



# **Workforce Housing Development Program Guide**

*November 2018*

MINNESOTA HOUSING – WORKFORCE HOUSING DEVELOPMENT PROGRAM



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## **Chapter 1 – Program Background and Purpose**

### **1.01 Program Background and Purpose**

The purpose of the Program is to help finance Qualified Expenditures of project-specific costs resulting in the direct development of Market Rate Residential Rental Properties to address the lack of workforce housing in Greater Minnesota.

Funds will be awarded through a Request for Proposals (RFP) process. This process is separate from Minnesota Housing’s consolidated RFP. Funds will be awarded as grants or deferred loans to cities and other eligible entities. Recipients will partner with developers to create new Market Rate Residential Rental Properties.

The Workforce Housing Development Program Statute can be found at Minn. Stat. [§462A.39](#).

## Chapter 2 – Eligibility Criteria

### 2.1 Eligible Applicants

Eligible Applicants are generally small to mid-sized cities in Greater Minnesota. Eligible Applicants must satisfy the following requirements:

- Must be a/an Eligible Recipient/Project Area
- Must be working with a developer
- Must have a viable proposal for the development of a Market Rate Residential Rental Property

**NOTE:** Minnesota Housing will not review applications submitted directly by developers.

### 2.2 Eligible Recipient/Project Area

An Eligible Recipient is an Eligible Project Area. Any of the following constitute an Eligible Project Area:

- A home rule charter or statutory city located outside of the Metropolitan Area with a population exceeding 500
- A community that has a combined population of 1,500 residents located within 15 miles of a home rule charter or statutory city located outside the Metropolitan Area
- An area served by a Joint County-City Economic Development Authority

**NOTE:** Eligible Project Areas with fewer than 30,000 people will be given preference.

### 2.3 Eligible Uses of Funds

Funds are available for Qualified Expenditures of project-specific costs resulting in the direct development of Market Rate Residential Rental Properties. The rental properties would serve employees of businesses located in the Eligible Project Area or surrounding area. Recipients can award funds in the form of grants or loans. If recipients award funds as a loan, then the loan terms must be as set forth in Section 3.02. In addition, fees or interest charged cannot unduly enrich any parties involved and must not exceed the estimated amount to cover administrative expenses of the Program.

### 2.4 Ineligible Uses of Funds

Ineligible uses of funds include any expenses that do not directly contribute to the development of Market Rate Residential Rental Properties. Awarded Program funds cannot exceed 25 percent of the total project costs. In addition, Program funds received by a Subrecipient may not be awarded or loaned to another person or entity.

## **Chapter 3 – Funding and Grant Information**

### **3.1 Funding Source**

Funds for the Program are appropriated by the Minnesota Legislature.

### **3.2 Funding Type**

Funds will be awarded to Recipients as a grant or deferred loan. Recipients can then award funds in the form of a grant or a deferred loan directly to the project. If recipients award funds as a loan, then the loan must: (i) be unsecured; (ii) be deferred; (iii) have 0% interest rate; (iv) and be forgiven after three years. In addition, fees cannot unduly enrich any parties involved and must not exceed the estimated amount to cover administrative expenses of the Program. Any awarded Program funds that are disbursed to the Recipient and not used to pay for Qualified Expenditures within a reasonable timeframe, as determined at the sole discretion of Minnesota Housing, must be immediately returned to Minnesota Housing upon request. Any awarded Program funds returned or repaid to the Recipient must be immediately returned to Minnesota Housing.

### **3.3 Funding Terms**

Grant terms will be three years. Deferred loans will: (i) be unsecured; (ii) have a 0% interest rate; and (iii) will be forgiven after three years. Construction must begin within 12 months of signing the Contract. Construction completion must occur within 24 months of construction start. Minnesota Housing reserves the right to extend or amend Contracts.

### **3.4 Grant Contract**

A template of the Grant Contract for a Municipality can be viewed on Minnesota Housing's website at [www.mnhousing.gov](http://www.mnhousing.gov). A Recipient that is not a Municipality should contact Minnesota Housing for a draft of the applicable contract.

### **3.5 Deferred Loan Agreement**

A template of the Deferred Loan Agreement for a Municipality can be viewed on Minnesota Housing's website at [www.mnhousing.gov](http://www.mnhousing.gov). A Recipient that is not a Municipality should contact Minnesota Housing for a draft of the applicable contract.

### **3.6 Disbursement Schedule**

Minnesota Housing will disburse up to one-third of the total awarded funds upon Contract execution. An additional amount, up to one-third of the total awarded funds, will be disbursed during project construction. The remaining balance will be disbursed at project completion. Recipients will submit supporting documentation to determine eligibility prior to each disbursement. Notwithstanding the foregoing, Minnesota Housing reserves the right to require that any awarded Program funds disbursed are used by the Recipient to pay for Qualified Expenditures within a set timeframe.

## Chapter 4 – Recipient Requirements and Responsibilities

Minnesota Housing encourages sustainable, healthy housing that optimizes the use of cost effective durable building materials and systems that minimize the consumption of natural resources both during construction or rehabilitation and in the long-term maintenance and operations. Minnesota Housing encourages optimizing the use of renewable resources and energy, minimizing damages and impact to the environment, and maximizing the use of natural amenities such as solar, wind, climate and orientation of the development site.

Minnesota Housing encourages applicants to view its website at [www.mnhousing.gov](http://www.mnhousing.gov) for more information.

### 4.1 Recipient Responsibilities

The applicant is responsible for understanding the submission requirements necessary for a complete application. Applicants can access the Program application, supplemental materials and resources on Minnesota Housing’s website at [www.mnhousing.gov](http://www.mnhousing.gov).

### 4.2 Application Content

The application package must include all items listed on the Workforce Housing Development Program Application and Checklist.

### 4.3 Construction Requirements

Recipients are responsible for complying with all applicable state and local requirements.

### 4.4 Contracting and Bidding Requirements

Per [Minn. Stat. §471.345](#), grantees that are municipalities as defined in Subd. 1 must follow the law.

If a Recipient is not a municipality as set forth in [Minn. Stat. §471.345](#) (see Section 2.02 of the Program Guide for a list of Eligible Recipients), other contracting and bidding requirements apply. Contact Minnesota Housing for more information.

### 4.5 Visitability

Recipients and Subrecipients must comply with visitability requirements contained in Minn. Stat. [§462A.34](#).

### 4.6 Building Standards

Recipients and all third parties involved must adhere to the local building code. If a project area does not have a local building code, adherence to the state of Minnesota building code is required.

### 4.7 Federal, State and Local Laws

Recipients receiving financial assistance from Minnesota Housing under the Program must comply with the requirements of all applicable federal, state and local laws.

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Loans and grants under this Program are subject to the prevailing wage requirements of Minn. Stat.

§116J.871. If the Project meets the requirements of that statutory provision the bid request must state the Project is subject to prevailing wages. A person receiving financial assistance under a Grant/Loan Contract must certify to the commissioner of labor and industry that laborers and mechanics at the Project site will be paid the prevailing wage rate as defined in Minn. Stat §177.42, subd. 6. It is a misdemeanor for a person who has certified that prevailing wages will be paid to laborers and mechanics to subsequently fail to pay the prevailing wages. Each day a violation of that requirement continues is a separate offense.

Recipients should direct any questions regarding compliance with Minn. Stat. §116J.871 to their attorney.

## **Chapter 5 – Selection and Award Process**

### **5.1 Selection Thresholds and Selection Criteria**

Program applications must meet all threshold requirements in order to be eligible. Program applications that meet threshold requirements will be scored on the selection criteria. Minnesota Housing reserves the right to add or remove items. Refer to the Project application for more detailed information.

### **5.2 Review of the Application**

This is a competitive application process. Program applications will be reviewed and scored by Minnesota Housing staff to determine selection and funding recommendations. Final selection and funding recommendations will be presented to the Minnesota Housing board for approval.

Priority will be given to applicants located in an Eligible Project Area with a population of fewer than 30,000. Preference will also be given to projects with a higher proportion of units that are not income-restricted.

### **5.3 Selection Notification**

Applications recommended for acceptance will be presented to the Minnesota Housing board. All applicants will be notified of their status after Minnesota Housing's board has taken action.

## **Chapter 6 – Compliance Monitoring and Reporting**

### **6.1 Compliance Reporting Requirement**

For the length of the Contract, Recipients must submit an annual report that includes, at a minimum, the name of the developer, the amount of award, the amount of award received to date, the number of units, the purpose of Program funding, the share of the project costs in relation to the total development costs and information about Qualified Expenditures. Minnesota Housing reserves the right to ask for additional information. Minnesota Housing will provide a reporting template to Recipients.

### **6.2 Compliance Monitoring Requirement**

Prior to final disbursement of Contract funds, Minnesota Housing will also ask to review the most recent disbursement records. This will include a reconciled account balance showing when Contract funds were received by the Recipient and disbursed to the Subrecipient. Minnesota Housing reserves the right to ask for additional information.

### **6.3 Compliance Term**

All Recipients awarded Program funds are required to comply with all monitoring and reporting requirements for the term of the Contract. Recipients must retain files for six years after the completion of the Contract. Additionally, Recipients must ensure compliance of Subrecipients with all monitoring, reporting and records retention requirements.

## Chapter 7 - 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, because of protected class status, to:

- 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.

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 8 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting**

### **8.01 Fraud**

Fraud is any intentionally deceptive action made for personal gain or to damage another.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the ways described in section 8.05.

### **8.02 Misuse of Funds**

A loan or grant agreement is a legal contract between Minnesota Housing and the borrower or grantee. The borrower or grantee promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the borrower or grantee to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the borrower or grantee must use Minnesota Housing funds as agreed, and the borrower or grantee must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a borrower or grantee; or (2) A borrower or grantee cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the loan or grant agreement.

Any borrower or grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the ways described in section 8.05.

### **8.03 Conflict of Interest**

A conflict of interest, actual, potential, or perceived, occurs when a person has an actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. A potential or perceived conflict of interest exists even if no unethical, improper or illegal act results from it.

An individual conflict of interest is any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a friend, relative, acquaintance or business or organization with which they are involved.

Organizational conflicts of interest occur when:

- A contracting party is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties
- A contracting party's objectivity in carrying out the award is or might be otherwise impaired due to competing duties or loyalties

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- A contracting party has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party's responsibilities to mitigate the conflict
- Allowing the contracting party to create firewalls that mitigate the conflict
- Asking the contracting party to submit an organizational conflict of interest mitigation plan
- Terminating the contracting party's participation

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual, perceived or potential conflicts of interest through one of the ways described in section 8.05.

A contracting party should review its contract agreement and request for proposals (RFP) material, if applicable, for further requirements.

### **8.04 Suspension**

By entering into any agreement with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the agreement) has not been suspended from doing business with Minnesota Housing. Refer to Minnesota Housing's website for a list of [suspended individuals and organizations](#).

### **8.05 Disclosure and Reporting**

Activities required to be reported under this chapter may be made in any of the following ways:

- Minnesota Housing's Chief Risk Officer
- Any member of Minnesota Housing's [Senior Leadership Team](#)
- The Minnesota Housing hotline reporting service vendor, EthicsPoint, by calling toll-free 866.886.1274 to speak with a live operator or by visiting the EthicsPoint reporting [webpage](#)

## Appendix A – Terms

Term	Definition
Contract	The Grant Contract or the Deferred Loan Agreement.
Deferred Loan Agreement	The Deferred Loan Agreement between Minnesota Housing and Recipient evidencing a deferred loan.
Eligible Applicant	Those entities described in Section 2.01 of this Program Guide.
Eligible Project Area	A home rule charter or statutory city located outside of the Metropolitan Area with a population exceeding 500; a community that has a combined population of 1,500 residents located within 15 miles of a home rule charter or statutory city located outside the Metropolitan Area; or an area served by a Joint County-City Economic Development Authority.
Grant Contract	The State of Minnesota Grant Contract between Minnesota Housing and Recipient evidencing a grant of funds.
Greater Minnesota	The areas outside of the jurisdiction of the Metropolitan Council.
Joint County-City Economic Development Authority	An economic development authority formed under Laws 1988, chapter 516, section 1, as a joint partnership between a city and county and excluding those established by the county only.
Market Rate Residential Rental Property	A property that is rented at market value, including new modular homes, new manufactured homes, and new manufactured homes on leased land or in a manufactured home park, and may include Mixed Income Properties that have a portion of income-restricted units.
Metropolitan Area	The area over which the Metropolitan Council has jurisdiction, and includes the counties of Anoka; Carver; Dakota excluding the city of Northfield; Hennepin excluding the cities of Hanover and Rockford; Ramsey; Scott excluding the city of New Prague; and Washington.
Minnesota Housing	The Minnesota Housing Finance Agency
Mixed Income Property	A property in which some rental units are unrestricted and some units have income restrictions.
Mixed Use Property	A property in which some of the floor space is used for purposes other than residential rental property.
Municipality	A county, town, city, school district or other municipal corporation or political subdivision of the state authorized by law to enter into contracts.
Qualified Expenditure	An expenditure for Market Rate Residential Rental Properties including acquisition of property; construction of improvements; and provisions of loans or subsidies, grants, interest rate subsidies, public infrastructure and related financing costs.
Recipient	An Eligible Project Area that has been selected for funding by Minnesota Housing.

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Request for Proposals(RFP)	The competitive process of applying for Program funds.
Subrecipient	An entity awarded Program funds by a Recipient that uses the funds directly for Market Rate Residential Rental Property.
Workforce Housing Development Program or Program	The Workforce Housing Development Program established by Minn. Stat.§462A.39 to award grants or deferred loans to Eligible Project Areas for Qualified Expenditures.