construction Oversight Fee

A construction oversight fee will be assessed to all developments receiving Minnesota Housing amortizing first mortgage loans, Bridge Loans or Deferred Loans under the EDHC, FFCC or PARIF programs. The fee will be assessed at the lessor of 0.25 percent of the construction contract amount or 1.0 percent of the aggregate amount of Minnesota Housing loans.

Chapter 4 – Fee Limits

4.01 General Contracting Fee Limits

- **Contractor's Profit**: The maximum contractor profit is 6 percent of Net Construction Costs.
- **General Requirements**: The maximum general requirements allowed are 6 percent of the Net Construction Costs.
- **Contractor's Overhead**: The maximum allowance for overhead is 2 percent of Net Construction Costs. The contractor fee limits may deviate from the above-noted maximum allowances so long as they do not exceed 14 percent of Net Construction Costs in the aggregate.
- **Developer or Owner as Contractor**: When there is an Identity of Interest between the Developer or Owner and the contractor, in addition to the fee limits stated above, the combined sum of Developer Fee, contractor profit, contractor overhead, and general requirements may not exceed 20 percent of the Total Development Costs (TDC), less the Developer Fee.

Refer to Minnesota Housing's Contractor's Guide for definitions and more detailed information.

4.02 Architect Fee Limits

Refer to Minnesota Housing's Architect's Guide for requirements for architect compensation. Separate allowances for design and construction administration are calculated based on the gross construction cost on the Workbook. The design allowance (75 percent) is provided at completion and acceptance of the working drawings and specifications (i.e., at closing). The construction administration allowance (25 percent) is provided over the course of construction.

4.03 Developer Fee Limits

The Developer Fee is provided to the Developer of rental housing for the time and energy expended on, and risks associated with, putting a development together. Developer Fees include developer overhead, Developer processing fee, if applicable, Developer profit, and any other amounts received by the Developer as approved by Minnesota Housing. The Developer Fee must be attributed only to the development.

In some instances, the Developer may delegate some of his or her responsibilities to a third party, such as a Processing Agent or consultant. In such cases, the delegated responsibilities must be thoroughly understood by all parties involved, and the fee paid to the third party must be included in the calculation of the permitted maximum Developer Fee.

A Developer Fee can be included in the TDC of the development. The maximum allowable Developer Fee is based on a percentage of the total development cost less the Developer Fee.

Development Type	Size	Maximum Developer Fee
New Construction or Rehabilitation	First 50 Units	15%
New Construction or Rehabilitation	Units 51 and over	8%

The maximum amount of the Developer Fee paid at closing is 50 percent of the portion of the Developer Fee being paid with development financing sources. The remaining 50 percent of the Developer Fee must be paid no sooner than the final construction draw.

An Incentive Developer Fee is not allowable for developments awarded a Minnesota Housing Deferred Loan. Minnesota Housing will require any reference in the Limited Partnership Agreement of a Developer Incentive Fee to be removed from the Limited Partnership Agreement. *Specific use of any cost savings at the end of construction requires approval from Minnesota Housing. For more information about cost savings at the end of construction, refer to Chapter 11 of this Multifamily Underwriting Guide.*

Chapter 5 – Reserves and Escrows

5.01 Replacement Reserves

Reserves for replacement must be budgeted at no less than $300 per unit per year for senior housing and $450 per unit per year for all other housing. If the Capital Needs Assessment 20 Year Expenditure Template indicates a higher amount necessary to address future capital needs, then higher annual deposits, annual escalators to the reserve deposit, and/or a Borrower funded initial deposit will be required.

5.02 Initial Deposit to Replacement Reserves

Minnesota Housing may require an initial deposit to the replacement reserves, depending upon the 20-year capital needs assessment and the level of on-going contributions to replacement reserves.

5.03 All Reserves

All unexpended funds remaining in development reserve accounts must remain for development use during the term of Minnesota Housing's loan or the Extended Use Period, whichever is longer. The Limited Partnership Agreement must include a provision addressing the terms and conditions for disbursement from the reserve accounts that specifically states that upon the transfer of any ownership interest or at the end of the compliance period, whichever is earlier, any funds remaining in the reserve accounts must remain with the development for the term of Minnesota Housing's loan or the Extended Use Period, whichever is longer.

Existing developments applying for HTCs and/or refinancing will be required to show existing reserves as a source.

5.04 Operating Deficit Escrow

An Operating Deficit Escrow (ODE) is required for all developments funded with a LMIR loan. A waiver of the ODE may be considered for a Minnesota Housing refinance loan at the sole discretion of Minnesota Housing.

At the time of initial closing of the LMIR loan, Borrowers are required to establish an ODE, funded with cash or an irrevocable and unconditional letter of credit. Cash to fund the ODE must not be derived from the proceeds of any development sources including equity. The ODE is not included in the TDC.

Minnesota Housing may use the ODE at its sole discretion, on behalf of the Borrower, to pay for development rent-up and operating expenses during the initial lease-up period.

- The ODE will be sized based on the greater of:
  - 3 percent of the loan amount, or
  - The projected operating deficit during the absorption period, as determined by Minnesota Housing's underwriting analysis
- The ODE will be maintained until the later of the following two scenarios:
  - One year after permanent loan closing, or

- Achievement of a 1.11 to 1 DCR for six consecutive months. The DCR will be calculated based on actual collected revenue less the greater of actual or underwritten effective gross expenses

After achievement of both of these scenarios, the letter of credit or the remaining cash and interest earned thereon is returned to the Borrower.

Based on Minnesota Housing's Mortgage Credit Committee review, bond rating agency or marketing requirements, Minnesota Housing may require the Borrower to extend the period or require a larger ODE.

Chapter 6 – Proforma Assumptions

6.01 Income and Expense Inflation Factors

The proforma cash flow will assume revenue increases of no more than 2 percent per year and operating expense increases of no less than 3 percent per year. **NOTE:** Developments with expense-based rents can use income and expense inflation factors that are equivalent.

Developments with project-based Section 8 Rental Assistance will assume revenue increases no greater than the historic average of the development or 1.5 percent per year. A partially assisted development would have a pro rata inflation factor. Minnesota Housing reserves the right to change the appropriate inflation factors based on changes in the economic outlook.

6.02 Debt Coverage Ratio

The level of risk presented by a development, including overall quality, current market conditions and other factors, will be considered when making the determination of what level of debt service coverage a particular award will require.

The development must maintain a break-even cash flow for a minimum of 15 years on a proforma basis.

The minimum DCR for year one of stabilized operations is as follows:

Subsidized Properties (90% Section 8)	Affordable Properties	Equity Cash Out*
1.11	1.15	1.20

The development must reflect a cash flow, after all expenses and reserves, that reflects at least a 1.00 debt coverage ratio, for 15 years on a proforma basis. The cash flow must include mandatory expenditures such as bond fees.

***NOTE**: Equity Cash Out is defined as any refinance or restructure proposal that includes equity being taken out, including Related Party Transactions and limited partner buy outs.

Chapter 7 – Acquisition

7.01 Purchase Price

- Minnesota Housing will underwrite the acquisition cost based on the lesser of the option/purchase agreement purchase price or the appraised value of the property. For details on valuation methodology, refer to the appraisal requirement section of these Multifamily Underwriting Standards.
- For a Related Party Transaction that occurs within three years of a previous arms-length, third-party transaction, Minnesota Housing's underwritten acquisition cost will be based upon the lesser of the previous third-party transaction's purchase price, with no adjustment for appreciation or depreciation, or the appraised value of the property at the time of selection for funding.
- For a development acquired as part of a portfolio acquisition, Minnesota Housing will use the value as identified on the Certificate of Real Estate Value to establish the initial purchase price.
- For a development acquired as part of a land and/or building subdivision, Minnesota Housing will use a reasonable allocation from the Certificate of Real Estate Value to establish the initial purchase price.
- For a Related Party Transaction that occurs at the time of closing, Minnesota Housing will evaluate the amount of equity take-out and may resize its funding awards.

7.02 Acquisition-Related Costs

Minnesota Housing may include in its funding award certain acquisition-related costs incurred in the three years prior to Minnesota Housing's board's selection date. The following costs may be included in the Acquisition or Refinance Existing Debt Costs section of the Workbook as applicable:

- Relocation
- Lender fees and three years or fewer of interest on an acquisition loan up to a 6 percent interest rate
- Legal costs related to acquisition
- Title insurance
- Capital improvements made since acquisition (if documented)
- Taxes, insurance, security, maintenance, utilities

Including such costs in the Acquisition or Refinance Existing Debt Costs section of the Workbook does not change how acquisition-related costs are treated by Minnesota Housing for the purpose of calculating the percentage of intermediate costs for HTC purposes.

During the pre-development holding period, all net cash flow from operations except for a reasonable asset management fee must be directed toward holding costs and improvements if Minnesota Housing Deferred Loan funding is requested.

Chapter 8 – Appraisal Requirements

8.01 Appraisal at the Time of Application

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

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

- Land-only (for new construction): Fee simple, market value of the land. The appraisal will consider the real property's zoning as of the effective date of the appraiser's opinion of value. If the real property consists of more than one parcel, the parcels will be combined in one appraisal with one value conclusion.
- Acquisition/Rehab: Fee simple, in as-is condition
    - Assuming market rate rents, and
    - Assuming existing restricted rate rents
    - The appropriate value will be determined by Minnesota Housing based on the characteristics of the proposal and the ability to be released from existing restrictions, if any
- Adaptive Re-use: Fee simple market value of the property to be adapted for an alternate use. The valuation will assume the highest and best use permitted by law and economically feasible in the current market.

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

- Acquisition price under $100,000
- Land only where there is no Buyer/Seller Identity of Interest*
- Single family homes (one to four family(ies)) that are aggregated under one loan. Minnesota Housing will use the assessed value unless the Borrower requests an appraisal for determining acquisition cost as defined in these Multifamily Underwriting Standards.
- Property on tribal lands

8.02 Prior to Closing-Amortizing First Mortgage Loans

For amortizing loans, an appraisal ordered by Minnesota Housing is required prior to obtaining final Mortgage Credit Committee approval.

- Two hypothetical values are required, and the lesser of the two values will be used to determine the loan to value:
    - As-completed and stabilized, subject to restricted rents
    - As-completed and stabilized, assuming market rate rents

- In addition, for amortizing loans that are sized to also include proceeds from Tax Increment Financing (TIF), the total value will include the appraised value as described above, plus the present value of the remaining net tax increments, as determined by third-party documentation, such as a TIF agreement, or final TIF analysis.
- Maximum Loan to Cost (LTC) /Loan to Value (LTV)
    - Subsidized properties (at least 90% Section 8) 87%
    - Affordable properties 87%

Generally, plans and specifications must be at least 50 percent complete for the appraiser to adequately establish the "as-completed" value.

8.03 Prior to Closing-Deferred Loans

For non-amortizing loans, Minnesota Housing requires an appraisal prior to closing similar to that required for amortizing loans (above). Borrowers should discuss this requirement with their assigned underwriter and if appropriate, a waiver to use another lender's appraisal may be sought through Minnesota Housing's Mortgage Credit Committee. Any waiver of this requirement will be determined at Minnesota Housing's sole discretion. Non-amortizing developments exempt from this requirement include:

- Single family homes (one to four family(ies)) that are aggregated under one loan. Minnesota Housing will use the assessed value unless the Borrower requests an appraisal.
- Property on tribal lands

8.04 Appraisal Expiration Period

For appraisals at the time of application, the appraisal will be valid for funding awards made within 12 months from the effective date of the report.

For amortizing loans, the effective date of the appraisal must be within six months of closing or End Loan commitment.

For Deferred Loans, the effective date of the appraisal must be within 12 months of closing or End Loan commitment.

All costs incurred for the appraisal, including any revisions and updates, will be the responsibility of the applicant.

8.05 4% Housing Tax Credit (HTC) – Issuance of a Preliminary Determination Letter

Developments that are requesting a Preliminary Determination Letter and that are not receiving Minnesota Housing Deferred Loans or amortizing first mortgage loans can submit a lender approved as-is appraisal in lieu of a Minnesota Housing ordered appraisal. The lender's appraisal must be approved by Minnesota Housing, and Minnesota Housing reserves the right to request a Minnesota Housing ordered appraisal.

Chapter 9 – Types of Sources

9.01 Amortizing Loans

Minnesota Housing offers amortizing first mortgage loans with fixed interest rates and terms up to 40 years.

Low Moderate Income Rental (LMIR)

HUD Risk-sharing Mortgage Insurance is required for all Low Moderate Income Rental (LMIR) amortizing first mortgage loans. Minnesota Housing generally insures at Level I (HUD insures 50 percent of the loan). If Minnesota Housing determines that HUD Level II (HUD insures up to 90 percent) insurance is appropriate, more stringent underwriting requirements may apply.

Refinance Loans

Refinance loans do not involve a construction period and the cost of rehabilitation may be funded into escrows and disbursed within 12 months. To be eligible for this structure:

- Adequate upfront and ongoing reserves are budgeted to fund the capital needs identified in a Property Needs Assessment/Capital Needs Assessment and approved by a Minnesota Housing architect, and;
- The cost of repairs does not exceed $40,500/unit.

Existing Guarantors are expected to remain in place following the refinance.

Streamlined Refinance

Existing HUD Risk-share loans may be refinanced under the Streamlined Refinance loan product. This streamlined process allows faster processing time and has fewer due diligence requirements.

Refer to the LMIR/FFCC Guide for more information.

FHA/HUD MAP Programs

Minnesota Housing is an approved HUD Multifamily Accelerated Processing (MAP) lender, which allows Minnesota Housing to underwrite Federal Housing Administration (FHA) fully insured first mortgages using the223(f) program for acquisition and refinance transactions as well as the 221(d)(4) program for new construction or substantial rehabilitation. Loans underwritten under these programs must follow the underwriting and processing requirements of HUD MAP Guide.

Please refer to the Multifamily Financing page for more information on our loan programs.

9.02 Deferred Loans

Deferred Loans are generally structured with a 30-year term at 0-1 percent interest. Payment of principal and accrued interest is due on the date of loan maturity.

9.03 Cash Flow Note

Minnesota Housing's Deferred Loans may require an annual payment based on year-end Surplus Cash as adjusted per the calculation below.

For newly funded developments, including those receiving HTCs, the annual payment is equal to 20 percent of the amount by which eligible cash exceeds $50,000 per year. It has been agreed upon that cash flow payments will first be applied to Deferred Loans from the Family Housing Fund and the Greater Minnesota Housing Fund until paid in full, and then to the remaining Deferred Loans containing cash flow provisions on a pro rata basis.

Annual Cash Flow Payment Calculation

- Surplus Cash is defined in Section 13 of the HUD Regulatory Agreement for Multifamily Projects (Form 92466M).
- Surplus Cash is calculated using HUD's Computation of Surplus Cash, Distributions and Residual Receipts (Form 93486), when there is a HUD first mortgage, or it is calculated using Minnesota Housing's Computation of Surplus Cash Form.

Eligible cash is:

- Surplus Cash, plus any dividends or distributions made during the fiscal year
- Less any outstanding:
  - Credit adjusters
  - Limited partner asset management fees
  - Operating reserve account replenishment
  - First mortgage required debt service reserve establishment or replenishment
  - Approved general or limited partner loans or advances
  - Deferred Developer Fees, including interest not exceeding the applicable federal rate

The annual cash flow payment is equal to 20 percent of the amount by which eligible cash exceeds $50,000 per year.

Seller loans, whether from related- or third-parties, will be reviewed for repayment priority on a case by case basis.

Minnesota Housing will determine, at its sole discretion, what items in the proposed cash flow distribution are allowable in the calculation of eligible cash. Items intended to provide additional funds to the general partner or that substantially divide out all remaining cash flow from operations, including but not limited to above market rate partner loans, general partner fees such as partnership management or incentive fees, etc., are intentionally excluded.

Borrower's submission, on an annual basis for each fiscal year, will include:

- Audited financial statements, including a schedule of distributions
- HUD Computation of Surplus Cash, Distributions and Residual Receipts (Form 93486) or Minnesota Housing's Computation of Surplus Cash Form

NOTE: Developments with more than 75 percent supportive housing or High Priority Homeless (HPH) units are exempt from Cash Flow Note provisions.

Total payments due must never exceed 75 percent of available Surplus Cash.

9.04 Bridge Loan

The following requirements apply to Bridge Loans when Minnesota Housing's amortizing first mortgage loan and/or Minnesota Housing's Deferred Loans are used to finance the development.

- If Minnesota Housing provides a commitment for a LMIR loan after completion of construction (End Loan), then pay-off and release of the Bridge Loan is a condition of the Minnesota Housing End Loan closing.
- If the Bridge Loan is funded with the proceeds of Minnesota Housing bond proceeds to meet the requirements to qualify for 4 percent HTCs:
  - Minnesota Housing's Bridge Loan cannot exceed 70 percent of the total anticipated equity pay-in as described in the Limited Partnership Agreement.
  - Minnesota Housing will require an assignment of the general partner's interest in the Limited Partnership.
  - Minnesota Housing will require the Bridge Loan to be fully guaranteed by one or more individuals or entities approved by Minnesota Housing.
  - Minnesota Housing's mortgage loans must be fully collateralized per Minnesota Housing standards.
- If Minnesota Housing's LMIR loan is to be funded during the construction period and the Bridge Loan from another lender does not have a security interest in the property:
  - The Minnesota Housing LMIR loan will be in first lien position. The bridge lender can be secured with an assignment of the capital contributions from the investor.
  - After the initial 20 percent equity installment, Minnesota Housing LMIR loan proceeds will be advanced at no greater than an equal proportion (pari passu) with the equity and/or bridge funding.
- If Minnesota Housing's LMIR loan is used during the construction period and the Bridge Loan from another lender does have a security interest in the property:
  - The Minnesota Housing LMIR loan will be in first position. The Bridge Loan will be in second position. Minnesota Housing's LMIR funding is always disbursed last after all bridge funding is fully expended, regardless of the cost of other funds.
  - The Bridge Loan mortgage must contain a release clause which allows the mortgage to be terminated to ensure Minnesota Housing's ability to have HUD endorse the LMIR note in a timely manner.
- If Minnesota Housing is providing only Deferred Loan(s), a minimum of 20 percent HTC equity or 30 percent of Bridge Loan proceeds must be disbursed up front, prior to Minnesota Housing and/or funding partner Deferred Loan proceeds being released. A higher percentage may be required for new syndication entrants to the Minnesota HTC market or on small developments where 20 percent equity is not deemed adequate by Minnesota Housing at its sole discretion.

9.05 Balloon Mortgages

To achieve long-term viability in developments where Minnesota Housing has invested funding or HTC, Minnesota Housing strongly encourages long-term, fully-amortizing, first mortgages. However, Minnesota Housing mortgages may be underwritten with a 17 year term and 30-40 year amortization, subject to mitigating factors (e.g., overall development sources and uses, projected loan-to-value at refinancing, and other risk factors) at the sole discretion of Minnesota Housing.

9.06 Deferred Debt on Mixed-Income Developments

Minnesota Housing Deferred Loan debt will only be used for and based upon the financing gap on affordable (rent restricted) units.

9.07 Sales Tax Rebate

All developments eligible for a Sales Tax Rebate must participate. An estimate of the Sales Tax Rebate will be considered a source used to size HTC and Deferred Loan awards. The Sales Tax Rebate estimate is not basis eligible and will be removed from basis on a HTC development. The Sales Tax Rebate must be bridged. The Sales Tax Rebate will be used first to pay back the source used to bridge the rebate and any excess Sales Tax Rebate may be used to pay the Deferred Developer Fee and/or may be required to be deposited into a development reserve at Minnesota Housing's discretion.

9.08 Energy Rebates

All developments receiving HTCs or Deferred Loan funding from Minnesota Housing must provide an Energy Rebate Analysis. The estimated energy rebate will be considered a source used to size HTCs and Deferred Loan awards. The energy rebate may or may not be basis eligible; consult your certified public accountant for basis eligibility. The energy rebate must be bridged. The energy rebate will be used first to pay back the source used to bridge the rebate and any excess energy rebate funds may be used to pay the Deferred Developer Fee and/or be required to be deposited into a development reserve at Minnesota Housing's discretion. Requirements and guidelines for the Energy Rebate Analysis can be found in Minnesota Housing's Rental Housing Design/Construction Standards (Chapter 8 – Sustainable Housing).

Chapter 10 – Relocation and Involuntary Displacement

Minnesota Housing prohibits involuntary displacement of residents from developments receiving funding or HTCs from Minnesota Housing; however, if a development receives U.S. Department of Housing and Urban Development's (HUD) Home Investment Partnerships HOME or National Housing Trust Fund (NHTF) funds, the Owner must take all reasonable steps to minimize displacement. If displacement is necessary, as approved by Minnesota Housing, the Owner must comply with the Uniform Relocation Act (URA) and any other applicable federal laws regarding displacement.

If a development may involve either temporary or permanent displacement of existing tenants, the Developer must submit a Relocation Plan that addresses both temporary relocation (including in-place displacement) and permanent displacement. For Minnesota Housing's purposes, in-place displacement is when a tenant will need to be moved from a unit for a short period of time, resulting in a tenant's loss of use of their unit for a portion of the day.

The purpose of the following principles is to guide creation of a Relocation Plan for temporary and in-place displacement scenarios. These principles do not apply to servicing requests on existing loans.

Relocation plans should incorporate the following principles regarding temporary relocation:

- Provide fair and equitable treatment of tenants who are temporarily relocated for any length of time from their units.
- Accommodations for tenants should consider different needs of the person and special populations housed at the development that would need reasonable accommodations. For example, reasonable accommodations may need to be provided to tenants with specific accessibility needs such as ramps into alternate accommodations.
- To the extent feasible, limit temporary relocation that results in restrictions to units. If temporary relocation results in daytime restrictions to units:
    - Complete such repairs and renovations impacting such tenants as quickly as possible.
    - Tenants should have safe access to sleeping areas, bathroom and kitchen facilities at the end of the day.
    - Provide reasonable daytime provisions and access to other suitable accommodations while temporarily out of their unit. For example, on site access to community kitchen facilities, laundry, bathroom, etc.
- Tenants should be fairly compensated for the time they do not have access to their units. Compensation should be clearly identified and equitable among tenants and could include food vouchers or other monetary stipends.
- It is the Owner's obligation to comply with the requirements and covenants in lease agreements with existing tenants who are subject to temporary relocation.

Chapter 11 – Closing

11.01 Closing in Balance

All sources of funds must be available at closing or bridge funding must be provided to pay development costs through construction completion. Equity (including HTC syndication proceeds not bridged) will be held by a title insurance company. For HTC developments with equity pay-ins during construction, Minnesota Housing will, at its sole discretion, determine the need to bridge these funds based on a review of the development, the pay-in schedule, the investor/syndicator, general partner, Developer and general contractor.

In addition to HTC equity proceeds, other sources commonly required to be bridged are Tax Increment Financing (TIF), grants from cities, Interim Income (existing properties) and Sales Tax Rebates.

11.02 Minimum HTC Equity Pay-in at Closing

For all developments funded by HTC equity, the equity investor must pay out at least 20 percent of the total HTC equity at the initial or construction loan closing before any of Minnesota Housing's funds will be advanced. A higher percentage may be required for new syndication entrants to the Minnesota HTC market or on small developments where 20 percent equity is not deemed adequate by Minnesota Housing at its sole discretion.

11.03 Cost Savings at the End of Construction

Cost savings remaining at the end of the construction or rehabilitation, if any, may be used at Minnesota Housing's discretion for: (i)deposited in the replacement reserve account; (ii)used to reduce Minnesota Housing funding; or (iii)put to another appropriate use for the benefit of the development, as approved by Minnesota Housing.

Cost savings cannot be used to fund an Incentive Developer Fee if awarded a Minnesota Housing Deferred Loan. Cost savings cannot be deposited into an operating reserve account.

Developments funded with federal funding, such as HOME and NHTF, are not allowed to deposit any cost savings in the replacement reserve account.

Chapter 12 - Fair Housing Policy

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

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

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

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

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

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

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

Chapter 13 – Fraud Disclosure and Suspension

13.01 Fraud Disclosure

The recipient must report all known or suspected instances of fraud in connection with the awarding or receipt of Minnesota Housing funds to Minnesota Housing's Chief Risk Officer as soon as evidence of fraud is discovered by the recipient. "Fraud" means an intentional deception made for personal gain or to damage another.

13.02 Suspension

By entering into any agreement with Minnesota Housing, accepting any award of funds from Minnesota Housing, or otherwise conducting any business with Minnesota Housing, a party represents that the party or any principal of the party, has not been suspended from doing business with Minnesota Housing pursuant to the Minnesota Housing Finance Agency Board of Directors Participant Suspension Policy. A principal is defined as: (a) an officer, director, owner, partner, principal investigator, or other person within an organization or entity doing business with Minnesota Housing with management or supervisory responsibilities; or (b) a consultant or other person, who: (1) is in a position to handle Minnesota Housing funds; (2) is in a position to influence or control the use of those funds; or (3) occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to be performed under contract with Minnesota Housing. A party must contact Minnesota Housing for a list of all suspended individuals and organizations.

Appendix A – Terms

Term	Definition
AFHMP	Affirmative Fair Housing Marketing Plan. HUD form 935.2A. Refer to mnhousing.gov >Management page for more information.
Allocating Agency	Any entity authorized by the State of Minnesota and Section 42 to allocate tax credits in Minnesota.
Borrower	A Borrower is an entity who has received an amortizing first mortgage loan or Deferred Loan from Minnesota Housing.
Bridge Loan	Also known as Equity Bridge Loan or Construction Loan. A Bridge Loan provides interim construction financing, “bridging” HTC equity installments that will be paid upon, or after, construction completion. The Bridge Loan may also bridge other sources that will be paid after construction completion such as energy rebates and Sales Tax Rebates.
Buyer/Seller Identity of Interest	A Buyer/Seller Identity of Interest exists when there is a Related Party Transaction.
Cash Flow Note	Some Borrowers may be required to make annual payments on a Minnesota Housing Deferred Loan. A Cash Flow Note explains how the payments are calculated.
Coordinated Entry (CE)	A centralized or coordinated process designed to coordinate program participant intake, assessment, and provision of referrals. Used to prioritize homeless households for housing. Refer also to HPH.
DCR	Debt Coverage Ratio (DCR) is a measure of the cash flow available to pay current debt obligations. The ratio states net operating income as a multiple of debt obligations due within one year,
Deferred Developer Fee	Any portion of the Developer Fee that will not be paid with project sources but instead will be paid from available cash flow from property operations.
Deferred Loan	A non-amortizing loan, typically with a term of 30 years or coterminous with the first mortgage (if applicable). Minnesota Housing Deferred Loans typically bear interest of 0-1 percent and are repayable upon loan maturity. Some developments may be required to make annual payments pursuant to a Cash Flow Note.
Developer	Typically a separate legal entity from the Borrower or Guarantor(s) who may complete the financing and development of a project for a fee.

Developer Fee	A fee paid to the Developer as part of the project soft costs to cover overhead, labor and other project related operational expenses born by the Developer during the project.
Development Services Agreement	A contract between the Owner of a development and a third-party Developer.
DHS	The Minnesota Department of Human Services. The state of Minnesota agency that administers the Housing Support Rental Assistance program.
Eligible Mortgagor	Eligible Mortgagor means a nonprofit or cooperative housing corporation; the Department of Administration for the purpose of developing community-based programs as defined in section 252.50; a limited profit entity or a builder as defined by the agency in its rules, which sponsors or constructs residential housing as defined in subdivision 7; or a natural person of low- or moderate-income, except that the return to a limited dividend entity shall not exceed 15 percent of the capital contribution of the investors or such lesser percentage as the agency shall establish in its rules, provided that residual receipts funds of a limited dividend entity may be used for agency-approved, housing-related investments owned by the limited dividend entity without regard to the limitation on returns. Owners of existing residential housing occupied by renters shall be eligible for rehabilitation loans, only if, as a condition to the issuance of the loan, the Owner agrees to conditions established by the agency in its rules relating to rental or other matters that will ensure that the housing will be occupied by persons and families of low- or moderate-income. The agency shall require by rules that the Owner give preference to those persons of low- or moderate-income who occupied the residential housing at the time of application for the loan.
End Loan	A permanent loan that is funded after completion of construction, at the time of repayment of any construction/bridge financing.
Energy Rebate Analysis	A report of energy rebates being considered/pursued for a development.
Equity Cash Out	Equity Cash Out is defined as any refinance or restructure proposal that includes equity being taken out, including transactions that are related party acquisitions and limited partner buy outs.
Extended Use Period	The term of the Declaration of Land Use Restrictive Covenants for Low-Income Housing Tax Credits under the HTC program. The first fifteen years are referred to

	as the "Initial Compliance Period" and years 16 and onward are referred to as the Extended Use Period.
Guarantor	A Guarantor is the entity or individual who signs the Guaranty.
Guaranty	Available upon request from Minnesota Housing staff.
HAP	Housing Assistance Payments is a HUD Rental Assistance Contract under the Section 8 Project-based Housing Assistance Program.
HOME	The HOME Investment Partnerships Program is a federal program administered by Minnesota Housing (as well as others).
Housing Support	Housing Support, formerly known as Group Residential Housing (GRH), is a state-funded Rental Assistance program that assists low-income individuals who have a disability or are homeless. Housing Support room and board payments are made directly to the provider of housing on behalf of the eligible person. Providers in many different types of housing may enter into a Housing Support agreement with their county. The program is administered by Minnesota Department of Human Services (DHS).
Housing Choice Voucher	The Housing Choice Voucher program provides tenant-based Rental Assistance. The participant is free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects. Housing Choice Vouchers are administered locally by public housing agencies (PHAs). The PHAs receive federal funds from the U.S. Department of Housing and Urban Development (HUD) to administer the voucher program.
HPH	High Priority Homeless, formerly known as Long -term Homeless or LTH. Households prioritized for permanent supportive housing by the Coordinated Entry system.
HTC	The Federal Tax Reform Act of 1986 created the Housing Tax Credit (HTC) Program (refer to Section 42 of the Internal Revenue Code) for qualified residential rental properties. The HTC Program offers a reduction in tax liability to owners and investors in eligible low-income rental housing projects involving new construction, rehabilitation or acquisition with rehabilitation. Also known as Low Income Housing Tax Credit (LIHTC).
HUD	United States Department of Housing and Urban Development.

HUD Risk-sharing Mortgage Insurance	In order to minimize Minnesota Housing's risks, all permanent amortizing LMIR loans will obtain mortgage insurance through HUD's Risk-sharing Program. Under Minnesota Housing's Risk-sharing Agreement with HUD, HUD contracts to reimburse Minnesota Housing for a portion of the loss from any defaults that occur while the insurance is in force. In this way, Minnesota Housing is able to effectively increase its financing capacity. In addition, Minnesota Housing utilizes the program as an incentive to partner with HUD to preserve and renew expiring Section 8 contracts. Level I: HUD's insured portion is 50 percent Level II: HUD's insured portion is up to 90 percent.
Buyer/Seller Identity of Interest	A Buyer/Seller Identity of Interest exists when there is a Related Party Transaction.
Incentive Developer Fee	A fee to a developer that is in addition to the Developer Fee included in the development costs approved by Minnesota Housing.
Interim Income	Interim income is cash flow from an existing property while it is undergoing rehabilitation and is not required to make payments on amortizing debt.
Limited Partnership	A Limited Partnership (LP) is a form of partnership similar to a general partnership, except that where a general partnership must have at least two general partners (GPs), a Limited Partnership must have at least one GP and at least one limited partner.
Limited Partnership Agreement (LPA)	A Limited Partnership Agreement (LPA) is a document that establishes the terms of the partnership and the agreements between partners. In HTC developments, the LPA stipulates the timing and conditions for pay-ins of HTC equity, reserves and the Developer Fee.
LIRC	Low Income Rental Classification (LIRC) is enacted pursuant to Minnesota Statutes Section 273.128. This results in a class rate reduction of up to 40 percent for qualifying units in some rent and income-restricted properties. Only those rental properties subsidized under a federal or state government program or meeting certain rent and income restrictions are eligible for the lower class rate.
LMIR	The Low and Moderate Income Rental (LMIR) program is to provide long-term amortizing mortgage debt for multifamily rental housing affordable to low- and moderate-income Minnesotans. Long-term, fixed-rate mortgage loans are available for financing new construction, stabilization of existing properties and for

	the preservation of existing federally assisted rental housing.
LMIR Bridge Loan	When LMIR loans are used in a tax-exempt bond transaction, Minnesota Housing may issue short-term bonds to fund a LMIR Bridge Loan to meet the 50 percent test in order for the development to qualify for 4% tax credits. The LMIR Bridge Loan will be used during construction period, must be in first lien position.
M&O	The Management and Operating budget is the operating budget for a multifamily rental property net of real estate taxes and reserves.
Mortgage Credit Committee	A cross-divisional management group of Minnesota Housing which approves credit analysis, ownership structures and financing of projects selected for Multifamily loans and related matters.
Net Construction Costs	Net Construction Costs are construction costs not including contractor profit, general requirements and overhead.
NHTF	National Housing Trust Fund (NHTF) is a federal, affordable housing production program to increase and preserve the supply of decent, safe and sanitary affordable housing for extremely low- and very low-income households, including homeless families.
ODE	Operating Deficit Escrow is a reserve required for all developments funded with a LMIR loan.
Owner	An Owner is an entity or person who holds title to the real property upon which the project is located.
People with Disabilities (PWD)	Minnesota Housing's Self-scoring Worksheet defines People With Disabilities as persons with any of the following: • A serious and persistent mental illness as defined in Minn. Stat. § 245.462, subdivision 20, paragraph (c); or • A developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended; or • Assessed as drug dependent as defined in Minn. Stat. § 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minn. Stat. § 254A.02, Subdivision 2; or • A brain injury as defined in Minn. Stat. § 256B.093, Subdivision 4, paragraph (a); or • Permanent physical disabilities that substantially limit major life activities, if at least

	50% of the units in the project are accessible as provided under Minnesota Rules Chapter 1341.
PILOT	A PILOT is a payment in lieu of taxes, made to compensate a local government for some or all of the tax revenue that it loses because of the nature of the ownership or use of a particular piece of real property. Usually it relates to the foregone property tax revenue.
Preliminary Determination Letter	Issued by the tax credit Allocating Agency indicating that a proposal satisfies the requirements for eligibility for HTC through the issuance of tax exempt bonds. Also known as '42m Letter.'
Processing Agent	Also known as Development Consultant. The Processing Agent for a development is a third party unrelated to the Sponsor who the Developer contracts with to prepare funding applications and/or manage submittals of due diligence.
Related Party Transaction	Acquisition of a property where there is a common or related entity as part of the ownership structure of both the buyer and seller.
Relocation Plan	Minnesota Housing requires the Developer to submit a Relocation Plan for any temporary or permanent displacement of tenants. Projects that are HUD assisted are required to submit a Relocation Plan in compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA).
Rental Assistance	A revenue source used to pay a portion of the tenant's monthly rent. Rental Assistance may be either project-based or tenant-based. Refer also to HAP; Housing Support; Housing Choice Voucher.
Sales Tax Rebate	A rebate received from the Minnesota Department of Revenue. When an entity that is exempt from a sales and use tax on their own purchases appoints a contractor or subcontractor as its purchasing agent in accordance with Minnesota rules, that contractor or subcontractor may make otherwise taxable purchases exempt from a sales or use tax for use on a construction contract. Non-profit Sponsors are required to include a Sales Tax Rebate as a source of funding for any development that is requesting Minnesota Housing funding, including HTCs or Deferred Loans.
Section 8	The Section 8 Project-based Rental Assistance program enables more than 2 million people in 1.2 million low-income households to afford modest apartments by contracting with private Owners to rent some or all of the units in their housing developments to low-income

	families.
Sponsor	A Sponsor is an individual or a legal entity that exercises control and decision-making authority over the project.
Surplus Cash	Certain project cash pursuant to the calculation set forth in Section 13 of the HUD [Regulatory Agreement for Multifamily Projects (Form 92466M)]() or Minnesota Housing's [Computation of Surplus Cash Form]().
Tax Increment Financing (TIF)	Tax increment financing **(**TIF) is a public financing method that is used as a subsidy for redevelopment, infrastructure and other community improvement projects.
TDC	Total Development Cost is the total budget for the development of an affordable housing development.
TMC	Total Mortgageable Cost is TDC less non-mortgageable costs, generally reserves and other costs not required by and payable from Minnesota Housing funds.
Uniform Relocation Act (URA)	The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), passed by Congress in 1970, is a federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes, businesses or farms.
Workbook	The Multifamily Workbook is the Excel tool used for application and which is updated through loan closing and 8609, if applicable for Minnesota Housing HTCs, first mortgages, Deferred Loans, Rental Assistance and operating subsidies.