



# **Preservation Affordable Rental Investment Fund (PARIF) Program Guide**

*April 2023*



MINNESOTA HOUSING – PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) PROGRAM



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

Minnesota Housing’s authority to develop the Preservation Affordable Rental Investment Fund (PARIF) Program is granted in Minnesota Statute Section 462A.

The purpose of the program is to provide funding to support the preservation of federally assisted, permanent rental housing where federal subsidies are at risk of being lost. The program may also be used to preserve existing supportive housing properties. For this purpose, supportive housing means affordable rental housing with links to services necessary for individuals, youth, and families with children to maintain housing stability.

For the preservation of federally assisted properties, the risk of loss must be due to one of the following factors:

- Market conversion
- Critical physical needs
- Diminished organizational capacity or owner commitment to federal assistance

Funds can be used for acquisition, rehabilitation, or debt restructuring. For federally assisted properties, funds may also be used for equity take-out loans.

Owners of federally assisted properties must agree to participate in the applicable federal assistance program and to extend the existing low-income, affordability restrictions for the maximum term permitted. Owners of federally assisted properties must also enter into an agreement that gives local units of government, housing and redevelopment authorities, and nonprofit housing organizations the if the property is offered for sale. The ROFR allows these entities the opportunity to make an offer on the property at the same price as a current purchase offer. The ROFR applies to all properties receiving a PARIF loan that utilizes funding appropriations from before State Fiscal Year 2022.

## Chapter 2 – Eligibility Criteria

### 2.01 Owner/Sponsor

Eligible applicants include:

- A nonprofit organization, as defined in Minnesota Statutes, section 462A.03, subdivision 22
- A city, as defined in Minnesota Statutes, section 462A.03, subdivision 21
- A joint powers board established by two or more cities that owns or will own the housing
- A public housing agency that owns or will own the housing
- An Indian tribe or tribal housing corporation that owns or will own the housing
- A natural person who owns or will own the housing
- A private developer, as defined in Minnesota Rules, 4900.3610, subpart 17

**Priority.** Priority is given among comparable proposals to developments that are or will be owned by a local government unit, housing and redevelopment authority, or a nonprofit housing organization.

### 2.02 Federal Assistance

Among comparable proposals for federally assisted properties, priority must be given to properties with the longest term under an agreement for federal assistance and supportive housing developments that exhibit the greatest need of funding and demonstrate a reliable source of service funding.

As a condition of this funding, the owner will be required to enter into an agreement to participate in the applicable federally assisted housing program and to extend any existing low-income affordability restrictions on the housing for the term negotiated with Minnesota Housing, which is generally 30 years.

Except for good cause, existing subsidized tenants may not be evicted, and the owner must continue to renew leases for those residents.

### 2.03 Supportive Housing

As a condition of this funding, the owner will be required to enter into an agreement to continue to operate the development as supportive housing for the term of the loan.

### 2.04 Use and Level of Funding

Funds may be used for developments that contain a minimum of four units that are:

- Acquisition, rehabilitation, equity take-out, and/or debt restructuring of permanent, rental housing with existing federal subsidies that are at risk of loss

- Acquisition, rehabilitation and/or debt restructuring of existing permanent supportive housing units that are at risk of loss

**Level of Funding.** In determining the amount of the loan, Minnesota Housing will review cost reasonableness on a per-unit and total development cost basis. Minnesota Housing will also analyze the developmental and operational costs to help ensure that the amount of funding provided to the development is not more than is necessary to make the development financially and/or physically feasible.

## **2.05 Design and Construction Review**

Refer to the current [Multifamily Application Instructions: Consolidated RFP and HTC Rounds 1 and 2](#) and the [Rental Housing Design/Construction Standards](#).

## **2.06 Occupancy Requirements**

**Income Limits.** State law governing the PARIF Program allows for assisted units to be occupied by households with incomes at the time of initial occupancy that meet the requirement(s) of the federal program(s) the funds are preserving, which generally means up to 80 percent of statewide median income, not adjusted by family size. Refer to the [Multifamily Rent and Income Limits](#) for current income requirements; however, Minnesota Housing will require income limits consistent with those specified in the owner’s application, provided that they are not higher than the statutory income limits.

**Minimum Term.** The income and occupancy conditions for the assisted units are in effect for the life of the loan and/or the covenant running with the land.

**Monitoring.** The income and occupancy requirements will be monitored by Minnesota Housing for the length of the loan. Minnesota Housing will review household incomes for all assisted units for compliance through the review and analysis of tenant income verification forms.

As assisted units become vacant, incomes of new households occupying those units will be verified, analyzed, and reported to Minnesota Housing on an annual basis.

## **2.07 Prevailing Wage**

Under certain circumstances, awards of agency funds may trigger state prevailing wage requirements under Minn. Stat. § 116J.871. In broad terms, the statute applies to awards that meet the following conditions: (1) new housing construction (not rehabilitation); and (2) a single entity receives from Minnesota Housing \$200,000 or more of grant proceeds or \$500,000 of loan proceeds. The statute excludes new housing construction in which total financial assistance at a single project site is less than \$100,000.

A separate prevailing wage statute, Minn. Stat. § 177.41-.43, may apply to rehabilitation projects if funds are used for a building that is publicly owned or leased. Contact Department of Labor and Industry staff to make that determination (contact information below).

Please note the following statutory provisions:

- A state agency may provide financial assistance to a person only if the person receiving or benefiting from the financial assistance certifies to the commissioner of labor and industry that laborers and mechanics at the project site during construction, installation, remodeling, and repairs for which the financial assistance was provided will be paid the prevailing wage rate as defined in section 177.42, subdivision 6. Minn. Stat. § 116J.871, subd. 2.
- It is a misdemeanor for a person who has certified that prevailing wages will be paid to laborers and mechanics under subdivision 2 [refer above] to subsequently fail to pay the prevailing wage. Each day a violation of this subdivision continues is a separate offense. Minn. Stat. § 116J.871, subd. 3 .

All questions regarding state prevailing wages and compliance requirements should be directed to the Department of Labor and Industry as follows:

Division of Labor Standards and Apprenticeship  
Karen Bugar, State Program Administrator  
443 Lafayette Road N, St. Paul, MN 55155  
651.284.5091 or [dli.prevwage@state.mn.us](mailto:dli.prevwage@state.mn.us)



## Chapter 3 – General Deferred Loan Characteristics

Minnesota Housing underwriting for all developments will include analysis of financial feasibility, development costs, as well as a review of management, marketability, and architectural requirements. Refer to Minnesota Housing’s [Multifamily Underwriting Standards](#).

**Credit Worthiness of Borrower.** Minnesota Housing will evaluate the borrower's financial acceptability, considering assets, liquidity, length of time in operation and previous housing experience.

### 3.01 Mortgage Interest Rate and Term

Loans will generally be provided in the form of a 0 percent, 30-year loan with principal (and interest, if any) due and payable at the end of the term. The interest rate may be adjusted in order to allow these funds to be utilized with other sources of funding, such as housing tax credits; however, Minnesota Housing may at its sole discretion require 20 percent of cash flow in excess of \$50,000 to be repaid annually. The loan term may be adjusted based on requirements and conditions of the federal assistance or other funding sources.

Loans will generally be full recourse; however, Minnesota Housing allows non-recourse debt to single asset entities.

### 3.02 Transfers of Ownership/Prepayment

**Right of First Refusal.** As a condition of funding federally assisted developments, the owner must enter into an agreement running with the land that gives local units of government, housing and redevelopment authorities, and nonprofit housing organizations the right of first refusal (ROFR) if the rental property is subsequently offered for sale and a bona fide outside offer is received during the term of the agreement. This ROFR applies to each sale during the term of the agreement. The ROFR will apply to all projects that receive an appropriation of PARIF funds dated prior to State Fiscal Year 2022. Contact Minnesota Housing to determine from what State Fiscal Year a project’s PARIF funds will be allocated. Note that the allocation year of funds may not align with the RFP year.

**Transfers of Ownership.** Sale of the property to another eligible borrower and assumption of the loan must be pre-approved in writing by Minnesota Housing. Approval must be requested through the [Request for Action \(RFA\) process](#). Approval is at Minnesota Housing’s sole discretion and will only be considered (but not guaranteed to be approved) if:

- The mortgagor is not in default of any of its agreements with Minnesota Housing, whether such agreements involve the PARIF loan or some other loan that is secured by the mortgaged property
- The new entity is creditworthy, in Minnesota Housing’s sole opinion

- The new entity assumes all contractual obligations with Minnesota Housing
- Payment of an assumption fee equal to the approximate administrative costs of processing the sale and assumption.

**Prepayment.** The mortgage may be prepaid in full at any time; however, covenants and conditions in the declaration(s) will remain in place for the remaining term of the declaration. Minnesota Housing will charge a prepayment fee in an amount equal to the approximate administrative costs incurred by Minnesota Housing in processing the prepayment.

### **3.03 Return on Equity**

Minnesota Housing statutes currently allow a maximum return of 15 percent based on actual developer equity (as determined by Minnesota Housing) for developments that use PARIF loan proceeds for acquisition, debt restructuring, and equity take-out loans. This restriction does not apply to developments that include the rehabilitation of existing housing.

### **3.04 Management and Operation**

**Management and Operating Expense Budget.** The budget submitted with the application will be reviewed and compared to the property's operating history and budgets of comparable developments financed by Minnesota Housing. This data will be used in the underwriting of the loan and used to project long-term operating costs that will protect the long-term investment being made by the owner and lenders.

Minnesota Housing reserves the right to reject or adjust the operating and maintenance figures based on the information supplied, specific development type, rehabilitation scope of work, and circumstances and/or significant changes to the economics of the development's current marketplace.

Refer to the Minnesota Housing [Multifamily Underwriting Standards](#) for more information on Minnesota Housing's requirements and evaluation of management and operating expenses.

**Marketing.** The owner/agent must demonstrate that they have established networks and linkages necessary for residents to maintain housing stability.

### **3.05 Monitoring and Reporting Requirements**

Minnesota Housing actively monitors each development it finances. This includes tenant incomes, rents, affirmative action and equal opportunity requirements, and year-end operating reports.

Assisted units must be leased to qualified households who must disclose their annual household income at initial occupancy on an [Initial Occupancy Statement by Tenant form](#) (other, more detailed income certification forms may be acceptable, and acceptance of such

form will be at Minnesota Housing’s sole discretion). This form is used to help ensure households are qualified to occupy an assisted unit.

Owners must also request (but cannot require) that qualified households complete a [Head of Household Demographic Information form](#), which will provide additional information for program evaluation.

Additionally, each adult member of a household occupying an assisted unit must sign and date a Minnesota Government Data Practices Act Disclosure Statement. This information informs the tenant that their annual household income and other information will be reported to Minnesota Housing and may be reviewed by other governmental agencies. This is required for the administration and management of state or federal programs that provide housing for low- and moderate-income families.

Occupancy information on all units must be reported annually in a form and manner requested by Minnesota Housing.

### **3.06           Applicable Fees**

- Please review the [Multifamily Loan Programs and Housing Tax Credit Fee Schedule for applicable fees](#) associated with this program.

## Chapter 4 – 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 Title VI of the Civil Rights Act of 1968; the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988; and the Minnesota Human Rights Act. Housing providers and other entities involved in real-estate related transactions 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. Housing providers and other entities involved in real-estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.

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 the making or purchasing of loans for purchasing, constructing or improving a dwelling, or in the terms and conditions of real-estate related transactions;
- Discriminate in the brokering or appraisal of residential property;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Discriminate in the extension of personal or commercial credit or in the requirements for obtaining credit;
- 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;
- Refuse to grant a reasonable accommodation or a reasonable modification to a person with a disability;
- 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

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establish design and construction mandates for covered multifamily dwellings and requires housing providers to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

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

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

## **Chapter 5 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting**

### **5.01 Fraud**

Fraud is any intentionally deceptive action or omission 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 communication channels described in Section 5.05.

### **5.02 Misuse of Funds**

A contracting party that receives funding from Minnesota Housing 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 recipient to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the recipient must use Minnesota Housing funds as agreed and the recipient 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 recipient; or (2) A recipient cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the contract.

Any recipient (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 communication channels described in Section 5.05.

### **5.03 Conflict of Interest**

A conflict of interest, actual or potential, 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 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 their responsibilities might be otherwise impaired due to competing duties or loyalties
- 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 or potential conflicts of interest through one of the communication channels described in Section 5.05.

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

#### **5.04 Suspension**

By entering into any contract 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 contract) has not been suspended from doing business with Minnesota Housing. Refer to Minnesota Housing's website for a list of [suspended individuals and organizations](#).

#### **5.05 Disclosure and Reporting**

Minnesota Housing promotes a "speak-up, see something, say something" culture whereby internal staff, external business partners (e.g., grantees, borrowers) and the general public are encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation. You may report wrongdoing or other concerns by contacting:

- Minnesota Housing's Chief Risk Officer at 651.296.7608 or 800.657.3769

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- Any member of Minnesota Housing’s [Servant Leadership Team](#) (visit [mnhousing.gov](http://mnhousing.gov) and enter **SLT** in the Search box)
- [Report Wrongdoing or Concerns](#) (visit [mnhousing.gov](http://mnhousing.gov) and enter **Wrongdoing** in the Search box)



## **Chapter 6 – Allocation of Funds**

This funding is available on a statewide basis and is made available primarily through Minnesota Housing’s annual Multifamily Consolidated Request for Proposals (RFP). Pipeline requests will be considered when funds are available. Applications submitted outside of the annual RFP must meet the requirements outlined in the [Multifamily Request for Proposals \(RFP\) Standards](#) and are subject to funding availability. Minnesota Housing will review all proposals submitted and will attempt to make the best and most appropriate funding choices for each development selected.

## **Chapter 7 – Program Contact**

For questions, contact Dani Salus at 651.284.3178 or [danielle.salus@state.mn.us](mailto:danielle.salus@state.mn.us). You may also contact the housing development officer identified in your selection letter.