



MULTIFAMILY CONSOLIDATED REQUEST FOR
PROPOSAL GUIDE

A GUIDE TO PREPARING THE
MINNESOTA MULTIFAMILY RENTAL HOUSING
COMMON APPLICATION

APPLICATION DEADLINE:
TUESDAY, JUNE 17, 2008
5:00 p.m.

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I. INTRODUCTION

The Minnesota Housing Multifamily Consolidated Request for Proposals Guide (Guide) is intended to provide background information on the affordable housing resources available for multifamily rental housing development as well as to provide information on the application, selection and underwriting processes. Minnesota Housing, in conjunction with its funding partners will work with a variety of programs to fund selected developments. The funding partners include the Family Housing Fund (FHF), Greater Minnesota Housing Fund (GMHF), Metropolitan Council, Department of Employment and Economic Development (DEED), Metropolitan Council Housing and Redevelopment Authority (HRA), St. Paul Public Housing Agency (PHA) and the Minnesota Department of Human Services (DHS).

Minnesota Housing offers two methods to apply for multifamily resources; the Consolidated Request for Proposals (Consolidated RFP) and Open Pipeline.

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

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

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

Open Pipeline provides an opportunity for applicants to apply for funding sources at any time, subject to certain restrictions and funding availability. Information on the funding sources that are available on an open pipeline basis can be found in Section VIII of this Guide. The same application materials are utilized for both the Consolidated RFP and Open Pipeline.

The Housing Tax Credit program offers two application rounds per year with the primary round taking place in conjunction with the Consolidated RFP, and the second round having a priority for supplemental tax credit requests during the month of February and selections concluding in April.

II. MINNESOTA HOUSING BACKGROUND, MISSION AND STRATEGIC GOALS

A. BACKGROUND

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

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

- HOMES Division (administers homeownership and home improvement/rehab programs); and
- Multifamily Division (administers financing of construction, acquisition and/or rehabilitation of rental housing; operating subsidy and rental assistance).

B. MISSION STATEMENT

Minnesota Housing finances and advances affordable housing opportunities for low- and moderate-income Minnesotans to enhance quality of life and foster strong communities.

C. OVERVIEW OF STRATEGIC PRIORITIES

Minnesota Housing's current Strategic Plan was adopted by the Board of Directors, December 20, 2007. Under the Strategic Plan, Minnesota Housing will provide leadership, financing, and other assistance in order to meet the following strategic priorities:

- Finance new affordable housing opportunities;
- Preserve existing affordable housing;
- End long-term homelessness; and
- Increase emerging market homeownership.

Business plans for both the Ending Long-Term Homelessness and Emerging Market Homeownership initiatives have been completed and are available on Minnesota Housing's web site. Scarce resources require increased efforts at customer service, collaboration, greater creativity in identifying resources, and review of regulatory requirements in order to meet our vision for all Minnesotans to live in affordable homes.

The Consolidated RFP will assist in carrying out Minnesota Housing's broad objectives of meeting Minnesotans' needs for:

- Decent, safe, affordable homes – the focus is on whom we serve; and
- Stronger communities – the focus is on where we invest funds.

To assist in making funding decisions consistent with these broad objectives, multifamily selection standards and funding priorities are applied along with the following policy documents:

- Continuum of Care Applications: Exhibit 1 and Exhibit 2;
- Ending Long-Term Homelessness in Minnesota Business Plan;
- “Overview of Homelessness in Minnesota 2006”, a report by Wilder Research;
- Minnesota Housing Multifamily Sustainable Housing Policy; and
- MHIG (Metropolitan Housing Implementation Group) Selection Standards.

D. ENDING LONG-TERM HOMELESSNESS

In 2004, the State of Minnesota, through a broadly based working group, developed a comprehensive Business Plan for Ending Long-term Homelessness. The plan established a priority of ending long-term homelessness in Minnesota through these strategies:

1. Provide 4,000 housing opportunities with support services for households experiencing long-term homelessness by 2010.
2. Develop cost effective and creative approaches to integrating affordable housing with support services into communities across the state. The overall goal of supportive housing is to:
 - Move people experiencing long term homelessness into housing;
 - Promote housing stability with support services necessary to improve their wellbeing, such as employability, self-sufficiency, and other positive social outcomes; and,
 - Reduce the social costs associated with homelessness such as inappropriate use of emergency health care, shelter, chemical dependency, corrections, etc.
3. Federal, local government, state departments, and philanthropic sources make up the \$483 million dollar financing plan to fund the development of 4,000 permanent supportive housing opportunities from 2004 - 2010.

Several funding sources give preference to developments and/or activities which propose housing opportunities for households experiencing long-term homelessness. Selected proposals that further this strategic priority will have adhere to such restrictions for the minimum rental period as defined in their loan agreement. The 2008 production goal established in the Business Plan is for 800 housing units targeted to households experiencing long-term homelessness. The goal will create 800 new housing opportunities to the progress of 1,715 opportunities created, as of March 31, 2008.

E. NEW AFFORDABLE HOUSING OPPORTUNITIES

In order to address the strategic priority of financing new affordable housing opportunities for low and moderate income households, preference is given to developments that promote the construction of economically integrated housing in areas of job and population growth.

General occupancy housing must be “affordable to the local workforce”, which means households occupying the housing pay 30% or less of their monthly income for housing costs (gross rent), and that such costs are affordable based on wages of the jobs being created or retained in the local area, as demonstrated in the Application Package.

F. PRESERVATION OF EXISTING AFFORDABLE HOUSING

In order to address the strategic priority of preserving existing affordable housing, preference is given to developments that preserve permanent affordable rental housing with long term project-based federal subsidies that are in jeopardy of being lost as well as to existing supportive housing developments.

Affordability of rental housing may be driven by the underlying financing, operating subsidies to owners, direct subsidies to tenants, or through the existing rent structure. Such affordability may be at risk of loss due to one of the following three factors: expiring subsidies, physical deterioration or failing owner capacity. Minnesota Housing preservation programs protect Minnesota's existing affordable housing stock by providing financial resources to property owners and tenants, ensuring developments will remain affordable.

III. FUNDING SOURCES, AMOUNTS AVAILABLE, AND FUNDING TYPES

A. FUNDING SOURCES AND AMOUNTS AVAILABLE

The following funding sources may be accessed through the 2008 Consolidated RFP or through Open Pipeline (if applicable) subject to available funding:

Federal Housing Tax Credits from the competitive state allocation pool (HTC)	\$10.4 million (estimated)
Low and Moderate Income Rental Program (LMIR), tax exempt and taxable bonds	Up to \$20 million
Flexible Financing for Capital Costs (FFCC) for LMIR loans only	Approximately \$3 million
Economic Development and Housing Challenge (EDHC)	Approximately \$5 million
Preservation Affordable Rental Investment Fund (PARIF)	Up to \$3 million
Housing Trust Fund (HTF)	\$5.5 million (Capital, Operating Subsidy)
Ending Long-Term Homelessness Initiative Fund (ELHIF)	\$8 million (For capital, operating subsidy or rental assistance)
Publicly Owned Housing Program (POHP)	\$1 million
501(c)(3) Bonds	\$30 million

The 2008 Consolidated RFP also makes available funds from several philanthropic and local and state government entities.

- For developments in the seven-county metropolitan area:

Family Housing Fund	Approximately \$1 million
Metropolitan Council - Local Housing Incentive Account Program (LHIA)	Approximately \$1.65 million
St. Paul Public Housing Agency	20 Vouchers
Metropolitan Housing and Redevelopment Authority	30 Vouchers

- For developments located in greater Minnesota (outside the seven-county metropolitan area):

Greater Minnesota Housing Fund (GMHF)	Approximately \$2.65 million (general occupancy and supportive housing)
Minnesota Department of Employment and Economic Development (MN DEED) Small Cities Development Program (SCDP)	Approximately \$1 million

3. For developments located in the seven-county metropolitan area or greater Minnesota (outside the seven-county metropolitan area):

Department of Human Services– Adult Mental Health Division (DHS-AMHD) Housing with Supports for Adults with Serious Mental Illness (HSASMI) Program \$1.5 million (Operating Subsidy – non capital)

B. FUNDING TYPES

Multifamily resources are provided in the form of deferred loans, grants, amortizing first mortgage loans, housing tax credits, operating subsidies and rental assistance.

Deferred Loans

Generally, deferred loans will bear interest at a rate of 0% unless a higher rate is necessary to allow the program funds to be used with other funding sources, such as housing tax credits. Principal and interest, if any, shall be due and payable at the end of the loan term, which is typically 30 years. Loans will be full recourse; however, non-recourse may be considered on a case-by-case basis. Deferred loans can help bridge the financing gaps not covered by a first mortgage and/or other funding sources.

Amortizing First Mortgage Loans

Minnesota Housing amortizing first mortgage loans require monthly payments on principal and interest throughout the term of the loan. Developments receiving an amortizing first mortgage will be assessed origination and inspection fees.

Housing Tax Credits

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

Minnesota Housing has been designated by the Minnesota Legislature as the primary allocating agency of the housing tax credit in the state of Minnesota. Qualified local cities and counties have also been designated by the Minnesota Legislature as suballocators of the tax credits. Detailed information is available in the State of Minnesota Housing Tax Credit 2009 Qualified Allocation Plan (QAP) and the Housing Tax Credit Program Procedural Manual April 2009, available on the Minnesota Housing web site.

Grants

Grants are typically awarded for Operating Subsidies and Rental Assistance under the Housing Trust Fund and Ending Long-Term Homelessness Initiative Fund.

Operating Subsidies

HTF Operating Subsidy is available in two forms, revenue shortfall and unique costs.

1. Operating Subsidy – Unique costs: The unique costs associated with operating low-income rental or supportive housing must be critical to both the economic viability of the housing development and to serving the population for whom the housing is designed.
2. Operating Subsidy – Revenue shortfall: To cover revenue shortfall caused by the difference between the cost of operating the housing development and rents paid by eligible tenants.

These funds are awarded in the form of a grant to the owner and may be awarded for term of four years with funding allocations bi-annually. Refer to the HTF/ELHIF Operating Subsidy Program Guide for complete requirements.

Operating subsidy funds are also being made available through Minnesota Housing's Ending Long-Term Homelessness Initiative Fund. This program is funded out of Minnesota Housing reserves and will follow the HTF program rules and guidelines.

The Housing with Supports for Adults with Serious Mental Illness (HSASMI) Operating Subsidy may fund unique operating costs and revenue shortfall costs associated with operating housing providing appropriate supportive services for adults with serious mental illness, which cannot be funded through other revenue sources and as permitted in accordance with the HTF Rules. This program is funded through an agreement with the Department of Human Services- Adult Mental Health Division (DHS-AMHD) and will follow the HTF program rules and guidelines.

Rental Assistance

Tenant-based and sponsor-based rental assistance is available through the Ending Long-Term Homelessness Initiative Fund. Refer to the HTF Rental Assistance Program Guide for complete requirements for both programs.

C. HOUSING RESOURCE SUMMARY

The “Housing Resource Summary” provides basic information on the multifamily housing resources available through the Consolidated RFP and Open Pipeline. More detailed information can be found by clicking on the specific program name provided at the top of the Housing Resource Summary.

http://www.mnhousing.gov/housing/servicing/MHFA_004834.aspx

IV. ELIGIBLE HOUSING TYPES, PROJECTS AND ACTIVITIES

A. ELIGIBLE HOUSING TYPES

1. Permanent, general occupancy rental housing;
2. Permanent supportive housing;
3. Service-enriched housing;
4. Transitional housing; and
5. Emergency shelters.

B. ELIGIBLE PROJECTS

1. Eligible projects must contain a minimum of four units;
2. Scattered site developments must be located in the same city or county and also contain a minimum of four units.

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

INELIGIBLE PROJECTS

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

C. ELIGIBLE ACTIVITIES

1. New construction
2. Acquisition of land or existing structures
3. Rehabilitation of housing
4. Adaptive Reuse/Conversion to housing from another use
5. Preservation of federally assisted housing
6. Demolition
7. Construction financing
8. Permanent financing
9. Rental Assistance
10. Operating Subsidy

D. MINNESOTA HOUSING MULTIFAMILY SUSTAINABLE HOUSING STANDARDS

On February 22, 2007, the Minnesota Housing Board approved the following Sustainable Housing Policy to serve as guidance in considering various sustainable or green building elements:

Minnesota Housing encourages sustainable, healthy housing that optimizes the use of cost effective durable building materials and systems and that minimizes the consumption of natural

resources both during construction/rehabilitation and in the long-term maintenance and operation.

We encourage optimizing the use of renewable resources and energy, minimizing damage and impact to the environment, and maximizing the use of natural amenities such as (solar, wind, climate, and orientation) of the development site.

In an effort to implement this policy, Minnesota Housing has developed Multifamily Sustainable Housing Standards which shall form part of the required design standards applicable for all new construction projects unless exempt or a waiver is granted by Minnesota Housing.

http://www.mnhousing.gov/housing/architects/standards/MHFA_006625.aspx

V. MULTIFAMILY SELECTION STANDARDS AND FUNDING PRIORITIES FOR CAPITAL FUNDING

A. COMMON SELECTION STANDARDS

Applicants must satisfy the following threshold requirements:

Overall Project Feasibility

The following factors shall be considered in determining an applicant's demonstrated overall project feasibility:

1. The nature of the proposed site;
2. Whether the proposed housing is needed in the market that is intended to be served, based upon population, job growth, and very low housing vacancy rates;
3. Whether costs of developing the housing are reasonable and whether the housing is economically viable; and
4. For permanent supportive housing, whether the applicant has secured long-term funding for the support services that address the special needs of the proposed targeted population.

Organizational Capacity

The following factors shall be considered in determining whether an organization has demonstrated sufficient organizational capacity:

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

B. COMMON FUNDING PRIORITIES

Among proposals that satisfy the selection standards set forth above, Minnesota Housing shall give priority in awarding loans or grants to those proposals that best meet the greatest number of the following priorities:

Underserved Populations

The extent to which the proposal addresses the housing needs of underserved populations. “Underserved populations” means individuals and households of color, single headed households with minor children, and disabled individuals.

Linkages

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

Project Location

The extent to which the proposed housing increases or sustains the supply of affordable housing in counties that experience job or household population growth during the last ten years.

Reuse/Efficient Land Use

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, Minnesota Housing 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.

Leverage

The extent to which private investment is included as a funding source.

Long-Term Affordability

The extent to which the development ensures long term affordability evidenced by the sources and terms of financing, provision of rental assistance with an extended contract, and additional rent restrictions for a specified time period.

Economic Integration

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.

Cost Reasonableness

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. Cost reasonableness includes maintaining low intermediary costs.

Regulatory Cost Avoidance / Cost Reduction

The extent to which the proposal identifies and includes 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, 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 Form must provide a quantified breakdown of such cost savings due to regulatory incentives.

Site Suitability

The extent to which the site and design of the proposed housing is suitable for the housing needs of the proposed tenant.

Applicant Capacity

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 (i.e. number of current developments in process).

C. COMMON TEMPORARY FUNDING PRIORITIES

Temporary funding priorities are funding priorities established by the legislature or Minnesota Housing's Board of Directors, which 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.

There are no common temporary funding priorities for 2008.

D. UNIQUE PROGRAM SPECIFIC FUNDING PRIORITIES

The following programs have unique program specific funding priorities or selection criteria that will be considered in addition to the common selection standards and common funding priorities outlined above:

Housing Tax Credit Program (HTC)

The following HTC selection and preference priorities apply:

1. Large Family Housing
2. Single Room Occupancy Housing
3. Strategically Targeted Resources
4. Special Populations
5. Local/Philanthropic Contributions
6. Readiness to Proceed
7. Intermediary Costs
8. Unacceptable Practices
9. Eventual Tenant Ownership
10. Preservation of Existing Housing Tax Credit Units
11. Permanent Housing for Individuals Experiencing Long-Term Homelessness
12. High Speed Internet Access
13. Serves Lowest Income Tenants / Rent Reduction
14. Preservation of Federally Assisted Units
15. QCT / Community Revitalization
16. Rental Assistance

For more details, please refer to the State of Minnesota Housing Tax Credit 2009 Qualified Allocation Plan (QAP), the 2009 Housing Tax Credit Program Procedural Manual and the 2009 Self-Scoring Worksheet located on the Housing Tax Credit allocation page of Minnesota Housing Multifamily web site. <http://www.mnhousing.gov/housing/tax-credits/allocation/index.aspx>

Economic Development and Housing Challenge Program (EDHC)

The following EDHC selection and preference priorities apply:

1. Contribution Requirement. The extent to which the proposal includes contributions from a unit of local government or a private philanthropic, religious or charitable organization.

Housing Trust Fund Program (HTF), Ending Long-Term Homelessness Initiative Fund (ELHIF) and 501 (c)(3) Bonds – Capital

The following HTF, ELHIF and 501 (c)(3) - Capital selection and preference priorities apply:

1. Local Priority in Continuum of Care or plans to end homelessness. The extent to which the proposal reflects locally determined priorities described in the Continuum of Care or Heading Home plan.
2. Household Income Priority. The extent to which the proposed housing will serve persons and families whose gross incomes, at the time of initial occupancy, do not exceed 30% of the median family income for the metropolitan area. This median income may be adjusted for family sizes of five or more people.
3. Rent Level Priority. The extent to which the amount of rent to be paid by tenants of the proposed housing does not exceed 30% of 30% of the area median family income as determined by HUD. This median income may be adjusted for family sizes of five or more people.
4. Long-Term Homelessness. The extent to which a proposal assists households experiencing long-term homelessness.
5. Long-Term Homelessness, Project-Based Rental Assistance or Operating Subsidy. The extent to which a proposal for households experiencing long-term homelessness has a commitment of project-based rental assistance or operating subsidy funded by sources other than Minnesota Housing.
6. Permanent Supportive Housing. The extent to which a proposal develops permanent supportive housing.

501(c)(3) Bonds

The legislature is currently considering the Governor's request for 501(c)(3) Bonds up to \$30 million for the capital costs of permanent supportive housing. Loans must be made to tax-exempt organizations as defined under Section 501(c)(3) of the Internal Revenue Code. Additionally, governmental entities (excluding the federal government) and Indian Tribes are eligible.

Publicly Owned Housing Program (POHP) [formerly Publicly Owned Permanent Supportive Housing Program (POPSHP)]

Up to \$1 Million will be available for capital costs of publically owned permanent supportive housing, temporary or transitional housing, or for emergency shelter under Minnesota Statutes, section 461A.202.

The following POHP selection and preference priorities apply for supportive housing proposals:

1. Long-Term Homelessness, Project Based Rental Assistance or Operating Subsidy. The extent to which an application for households experiencing long-term homelessness has a commitment of project-based rental assistance or operating subsidy funded by a source other than Minnesota Housing.
2. Continuum of Care. The extent to which the proposal reflects locally determined priorities described in the Continuum of Care.

Preservation of Federally Assisted Housing (PARIF)

The following PARIF selection and preference priorities apply:

1. Risk of Loss. The extent to which the development is at risk of losing federal assistance due to deteriorating physical conditions, conversion to market rate, diminishing owner capacity, or a combination of any of these; or the extent to which the existing supportive housing is at risk of being lost.
2. Cost/Benefit Analysis. How the costs of preserving the development compare to the benefits of preserving the federal assistance.
3. Impact on Residents. The impact on the residents of preserving or losing the federal assistance, including the availability of other affordable housing in the market.
4. Physical Condition. The extent to which the development will provide housing that is safe and in good physical condition for the term of the agreement.
5. Ownership and Management. The record of the current or proposed ownership and management in terms of quality property management, positive working relationships with residents, and responsible operations. Whether transfer of ownership or management to another was entity considered.

- E. **FUNDING PARTNER PROGRAM SPECIFIC SELECTION CRITERIA FOR MORE INFORMATION ON FUNDING PARTNER PROGRAMS GO TO:**
[HTTP://WWW.MNHOUSING.GOV/PARTNERS/FUNDING/INDEX.AS
PX](http://www.mnhousing.gov/partners/funding/index.aspx)

Family Housing Fund (FHF)

Family Housing Fund follows the Metropolitan Housing Investment Group (MHIG) Selection Criteria in making its funding decisions. Further discussion of MHIG Investment Guidelines may be found in Section VII of this guide and in the Reference Materials Section of Minnesota Housing's web site.

FHF has funding priorities for development or redevelopment projects that provide supportive housing for families with children, projects that create affordable, healthier, more energy efficient housing, and/or projects that create housing with strong linkages to jobs and/or transit.

Metropolitan Council, Local Housing Incentives Account (LHIA)

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

Greater Minnesota Housing Fund (GMHF)

GMHF gives priorities to permanent rental and supportive housing designed for families with children, employer involvement and/or projects that create affordable, healthier, more energy efficient housing.

Department of Employment and Economic Development (DEED)

The Small Cities Development Program (SCDP) Program is part of the Community Development Block Program (CDBG) administered by the Department of Housing and Urban Development and funded by Congress on a federal fiscal year basis. The Program provides financial assistance to assist communities in addressing critical housing, economic, and public facilities needs.

Saint Paul Public Housing Agency (PHA)

The Saint Paul Public Housing Agency (PHA) announces the availability of up to 20 units of federal rent subsidy under its Section 8 Project-Based Voucher Rental Assistance (PBV) Program. The PBV program is a HUD Section 8 housing subsidy program that ties rental assistance directly to a specific unit or project. Eligible families receive rental assistance by agreeing to live in existing, newly constructed or rehabilitated units and continue to receive assistance as long as they reside in the specific

project based dwelling unit. The PHA administers the PBV program in the City of Saint Paul.

Metropolitan Council Housing and Redevelopment Authority (HRA)

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

Department of Human Services – Adult Mental Health Division (DHS-AMHD)

The Department of Human Services – Adult Mental Health Division (DHS-AMHD) has entered into an Agreement with Minnesota Housing to provide operating funding to developments that expand housing opportunities for adults with serious mental illness. The Housing with Supports for Adults with Serious Mental Illness (HSASMI) funds will be integrated into the HTF Operating Subsidy program and will be administered in cooperation with DHS-AMHS through the HTF rules.

VI. MULTIFAMILY SELECTION STANDARDS AND FUNDING PRIORITIES FOR NON-CAPITAL FUNDING

A. OPERATING SUBSIDY - HOUSING TRUST FUND AND ENDING LONG-TERM HOMELESSNESS INITIATIVE FUND SELECTION STANDARDS AND FUNDING PRIORITIES

Selection Standards

In addition to common selection standards outlined in Section V.A., applicants must satisfy the following requirements:

1. Whether the proposed operating subsidy is needed in the market to be served;
2. The financial feasibility of the housing development without the proposed operating subsidy;
3. The likelihood that the applicant or its partner organization will be able to implement and operate the proposed operating subsidy;
4. The availability of funds from private or public sources to assist in making the housing development economically feasible; and
5. The extent to which long-term funding is secured for the support services that address the special needs of proposed tenants.

Funding Priorities

In addition to the common funding priorities outlined in Section V.B for capital funding and specific program funding priorities in Section V.D for the HTF and ELHIF Programs, Minnesota Housing shall give priority to proposals that best address the greatest number of the following funding priorities:

1. Newly Assisted Units. Whether the proposed housing development creates additional supportive units either through new construction or, in rehabilitation proposals by transitioning existing units not previously supportive.
2. Low Operating Subsidy. The extent to which the operating subsidy is held as low as possible while not compromising the economic viability of the proposed housing.
3. Creative Housing Approaches. For proposals requesting subsidy for unique costs, whether the proposed housing development includes creative approaches to the provision of affordable supportive housing that can be replicated and serve as a model for other providers of affordable housing.

B. RENTAL ASSISTANCE - HOUSING TRUST FUND AND ENDING LONG-TERM HOMELESSNESS SELECTION STANDARDS AND FUNDING PRIORITIES

Selection Standards

Applicants must comply with the requirements in Minnesota Statutes, section 462A.201, parts 4900.3761, and satisfy the following:

1. The likelihood that the applicant's rental assistance program will be implemented in a timely manner; and
2. The likelihood that the applicant will be able to implement and operate the proposed rental assistance program, based on the following considerations:
 - a. Purpose and mission of the applicant is housing related and the proposed rental assistance program is consistent with that mission;
 - b. Applicant or its partner organization has demonstrated experience and ability in administering rental assistance; and
 - c. Applicant has sufficient, qualified staff to administer the proposed rental assistance program.

Funding Priorities

In addition to the common funding priorities outlined in Section V.B for capital funding and specific program funding priorities in Section V.D for the HTF and ELHIF Programs, Minnesota Housing shall give priority to proposals that best address the greatest number of the following funding priorities:

1. Transition Plan. 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.
2. Success with transitioning. The extent to which the applicant has demonstrated success in transitioning households off state-funded rental assistance programs.
3. Underserved Populations. The extent to which the proposal addresses the housing needs of underserved populations.
4. Low Administrative Fees. The extent to which the proposed administrative fees are reasonable and demonstrate cost effectiveness.

5. Low Operating Subsidy. The extent to which the rental subsidy is kept as low as possible without compromising the stability of the tenant.
6. Other resources. 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.
7. Linkages. The extent to which the proposal assists households experiencing long-term homelessness, and coordinates or provides linkages or a plan to resident support services to the extent necessary (e.g., information and referral, outreach and engagement, advocacy, case management, self-reliance training, employment readiness and/or training, resident association and community building activities) contingent upon an agreement with an established organization providing such services to residents and financial plans demonstrating feasibility.

VII. OTHER FUNDING CONSIDERATIONS

A. REGIONAL HOUSING ADVISORY GROUPS (RHAG)

Minnesota Housing participates in the Regional Housing Advisory Groups (RHAG) to assure on-going regional input pertaining to statewide housing goals. Minnesota Housing believes that routine regional input is critical to meeting its mission. Minnesota Housing has also found that regional forums are useful to all participants as an important vehicle for mutual learning and information sharing. These groups are encouraged to work with the regional Continuum of Care groups to assure a forum through which a variety of goals could be considered. Minnesota Housing believes that this holistic approach to regional housing issues is very effective for all concerned.

Minnesota Housing staff works closely with each group to assure that Minnesota Housing receives input pertaining to its goals, and that the group has an opportunity to share information on issues of concern to the region and/or group and provide policy and program recommendations. Regional Housing Advisory Groups may develop Regional Investment Guidelines which Minnesota Housing will consider as advisory in nature.

The Regional Housing Advisory Group map and contacts can be found in the Reference Materials section under the Minnesota Multifamily Rental Housing Common Application on Minnesota Housing's web site.

B. CONTINUUM OF CARE AND PLANS TO END HOMELESSNESS

A Continuum of Care and/or Heading Home plan is a comprehensive plan describing the community's strategy for developing and using resources to stabilize the lives of people experiencing homelessness. A Continuum of Care plan is required by HUD for eligibility for McKinney Homeless assistance funds. The plan helps to organize and deliver housing and services to meet the specific needs of people experiencing homelessness as they move to stable housing and maximum self-sufficiency. The plan includes action steps to end homelessness and prevent a return to homelessness.

Minnesota is moving forward with initiatives to end homelessness--all under the umbrella of Heading Home Minnesota. The statewide strategy includes Minnesota's Business Plan to End Long-Term Homelessness and regional/local "Heading Home" Initiatives. These initiatives represent partnerships with support of the public, business, nonprofit and philanthropic sectors and the faith community.

C. METROPOLITAN HOUSING IMPLEMENTATION GROUP (MHIG) PROJECT SELECTION CRITERIA

In the Twin Cities Seven-County Metropolitan Area, Minnesota Housing, Metropolitan Council, Minneapolis Public Housing Authority and the Family Housing Fund convened the Metropolitan Housing Implementation Group (MHIG).

Minnesota Housing was asked by the MHIG funders to include their funding sources in the Consolidated RFP to simplify the application process for applicants applying for funding for affordable rental housing in the seven county metropolitan area.

The MHIG Project Selection Criteria can be found in the Reference Materials section of Minnesota Housing's web site.

VIII. MULTIFAMILY UNDERWRITING STANDARDS

Proposals must meet all of the following Multifamily Underwriting Standards:

A. MANAGEMENT AND OPERATING EXPENSES

The management and operating budget consists of the owner-paid administrative, maintenance, utility, and insurance expenses. Typically, walk-up developments have owner-paid utilities, with the exception of electricity, and townhouse developments have tenant-paid utilities.

Developments will be underwritten based on Minnesota Housing's management experience with its current portfolio. Projected benchmark management and operating numbers are trended for 2008. These benchmark management and operating numbers may be adjusted at the sole discretion of Minnesota Housing.

Minnesota Housing reserves the right to reject or adjust the proposed management and operating numbers based upon the information supplied in the Application Form, development type, circumstances and/or significant changes to the economics of the development's current marketplace, such as increased utility costs and property insurance rates.

Management and Operating numbers are calculated on a per room basis. The rental rooms per unit are calculated as follows:

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

Minimum annual per room management and operating budgets for 2008 are estimated as follows:

Metro Area Developments:	M & O
Townhouse	\$1,009
Walk-up	\$1,212
Elevator	\$1,238
Greater Minnesota Developments:	
Townhouse	\$754
Walk-up	\$879
Elevator	\$1,040

The agency has published some information on average operating costs related to supportive housing developments that utilize an operating subsidy. You can find the information in the Operating Subsidy Program Guide, Chapter 4, Section C., Part 1:

http://www.mnhousing.gov/idc/groups/public/documents/document/mhfa_003854.pdf.

Note: Refer to paragraph M of this Section for long-term homelessness housing benchmarks.

Minnesota Housing strongly encourages that all proposals be submitted at the applicable management and operating level. However, if an applicant requests management and operating numbers lower than Minnesota Housing benchmark, all of the following information must be submitted with the Application Package.

1. Owner narrative summary supporting the proposed management and operating number included in the Application Form;
2. Copies of the year-end operating information from three comparable developments that have been in operation at least 5 years; and
3. Name and phone number of local building inspector or housing official who can be contacted regarding each comparable development and its physical condition.

The applicant should not assume this request will be automatically approved.

B. VACANCY FACTOR

The standard for economic vacancy factor is currently 7%.

C. PROPERTY TAXES

A tax bill adopted by the Minnesota Legislature in the 2005 legislative session made significant changes to the property tax classification rate for qualifying low-income rental properties, referred to as Low-Income Rental Classification (LIRC). For more information contact Steve O'Brien at 651-297-4065, or visit the following web page:

http://www.mnhousing.gov/housing/developers/MHFA_004851.aspx

D. REPLACEMENT RESERVES

For developments receiving a Minnesota Housing amortizing first mortgage loan, and in some instances deferred loans, a Minnesota Housing-held replacement reserve account for painting and decorating as well as replacement costs is established. Minnesota Housing's benchmark for replacement reserves is \$50 per room per year. In some cases, Minnesota Housing will work with applicants of supportive housing proposals to determine if a higher replacement reserve deposit is

necessary. In order to draw funds from this account, a written request approved by the owner must be submitted to Minnesota Housing stating the intended use of the funds and accompanied by three bids if the draw is for development improvements or repairs costing in excess of \$3,000.

E. DEBT COVERAGE RATIO

For Minnesota Housing amortizing first mortgage loans, the net operating income on all loans shall be equal to or greater than 1.20 times the total debt service (1.25 for proposals involving rehabilitation). The level of risk ascertained in Minnesota Housing's mortgage credit review, the overall quality of the development, current market conditions, etc., will be considered when making the determination of what level of debt service coverage a particular mortgage will have. Conditions that may dictate a higher debt service ratio include:

1. Lack of neighborhood stability;
2. Negative market analysis;
3. Rehabilitation projects where unanticipated costs may occur; and
4. Any other factor that, in Minnesota Housing's judgment, presents enough uncertainty to warrant an increase in this ratio to mitigate risk.

F. DEVELOPMENT COST ESCROW

To provide long-range financial stability for multifamily developments receiving a Minnesota Housing amortizing first mortgage loan, a Development Cost Escrow (DCE) is established. The DCE is funded out of mortgage proceeds and provides assurance of financial stability in the event the development experiences difficulty during marketing and operations. In effect, the DCE constitutes early borrowing, recognizing the fact that it would be difficult, if not impossible, to raise capital at a later time when the development might be in trouble and helping assure the ongoing financial success of the development for the benefit of the owners, investors, and tenants.

The DCE is a long-term reserve for use under certain extraordinary circumstances as defined in the Regulatory Agreement. When necessary, the DCE may be applied by Minnesota Housing to provide for amenities and design modifications in the interest of improving the marketability or livability of the development, to pay principal and interest on the mortgage note, and to pay current and delinquent operating expenses. The DCE is not intended for use for improvements or additional capital costs prior to Final Closing, or to cover the cash shortfalls incurred during initial marketing. Minnesota Housing does not authorize use of the DCE in lieu of approved reasonable and necessary rent increases.

The amount of the DCE depends on a number of factors, but is generally 4% of the mortgage. Minnesota Housing retains the DCE as a cash escrow, and any interest earned on the investment of the DCE (after debt

service is paid) may be used to increase the developer's return on equity up to 15%.

This account continues to be held by Minnesota Housing if the loan is assumed; is credited towards the mortgage in the case of a prepayment; and is returned to the mortgagor at the time of final mortgage payoff.

G. CONSTRUCTION CONTINGENCIES

A construction contingency may be included as a mortgageable item for new construction as well as for substantial rehabilitation. This fund may cover both construction and non-construction costs, and may be accessed when undefined fees and construction conditions exist (e.g. unexpected construction conditions arise, unknown building conditions exist, etc.). Adequate contingency funds should be assessed and added to the development cost.

For new construction developments, a minimum of 4% construction contingency, subject to Minnesota Housing review, is required.

For rehabilitation developments, a minimum of 7% construction contingency, subject to Minnesota Housing review, is required.

Cost savings at the end of the construction or rehabilitation may be deposited in the development's residual receipts account after a specific time or achievement of a particular objective (e.g. break-even operations sustained for three months or a determined occupancy level). In cases where there is substantial cost savings at the completion of the construction, the mortgage may be reduced accordingly.

In cases where the development is receiving POHP funds, the construction contingency can be used only for eligible capital costs as detailed in the POHP Guide. Any cost savings will be used to reduce the POHP mortgage amount accordingly.

H. WORKING CAPITAL ESCROW

At the time of Initial Closing of a Minnesota Housing amortizing first mortgage loan (LMIR), developers are required to establish a Working Capital Escrow, funded with cash or an irrevocable unconditional letter of credit in an amount equal to 3% of the mortgage excluding DCE (i.e. net mortgage). This escrow can be used by Minnesota Housing on behalf of the developer to pay unanticipated costs during construction and operating deficits during the rent-up period.

The Working Capital Escrow remains after Final Closing at 3% during the first year, 2% during the second year, and 1% during the third year. Each year that the escrow is reduced, that portion of the funds and interest earned thereon are returned to the developer. For Letters of Credit, the letter is replaced with a new one in the reduced amount.

Based on Minnesota Housing mortgage credit review, bond rating agency or marketing requirements, Minnesota Housing may require the developer to extend the period of the letter of credit, require additional letters of credit, and/or modify the Working Capital Escrow letter of credit.

I. RENT-UP ESCROW

At the time of Initial Closing of an Minnesota Housing amortizing first mortgage loan, developers are required to establish a Rent Up Escrow for new construction projects (and some rehabilitation projects), in the form of an irrevocable and unconditional letter of credit or cash. It is to be used for development expenses during the initial lease up period and is typically in an amount of 3% of the mortgage that is held until a predetermined economic occupancy is reached. After achieving the predetermined economic occupancy requirements, the letter of credit and/or the remaining cash and interest earned thereon are released to the developer.

J. DEVELOPER FEE LIMITS

The developer fee is provided to the developer of rental housing for the time and energy expended in 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. **A developer fee is not allowed in a project that involves refinancing only.**

In some instances, the developer may want to delegate some of the 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 shall be included in the calculation of the permitted maximum developer fee.

A developer fee can be included in the total development cost of the project. The maximum allowable developer fee is calculated 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%

Different limits may apply for proposals that involve Housing Tax Credits. Refer to the 2009 Housing Tax Credit Program Procedural Manual for applicable limits.

Generally up to 50% of the available developer fee may be released at initial closing, with the remaining 50% released with the final construction draw. Any change in the timing of the payment of the developer fee requires Minnesota Housing's prior approval.

K. ARCHITECT FEE LIMITS

Separate allowances for design and construction administration are calculated on the gross construction cost, on the Minnesota Multifamily Housing Common Application Form. Gross construction cost excludes bond and permit fees. The design allowance (75%) is provided at the completion and acceptance of the working drawings and specifications (i.e. at closing). The construction administration allowance (25%) is provided in monthly payments at a rate equal to the percentage of completion of the construction. The final payment will be made concurrent with the final payment to the contractor, at the end of construction.

Click on the link below to find further information in Minnesota Housing's Architect Guide located at:

http://www.mnhousing.gov/housing/architects/multifamily/MHFA_00044_2.aspx

L. GENERAL CONTRACTOR FEE LIMITS

Contractor's Profit

The maximum contractor profit is 6% of net construction costs (construction costs and on-site work not including contractor profit, general requirements, and overhead).

General Requirements

The maximum general requirements allowed are 6% of the net construction costs. Costs to be considered include: on-site supervision, signs, field office expenses, temporary sheds and toilets, temporary utilities, equipment rental, clean-up costs, rubbish removal, permits, watchmen's wages, material inspection and tests, all of the builder's insurance (except builder's risk), temporary walkways, fences, roads and other similar expenses.

Contractor's Overhead

The maximum allowance is 2% of net construction costs.

The contractor fee limits may deviate from the above noted maximum allowances so long as they do not exceed 14% in aggregate.

Developer or Owner as Contractor

When there is an identity of interest between the developer/owner and the contractor, in addition to the fee limits stated above, the combined balance of developer fee, contractor profit, contractor overhead and general requirements may not exceed 20% of the total development costs less the developer fee.

Click on the link below to find further information in Minnesota Housing's Contractor Guide:

http://www.mnhousing.gov/housing/architects/multifamily/MHFA_000488.aspx

M. LONG-TERM HOMELESSNESS HOUSING BENCHMARKS

The State of Minnesota's Business Plan to End Long-Term Homelessness has established benchmarks for producing permanent supportive housing. The assumptions of the business plan to end long-term homelessness reflect the emphasis on reducing the cost of developing supportive housing. This policy will be implemented by setting targets for costs and rewarding those applicants who produce a quality product within the above benchmarks.

The benchmarks were developed based on proposals previously funded by Minnesota Housing balanced by the necessity of utilizing limited sources of funding in the most cost effective manner. The 2007 benchmark costs are presented below on a per unit per month basis.

Tenant or sponsor-based rental assistance

The following is the monthly per unit assistance for tenant or sponsor-based rental assistance proposals serving households experiencing long-term homelessness (LTH) The benchmark includes administrative fees and other eligible uses.

Family	\$816
Single	\$529

Operating costs

The following is the monthly per unit operating subsidy for proposals serving households experiencing long-term homelessness. The benchmark includes the anticipated subsidy needed to fund the operating costs including taxes, insurance, and reserves). Please note that these benchmarks do not include anticipated income or revenue, but rather include the anticipated amount needed to subsidize the LTH unit.

Family	\$499
Single	\$473

Total development costs

The following is the total per unit development costs for proposals serving households experiencing long-term homelessness (benchmarks reflect the total per unit development cost, as shown on the Minnesota Multifamily Rental Housing Common Application Form). Applicants should use the mixed income category for proposals include those in which supportive housing is planned for a small percentage of the total development and the proposal plans for a range of income restrictions.

Type of Unit / Construction Type	Per Unit Cost
Family – New Construction	\$216,000
Family – Acquisition / Rehab	\$109,000
Family – Mixed-income Construction	\$234,000
Singles – New Construction	\$131,000
Singles – Acquisition / Rehab	\$95,000
Singles – Mixed-income / Construction	\$169,000

The amount of rent to be paid by the household should be affordable to the target population. If a rent subsidy is not available to the household, rents should be set at 15% of AMI to be considered affordable for households experiencing long-term homelessness. Rental assistance or operating subsidies for the units serving long-term homeless households can be requested through the Multifamily RFP.

N. UNDERWRITING COMPARISON MATRIX

The Underwriting Comparison Matrix is a reference table comparing the underwriting standards of Minnesota Housing and Funding and Collaborating Partners. It can be accessed at the following link:

http://www.mnhousing.gov/resources/apply/multifamily/MHFA_004612.aspx

X. APPLICATION INSTRUCTIONS

A. APPLICANT RESPONSIBILITIES

It is the applicant's responsibility to be aware of the submission requirements needed to prepare a complete Minnesota Multifamily Rental Housing Application Package (Application Package) in accordance with this Guide.

B. APPLICATION DEADLINE – CONSOLIDATED RFP

The Application Package must be received no later than 5:00 p.m. on Tuesday, June 17, 2008 at:

Minnesota Housing
400 Sibley Street, Suite 300
St. Paul, MN 55101

C. APPLICATION PACKAGE MATERIALS ON THE WEB

The Application Package materials are available on Minnesota Housing's web site beginning with the Table of Contents web page:

<http://www.mnhousing.gov/resources/apply/multifamily/index.aspx>

The Application Package materials consist of:

1. The Minnesota Multifamily Rental Housing Common Application (Common Application). In an effort to eliminate duplication and simplify the financial packaging process, Minnesota Housing, its funding and collaborating partners have adopted a Common Application to be used for all multifamily rental housing requests. The Common Application is comprised of 11 items including the Application Form (Application Form - available in MS Excel template format; plus
2. Minnesota Housing's supplemental requirements based upon the type of funding requested (i.e. Housing Tax Credits, amortizing mortgage, deferred mortgage, operating subsidy, etc.) and/or the type of housing proposed (supportive housing, general occupancy housing, etc.).

It is the responsibility of the applicant to access and obtain the appropriate set of materials which must be completed based upon the specific housing proposal and/or activity from the web site, and submit these materials along with the Application Package.

Application Packages determined by Minnesota Housing to be incomplete will be returned to the applicant, and no resubmissions will be allowed during the current Consolidated RFP round.

Applicants must use the most current version of the Application Form from Minnesota Housing's web site for each funding round. Application Form versions from previous funding rounds do not accurately reflect current underwriting standards.

D. APPLICATION REFERENCE MATERIALS

The Housing Resource Application Reference Materials page contains links to various materials that may be utilized in completing the Application Package.

http://www.mnhousing.gov/resources/apply/multifamily/MHFA_004612.aspx

E. ASSEMBLING THE APPLICATION PACKAGE

It is very important that the Application Package be compiled in the order provided on the Minnesota Multifamily Rental Housing Common Application Checklist, and be separated by tabs accordingly. Individual checklists are available for applicants applying for operating subsidy or rental assistance only (not involving a capital funding request). All three checklists can be obtained by following the link on the previous page. Three ring binders or plastic casings around the pages will not be accepted. Only staples, binder clips, or rubber bands shall bind the Application Package.

F. SUBMITTING THE APPLICATION PACKAGE

The applicant must provide the following materials to Minnesota Housing as part of the Consolidated RFP or Open Pipeline process:

1. **EARLY SUBMITTAL:** Development Team Qualification forms should be submitted electronically to mhfa.app@state.mn.us. Hard copies of the Development Team Qualification forms are not required. Forms should be submitted anytime prior to June 13, 2008. Instructions can be found at:
http://www.mnhousing.gov/resources/apply/multifamily/MHFA_006628.aspx
2. **Electronic Submittals:** Email the following completed documents to mhfa.app@state.mn.us no later than 5:00 p.m., June 17, 2008:
 - Application Form (MS Excel template format);
 - Minnesota Multifamily Rental Housing Narrative Questions (Narrative) (MS Word format);
 - Intended Method of Satisfying Green Communities Criteria, Release and Certification Form (MS Word format); and,
 - Development Team Qualification forms (MS Word format). Hard copies are not required. Early submittal is encouraged (see above).

3. The executed original Application Form plus three (3) photocopies of the full Application Package including application fee (applicable only for housing tax credits and amortizing first mortgages), all required narratives, forms and submittals; and
4. If applying for Housing Tax Credits, the Application Form must be signed by one general partner (and the non-profit partner, if appropriate), officer, director or corporate officer stating that under penalties of perjury, all facts and statements contained in the Application Form and all documents and attachments submitted are true to the best of their knowledge. Please contact Tamara Wilson at (651) 296-4451, or tamara.wilson@state.mn.us if you have questions.

Please contact Mary Hieb at (651) 296-8185, or mary.hieb@state.mn.us if you are having technical difficulties or require assistance with submitting your Application Package.

The information contained in this Section is applicable to Open Pipeline Applications with the exception that there is no application deadline date. Blackout dates may apply. Refer to Section XI of this Guide for further information regarding Minnesota Housing's Open Pipeline Process.

XI. OPEN PIPELINE AND STREAMLINED APPLICATION PROCESSES

A. DEFERRED LOANS OPEN PIPELINE APPLICATION GUIDELINES

Application Packages submitted for **501(c)(3) Bonds** and the **Publicly Owned Housing Program (POHP)** may be accepted at any time, subject to funding availability and program eligibility. Other program funds not otherwise available through the pipeline may be made available in conjunction with 501 (c)(3) Bonds or POHP at the discretion of Minnesota Housing.

Application Packages submitted under the **Preservation Affordable Rental Investment Fund (PARIF)** may be accepted at any time, subject to funding availability, program eligibility and Section 1 below:

Application Packages submitted under the following programs will only be accepted between November 1 and April 1, subject to funding availability, program eligibility and Section 1 below:

- **Housing Trust Fund Program (HTF)**
- **Ending Long-Term Homelessness Initiative Fund (ELHIF)**

Competitive Housing Tax Credits and Economic Development and Housing Challenge Funds are *not available on an open pipeline basis*.

Processing Criteria

To be eligible for processing through the Open Pipeline for Preservation Affordable Rental Investment Fund, Housing Trust Fund and Ending Long-Term Homelessness Initiative Fund, requested funds *must be the final source needed to complete the funding package*. Proposals must face one of the following risks if funding were not provided outside the Consolidated RFP round.

1. The proposal has existing funding commitments that cannot be extended and will be otherwise lost.
2. The proposal is for immediate emergency repairs threatening the health and safety of existing tenants.
3. The proposal documents a unique housing opportunity that would be lost and that advances Minnesota Housing strategic priorities as outlined in this Guide.
4. For operating subsidy funding, the applicant must be the owner of the development that is funded with an Minnesota Housing loan or grant, and be experiencing a revenue shortfall that would cause the development to default on existing loans and/or to go into foreclosure and for which funding from another source cannot be obtained.

In addition to the Application submissions requirements found in Section X of this Guide, Pipeline Application Packages must include a letter stating how the proposal meets the Open Pipeline processing criteria and describe the reason why the proposal must be processed prior to the next funding round. Additionally, if the Application Package is being resubmitted because it was not selected for funding previously, then the applicant should detail how identified deficiencies have been addressed in the current Application Package.

B. AMORTIZING FIRST MORTGAGE LOANS OPEN PIPELINE APPLICATION GUIDELINES

Application Packages may be submitted under the following programs at any time, subject to funding availability and program eligibility:

- Low and Moderate Income Rental Program (LMIR)
- Flexible Financing for Capital Costs (FFCC) (deferred loan funding available ONLY in conjunction with LMIR program)

C. NON-COMPETITIVE HOUSING TAX CREDITS OPEN PIPELINE APPLICATION GUIDELINES

Application Packages submitted under the following programs may be accepted at any time, subject to funding availability, program eligibility and the criteria specified below.

Housing Tax Credits in Conjunction with Minnesota Housing Issued Tax-Exempt Bonds (Non-Competitive Tax Exempt Bond Allocation Pool)

Developers may apply directly to Minnesota Housing for an allocation of tax credits when submitting an Application Package for Minnesota Housing tax-exempt bonds in conjunction with the LMIR Program. In addition to providing a complete Application Package, proposals must meet the following criteria in order to apply:

1. Be consistent with Minnesota Housing's Housing Tax Credit Qualified Allocation Plan and the Housing Tax Credit Procedural Manual eligibility and underwriting requirements.
2. Meet the minimum scoring threshold on the Housing Tax Credit Self Scoring Worksheet for the proposed development.

Housing Tax Credits in Conjunction with Local Non Minnesota Housing-issued Tax-Exempt Bonds (Non Competitive Tax Exempt Bond Allocation Pool)

Prior to the issuance of the tax-exempt bonds, developers with proposals for developments located outside the jurisdiction of a local suballocator, may apply directly to Minnesota Housing for an allocation of tax credits. In addition to providing a complete Application Package, proposals must meet the following criteria in order to apply:

1. Provide evidence of the tax credit determination and financial feasibility letter 42(m)(2)(D prepared by the bond issuer.
2. Be consistent with Minnesota Housing’s Housing Tax Credit Qualified Allocation Plan and Housing Tax Credit Procedural Manual eligibility and underwriting requirements.
3. Meet the minimum scoring threshold on the Housing Tax Credit Self Scoring Worksheet for the proposed development.

D. STREAMLINED RE-APPLICATION PROCESS

Selected/committed projects requesting additional funding in excess of \$200,000 prior to initial closing may use the “Streamlined Re-Application Process.”

A Streamlined Re-Application Package may be accepted via the Annual Request for Proposal or the Open Pipeline, subject to funding availability, program eligibility and Open Pipeline processing criteria.

A resubmitted Application Package must include the following:

1. Cover letter requesting additional funding and the rationale for the request.
2. Re-signed and re-dated Multifamily Rental Housing Common Application Form (all changes from the initial Application Form must be clearly identified).
3. Any new or revised documentation obtained since the previous Application Package.
4. If the proposal has HTC, provide evidence of any scoring change (an updated and revised Self-Scoring Worksheet).
5. Any documentation Minnesota Housing deems necessary (upon request only).
6. If applicable, a supplemental Application fee.

Minnesota Housing reserves the right to require a full, new Application Package for any project. This right will be exercised if Minnesota Housing staff feels the proposed project differs substantially from the initial application.

XII. SUMMARY OF MULTIFAMILY PROCESSES

A. REQUEST FOR PROPOSALS TO SELECTION

Application Packages are typically due within two months after issuance of the Consolidated RFP. Proposal selections are typically made four months after the application deadline date.

The Consolidated RFP process is highly competitive in nature -- a typical funding round will result in requests equal to four to five times the amount of funding that is available -- therefore, inaccurate Application Packages will likely receive low consideration. Incomplete Application Packages will be returned.

Typical Review Stages

1. Review of the Application Package and required submissions, including consistency with Minnesota Housing's strategic priorities, selection standards, Regional Housing Guidelines, MHIG selection criteria, and/or Continuum of Care or Heading Home plans.
2. Minnesota Housing notifies the local units of government of the proposed development and solicits comments and/or concerns about these proposals.
3. For new construction, substantial rehabilitation, or adaptive reuse projects, a schematic site plan, building plans and unit plans will be required with the Application Package. For other rehabilitation loans, an outline rehabilitation work scope summary will be required with the Application Package. A conceptual construction cost estimate is required for all Application Packages. A Minnesota Housing staff architect will conduct a preliminary review for design compliance for each proposal.

Developers are strongly encouraged to seek architectural input from Minnesota Housing at the earliest possible time. This will ensure that the earliest design efforts are focused on meeting Minnesota Housing's qualitative housing objectives, and will ultimately minimize time and money spent redesigning to meet these objectives at a later date. Owners and their architects are also encouraged to review Minnesota Housing's recently adopted multifamily sustainable housing standards:

http://www.mnhousing.gov/housing/architects/standards/MHFA_006625.aspx

For POHP funded developments, additional design requirements may apply.

4. Site inspection by Minnesota Housing staff.

5. Presentation and review of proposals by a selection committee; which includes funding partners, collaborating partners and other housing partners as appropriate.
6. Funders work with the variety of available programs to fund selected projects and may discuss the feasibility of certain sources of funding with project sponsors prior to final selection.
7. Final selection is presented and approved by Minnesota Housing's Board of Directors, and if applicable, funding partner boards.
8. After board action, applicants are notified of their status.

All proposals are subject to Minnesota Housing's underwriting, market, architectural, construction, management and closing review and processing requirements. As levels of funding and risk exposure to Minnesota Housing and/or other Consolidated RFP funders increase, the level of review will increase commensurately. Minnesota Housing reserves the right to work directly with applicants of proposals which will serve households experiencing long-term homelessness to develop the most feasible number of units and housing type.

Selected proposals that further agency strategic priorities may be subject to such restrictions through a declaration of covenants, for the term of the minimum rental period.

B. SELECTION TO LOAN CLOSING

Processing of multifamily loans are generally completed within six to eleven months from the date of Application Selection to the date of Initial Loan Closing. Attainment of this goal requires close cooperation by all parties and assumes prompt and complete submission of all necessary documents. Delays in submission or revision of any items could result in delays in reaching Initial Loan Closing.

Each development under consideration for Minnesota Housing financing must have approval of the Minnesota Housing Board of Directors.

Developments under consideration for funding from the other Consolidated RFP funders are subject to the approval of the Board of Directors of those funders. Processing of Family Housing Fund and Greater Minnesota Housing Fund loans will be carried out by Minnesota Housing up to, but not including closing, and are subject to Minnesota Housing requirements.

The basic elements of Minnesota Housing post selection process are listed below:

Selection to Issuance of Loan Commitment

1. Intake meeting to review the details of the proposal and specific requirements of the funding source(s). At this meeting the sponsor will be provided with a list of required due diligence items.
2. Submittal of additional due diligence, including construction documents that explicitly and thoroughly define the scale, scope, and quality of the proposed construction or rehabilitation, additional information regarding the proposed ownership entity, and development team, and information regarding all proposed funding sources.
3. Minnesota Housing architectural staff will perform periodic design and construction technology reviews as plans, specifications, or the rehabilitation work scope are refined by the development team. Final plans, specifications, or rehabilitation work scope and proposed construction costs must be approved by Minnesota Housing's architectural staff before a mortgage commitment will be issued.
4. Issuance of Mortgage Loan Commitment by Minnesota Housing and/or other funders.

Commitment to Loan Closing

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

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

Managing Owners or Managing Agents of most Minnesota Housing funded loans that (a) have not previously worked with Minnesota Housing, or (b) have been requested to do so by Minnesota Housing, may be required to attend an orientation as a condition of their loan closing.

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

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

C. AFTER LOAN CLOSING

Program Assessment

Upon completion of loan closing for existing buildings, and initial occupancy for new buildings, a Tenant Characteristics form must be submitted electronically to Minnesota Housing.

Minnesota Housing monitors federal, state and Minnesota Housing tenant income requirements.

Minnesota Housing will monitor the return on equity requirement, if applicable.

Sponsors may be required to provide additional data for Minnesota Housing research.

Monitoring/Reporting

Requirements for reporting tenant and budget information and for long term monitoring of the development will vary dependent upon the source and level of funding. Minnesota Housing will not monitor those developments without Minnesota Housing funding.

At a minimum, to verify that the housing is used by persons of low income, sponsors must annually certify that the housing meets the income guidelines of the funding source. Sponsors will also be required to supply tenant profile information upon initial occupancy of the project as indicated under Program Assessment above.

Rent requirements may be monitored for the term of the mortgage.

In some instances there may be additional or more restrictive income and/or rent monitoring requirements due to the source(s) of funding (e.g. federal funds, state appropriations).

Some developments, depending upon the source of funding, may be limited to a 15% return on actual developer equity.

XIII. COMPLIANCE AND FAIR HOUSING

A. CONTRACT COMPLIANCE / EQUAL OPPORTUNITY

Policy

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

Purpose

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

Goals

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

Requirements

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

Sanctions

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

Equal Opportunity Laws/Rules

The operations of Minnesota Housing are regulated by the following Equal Opportunity Laws/Rules:

- Executive Order 11246 (Affirmative Action Requirements, Federal and federally derived Contracts)
- Executive Order 11625 (Minority Business Enterprises)
- The Civil Rights Act of 1968 (Title VIII)
- Equal Employment Act of 1972
- The Americans with Disability Act of 1990
- Section 504 of the Rehabilitation Act of 1973 as amended
- Minnesota Human Rights Act (Section 363A.36)
- Fair Housing Amendments Act of 1988

B. 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, family status, or sexual orientation.

Minnesota Housing's fair housing policy incorporates the affirmative fair housing marketing practices addressed in Title VIII of the Civil Rights Act of 1968 as amended by the Fair Housing Amendment Act of 1988, which state that it is unlawful to discriminate in the sale, rental, and financing of housing based on race, color, religion, sex, handicap, familial status or national origin; as well as the fair housing protections provided by the Minnesota Human Rights Act, which adds creed, marital status, status with regard to public housing, and sexual orientation.

In part, regarding rental housing issues, Title VIII and the Human Rights Act makes it unlawful to: (i) discriminate in the selection/acceptance of applicants in rental of housing units; (ii) discriminate in terms, conditions or privileges of rental of a dwelling unit; (iii) engage in any conduct relating to the provision of housing which otherwise make unavailable or denies rental of a dwelling unit; (iv) make or publish (or have anyone else make or publish) advertisements that indicate preferences or limitations based on race, etc.; (v) tell a person that because of race, etc., a dwelling unit is not available when it is; and (vi) deny access to, or membership or participation in, associations or other services

organization or facility relating to the business of renting a dwelling or discriminate in the terms or conditions or membership or participation.

Minnesota Housing has a commitment to affirmatively further fair housing for members of the disabled communities by promoting the accessibility requirements set out in the Fair Housing Amendment Act of 1988, which establish design and construction mandates; and provide for the residents' right to make reasonable accommodations, under certain conditions (applicable to covered multifamily dwellings: buildings consisting of 4 or more units if such buildings have one or more elevators; and ground floor dwelling units in other buildings consisting of 4 or more dwelling units).

All Minnesota Housing programs require owners to market affirmatively, using specific steps geared to the particular program. These steps include:

Outreach to all groups protected by the Civil Rights Act of 1968, amended in 1988, and those protected by the Minnesota Human Rights Act; Affirmative marketing strategy that reaches protected groups; Self-analysis to make sure all steps are non-discriminatory; and Upon request by Minnesota Housing, the submission of reports and documents that confirm the owner's fair housing efforts.

Participants will be expected to use affirmative fair housing marketing practices in soliciting renters, determining eligibility, and concluding all transactions.

ACRONYM LIST

ACC	Annual Contributions Contract
AHIF	Affordable Housing Incentive Fund, a Hennepin County program
AMI	Area median income
ARIF	Affordable Rental Investment Fund, a Minnesota Housing program
CDBG	Community Development Block Grant
CHDO	Community Housing Development Organization
CIP	Conservation Improvement Program
CPED	Community Planning and Economic Development, City of Minneapolis (formerly MCDA)
DEED	Department of Employment and Economic Development
DHS-AMHD	Department of Human Services- Adult Mental Health Division
EDHC	Economic Development and Housing Challenge Program, a Minnesota Housing program
ELHIF	Ending Long-term Homelessness Initiative Fund, a Minnesota Housing program
ELHIF-OS	Ending Long-term Homelessness Initiative Fund, Operating Subsidy
ELHIF-RA	Ending Long-term Homelessness Initiative Fund, Rental Assistance
ERF	Environmental Response Fund, a Hennepin County program
ESG	Emergency Shelter Grant, a HUD Program
RHAGS	Regional Housing Advisory Groups
FFCC	Flexible Financing for Capital Costs, a Minnesota Housing program
FHF	Family Housing Fund
FHLB AHP	Federal Home Loan Bank Affordable Housing Program
GMHF	Greater Minnesota Housing Fund
HAP	Housing Assistance Payments
HOME RRP	Home Rental Rehabilitation Program, a Minnesota Housing program
HOPWA	Housing Opportunities for Persons with AIDS
HSASMI	Housing with Supports for Adults with Serious Mental Illness
HTC	Housing Tax Credits

HTF	Housing Trust Fund, a Minnesota Housing program
HTF - LTH	Housing Trust Fund/Long Term Homeless, a Minnesota Housing Program
HTFTBA	Housing Trust Fund Tenant Based Rental Assistance Program
HTFSBA	Housing Trust Fund Sponsor Based Rental Assistance Program
HTFUC	Housing Trust Fund Unique Costs
HUD SHP	HUD Supportive Housing Program
IIH	Innovative and Inclusionary Housing Program
LCA	Livable Communities Act
LCDA	Livable Communities Demonstration Account, a Met Council Program
LHIA	Local Housing Incentives Account, a Met Council Program
LMIR	Low and Moderate Income Rental Program, a Minnesota Housing program
LTH	Long-term Homelessness
MARIF	Minnesota Families Affordable Rental Investment Fund Program, a Minnesota Housing program
MHIG	Metropolitan Housing Investment Guidelines
MHOP	Metropolitan Housing Opportunities Program, (aka Hollman) a Minneapolis PHA Program
MN Green	Minnesota Green Communities, a program funded by FHF and GMHF
PARIF	Preservation ARIF, a Minnesota Housing program
PHA	Public Housing Authority
POHP	Publicly Owned Housing Program, a Minnesota Housing program
PONLT	Publicly Owned Neighborhood Land Trust Program
POPR	Publicly Owned Permanent Rental Housing Program
POTH	Publicly Owned Transitional Housing, a Minnesota Housing program
PUD	Planned Unit Development
SN	Special Needs Housing Program
SRO	Single Room Occupancy
TL	Transitional Housing Program
TIF	Tax Increment Financing