



# Affordable Housing Trust Fund 2026 Program Policies and Procedures

**City of Minneapolis**  
**Department of Community Planning and Economic Development**  
**505 4<sup>th</sup> Avenue South, Suite 320**  
**Minneapolis, MN 55415**

## PROGRAM POLICIES AND PROCEDURES

- I. PROGRAM INTRODUCTION AND PURPOSE:** The primary purpose of the Affordable Housing Trust Fund (AHTF) Program is to assist in financing the production and preservation/stabilization of affordable and mixed-income rental housing projects in Minneapolis. Program funds are available on a competitive basis to projects that need gap financing to cover the difference between total development costs and the amount that can be secured from other sources. The funding sources for the AHTF Program are primarily federal Community Development Block Grant (CDBG) funds, federal HOME Investment Partnership funds, Local Affordable Housing Aid (LAHA), and local funds. The purpose of this document is to summarize the AHTF program policies and requirements.
- II. AHTF PROGRAM BASIS AND POLICY GUIDANCE:** The AHTF Program administration is guided primarily by the following adopted policy documents:
- A.** The City’s Consolidated Plan for Housing and Community Development:  
<https://www.minneapolismn.gov/government/departments/finance/reports/consolidated-plan/>
  - B.** The City of Minneapolis Unified Housing Policy:  
<https://www.minneapolismn.gov/government/charter-and-code-of-ordinances/city-policies/unified-housing-policy/>
  - C.** The City’s adopted Renter Protections policies: <http://www.minneapolismn.gov/renterprotections>
  - D.** The City partners with Hennepin County to support the City of Minneapolis and Hennepin County’s Office to End Homelessness to plan and implement the response to prevent and end homelessness. The Heading Home Continuum of Care Plan is available here:  
<https://www.hennepin.us/coordinated-entry>
- III. PROGRAM GOALS:** The AHTF Program is designed to support the implementation of various housing goals listed in the policy documents noted above. The City supports affordable housing production and preservation in all areas of the City.

Specifically, the goals of the AHTF Program are to prioritize the development and preservation of:

- Deeply affordable units at 30% AMI (with support services)
- Units accessible to people experiencing homelessness and at risk of experiencing homelessness
- Units for large families (3+ bedroom units)
- Units with rental assistance

- IV. SUMMARY OF PROGRAM POLICIES and PROCEDURES CHANGES:** There have been changes to the content of the following sections of this Program and Policy document:

**Changes to 2026 AHTF Program Policies and Procedures:**

1. Section VII A. – Use of LAHA for operating deficit reserve
2. Section IX P. – LAHA operating deficit reserve term

3. Section IX LL. – LAHA operating deficit reserve via grant agreement
4. Update to AHTF Underwriting Standards – LAHA capitalized operating deficit reserve timing

**V. AHTF PROGRAM FUNDING:** The Minneapolis City Council allocates resources to the AHTF as part of the annual city budget process. These funds may include federal HOME and CDBG dollars and/or local dollars. The total available funding in any given AHTF round may also include newly allocated resources or reallocated funds from prior AHTF rounds. CPED will allocate funding from the available sources to projects as guided by the City’s annual budget and applicable policy. Not all funding may be awarded during a given round.

Funds not awarded may be available on a pipeline basis, by invitation from CPED staff, for projects that cannot wait for the next competitive round.

- A. An application scored well in the current round and met thresholds but didn’t receive funding or received a prior award but did not maximize the funding request.
- B. Projects that preserve Naturally Occurring Affordable Housing (NOAH): Rental housing projects provided by the private market without government subsidy that have at least 20% of the units with rents affordable to households with incomes at or below 50% of the area median income, and/or rental housing projects that previously received local subsidy or low income housing tax credits and will no longer be subject to income and/or rent restrictions.
- C. Projects that are a priority in accordance with the Interagency Stabilization Group (ISG).
- D. Projects that did not apply through a previous competitive RFP round but are able to close within 6 months of the funding award.

**SRO/Shared Housing Program**

The SRO/Shared Housing Program will assist in gap financing for the production of new affordable housing opportunities for extremely low income individuals experiencing homelessness or at-risk of homelessness. These funds are available to projects that specifically utilize single-room-occupancy or shared housing models, to the extent allowable through current zoning options, as a cost-effective way to provide deep affordability to the most vulnerable populations.

The SRO/Shared Housing Program allows AHTF funds to be awarded on a ‘per-sleeping room’ rather than per-unit basis. For the purposes of this program, an SRO is defined as a sleeping room with shared bathroom and shared kitchen facilities. SRO rents are 75% of 30% OBR rents.

A project is eligible for the SRO/Shared Housing Program if the following apply:

1. At least 40% of the units in the project are SRO/shared sleeping rooms.
2. The project has a viable path to receiving City entitlements under current zoning rules.
3. The project can demonstrate appropriate supportive services for tenants.

The maximum SRO/Shared Housing Program award is the lower of \$20,000 per sleeping room or 30% of Total Development Cost, not including capitalized reserves or non-housing costs. The project must contain at least 10 sleeping rooms developed on one site.

**VI. FEDERAL SOURCES OF FUNDS:** The federal HOME Investments Partnership program (HOME) and the federal Community Development Block Grant (CDBG) program are two funding sources of the AHTF Program. In addition, other affordable housing funding resources may be used based upon availability during any given year. Information about the HOME Program rules can be found in 24 CFR Part 92.

- A. Environmental Assessment (EA) and Section 106: An EA and Section 106 review by the City, HUD, and the State Historical Preservation Office (SHPO) takes approximately **60-90 days or longer**. Proposed projects subjected to EA and Section 106 review are evaluated for how they relate to adjacent land uses in terms of environmental impact. Factors considered include noise, traffic,

pollution, cultural and historic resources, and other environmental features. Mitigation measures may be identified and required for a project to reduce, avoid, or eliminate adverse environmental impacts and to avoid non-compliance or non-conformance with the above-listed authorities and factors. Any mitigation factors will be incorporated into a Mitigation Plan and may require additional time to develop. These measures/conditions must be incorporated into project contracts, development agreements, and other relevant documents.

Projects that receive federal funding from the Federal Government, City, State or County including CDBG funds, HOME funds, or Project Based Section 8 Vouchers may require an Environmental Assessment. This process and timeline should be factored into the project closing deadline date and may require additional development team partners or consultants familiar with these requirements and mitigation plans.

- B. Repayment of HOME funds would be required for any HOME unit that is not rented to eligible tenants within 18 months of project completion.
- C. AHTF funding agreements **may not be executed**, and funding commitments may not be entered into HUD's financial management software, Integrated Disbursement and Information System (IDIS) until the project has:
  1. Secured all necessary financing
  2. A budget and schedule are complete
  3. Underwriting is complete
  4. Construction is scheduled to start within 12 months and
  5. The Market Assessment was reviewed for current market demand and;
  6. The Environmental Assessment (EA)/AUGF/Release of Funds Letter has been completed
- D. Projects seeking Housing Tax Credits are also subject to the City's Housing Tax Credit Qualified Allocation Plan (QAP) and Procedural Manual. <https://www.minneapolismn.gov/business-services/business-assistance/financing-developers/housing-tax-credits/>

## VII. STATE SOURCES OF FUNDS:

### A. LOCAL AFFORDABLE HOUSING AID (LAHA)

1. Eligible activities include acquisition, construction, rehabilitation, adaptive reuse, improvement, financing, and infrastructure of residential dwellings. In addition, at the City's sole discretion and subject to funding availability, LAHA funds may be used to fund a portion of an approved AHTF award as a grant to a nonprofit entity with a demonstrated mission of providing safe, dignified, affordable and supportive housing in Minneapolis to capitalize an operating deficit reserve required by this Program.
2. Information about LAHA uses, rules, and requirements can be found at MS 2024 477A.35.

## VIII. FEDERAL FUNDS ADDITIONAL INFORMATION

### A. HOME

1. Eligible activities include acquisition of property, relocation, construction of new housing for permanent or transitional rental, moderate or substantial rehabilitation of units and other reasonable and necessary expenses related to the development or stabilization of affordable, non-luxury rental housing. HOME funds may not be used for a new construction or conversion projects in an area of minority concentration or for prohibited uses as identified in 24 CFR 92.214(b)1.
2. Upon determination that HOME funding applies to a given project, rents and the operating proforma will be adjusted to comply with HOME rent limits.

3. The minimum HOME subsidy is \$1,000 per unit. The maximum amount of HOME funds that a participating jurisdiction may invest on a per-unit basis in affordable housing may not exceed the per-unit dollar limits established for elevator-type projects that apply to the area in which the housing is located. These limits (see supporting documents) are available from the Multifamily Division in the Minneapolis HUD Field Office.
4. HOME units will be fixed. Exceptions will be evaluated on a case-by-case basis at the sole discretion of the City.
5. Projects receiving HOME funds are required to comply with the HOME Government Data Practices Act Disclosure Statement (see supporting documents).
6. HOME rents will be reviewed annually by the City. Initial rents must include High and Low HOME assisted units and rents.
7. All HOME units are monitored by the City's monitoring agent. See attached link for the HOME Rental Program Compliance Manual for Owners and Managers <https://ahcinc.net/wp-content/uploads/2024/08/January-2018-AHC-HOME-Manual.pdf>
8. The City will perform site visits, review CHART as well as review and approve annual reports of all projects from the monitoring agent.
9. HOME funded projects must begin construction within 12 months of the commitment date and the date of the AUGF/Release of Funds Letter. HOME funded projects must complete construction within 4 years of the date of commitment.
10. If HOME funds are awarded to a project, the number of HOME assisted units will be calculated using the Cost Allocation Standard Method 24 CFR 92.216.

- B. CDBG:** Eligible activities include acquisition of property by a non-profit entity, relocation, moderate or substantial rehabilitation of units, and other reasonable and necessary expenses related to the development of affordable, non-luxury rental housing. CDBG may not be used for new construction, unless the new construction activity is undertaken by a Community Based Housing Development Organization (CBDO) as defined by HUD. CDBG may also be used for certain expenses in support of eligible new construction projects in limited circumstances.

If the developer is awarded FY2023 or later CDBG or FY2024 or later HOME funds for construction, the Project will be required to comply with the Build America, Buy America (BABA) Act, 41 USC 8301, and all applicable rules and notices, as may be amended, unless excepted by a waiver. More information on the requirements of the BABA can be found at: <https://www.hudexchange.info/programs/baba/>

## IX. PROGRAM POLICIES AND PROCEDURES

- A. ACCESSIBILITY REQUIREMENTS SECTION 504 (24 CFR PART 8):** Section 504 of the Rehabilitation Act of 1973 applies to federally assisted housing projects. New construction projects with five or more units or rehabilitation projects with 15 or more units and rehab costs of more than 75% of the replacement cost of the completed facility must have a minimum of 5% of the units (but at least one unit) be accessible to mobility-impaired and an additional 2% (but at least one unit) be accessible to sensory-impaired. Units in compliance with the Uniform Federal Accessibility Standards (UFAS) are deemed in compliance with Section 504. CPED encourages developers to use good faith efforts to follow Section 504 rules for those projects that are not required to comply with Section 504. Please see Section P. Visibility below for related information.
- B. ADMINISTRATION:** The administration of the AHTF Program is the responsibility of the CPED Housing Policy and Development Division. If there are questions about the AHTF Program, email: [AHTFProgram@minneapolismn.gov](mailto:AHTFProgram@minneapolismn.gov)

- C. **AHTF FUNDING IS A LOAN:** Funding awards will be made available in the form of a loan with the City with a term length that typically matches the first mortgage and a minimum 30-year period of affordability that will be enforced through the filing of a declaration of restrictive covenants against the property. Some terms and conditions of the loan may be negotiable. However, the City requires minimally a 30-year loan term with 0% - 1% simple interest and a deferred lump sum repayment of principal and interest. Additionally, the City may negotiate a percentage return against surplus cash flow on all rental housing projects that have units with unrestricted rents. Existing developments applying for AHTF funds and/or refinancing will be required to show existing reserves as a source. In certain instances, the City may consider a funding award in the form of a forgivable loan or grant if necessary to achieve long term affordability (longer than 30 years) or to satisfy HUD requirements.

AHTF Awards are a preliminary award and do not constitute a commitment to finance until all project sources are secured and all due diligence is complete. The actual loan amount may be adjusted based on periodic underwriting review as development costs are refined and finalized.

- D. **AHTF FUND USES: Project Costs** - the total of all Acquisition Costs and Construction Costs. For HOME-funded projects, architectural, engineering or related professional services required to prepare plans, drawings, specifications or work write-ups are only eligible as Project Costs if such costs were not incurred more than 24 months prior to the date of commitment of HOME funds to the Project.

**Acquisition Costs** - all costs and expenses incurred in connection with acquiring the Land and all improvements located thereon, including the purchase price therefore, legal fees, sales commissions, and professional fees incurred in evaluating such acquisition, and relocating the residents therefrom.

**Construction Costs** - all costs paid to complete construction of the Improvements, including, but not limited to, site preparation costs, architectural fees, engineering fees, surveying charges, contractor fees, bond fees, insurance costs, legal fees, and all costs of labor, material and services paid or incurred by Borrower as shown on a sworn construction cost statement approved by Lender, but not including any profit to Borrower or any affiliated entity acting in its capacity as developer or general contractor except for an approved Developer Fee.

- E. **Capitalized Operating Deficit Reserves** – At the City’s sole discretion and subject to funding availability, LAHA funds may be permitted to be used to fund a portion of an approved AHTF award as a grant to a nonprofit entity with a demonstrated mission of providing safe, dignified, affordable and supportive housing in Minneapolis to capitalize an operating deficit reserve required by this Program.

- F. **FAIR HOUSING POLICY:** It is the policy of the City to ensure fair housing opportunity in all City programs and to administer its housing programs affirmatively, so that all residents of similar income levels have equal access to City programs regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, or familial status in accordance with fair housing laws. Participants of the AHTF program will be required to use affirmative fair housing marketing practices in soliciting renters, determining eligibility, and concluding all transactions as addressed in Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, 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, and any applicable City Civil Rights ordinances. In part, regarding rental housing issues, Title VIII, the Human Rights Act, and applicable City Civil Rights ordinances

make it unlawful to: (i) discriminate in the selection/acceptance of applicants in the rental of housing units; (ii) discriminate in terms, conditions or privileges of the rental of a dwelling unit; (iii) engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the 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, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, or sexual orientation; (v) tell a person that because of race, color, creed, relation, national origin, sex, marital status, status with regard to public assistance, disability, familial status, or sexual orientation, a dwelling unit is not available when it is; and (vi) 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.

Owners will be required to affirmatively market the availability of units in any project that receives AHTF. Owners shall develop and submit with their application an Affirmative Marketing Plan that includes:

1. Specific steps to reach out to all groups protected by the Civil Rights Act of 1968, as amended in 1988, and those protected by the Minnesota Human Rights Act and applicable City Civil Rights ordinances, particularly protected groups that likely would not otherwise be aware of housing opportunities in the project
2. An analysis to ensure that all steps in the rental process are non-discriminatory
3. A commitment that upon request by CPED staff the owner will submit additional marketing plans, reports and documents that confirm the owner's fair housing efforts.

Selected projects must maintain an Affirmative Marketing Plan for the project through the end of the Period of Affordability. Failure to comply with the foregoing requirements may result in a determination that the project is in noncompliance. Noncompliance could result in appropriate action by the City.

- G. APPRAISALS:** A complete appraisal is required. The appraisal must be ordered by MHFA or CPED or Greater Minnesota Housing Fund (GMHF) or other lender prior to closing. The City reserves the right to order its own appraisal. The cost of the appraisal ordered by the City must be borne by the applicant and will be billed by the City upon receiving the completed appraisal. The City will underwrite the acquisition cost based on the lesser of the option/purchase agreement purchase price or the as-is appraised value of the property.

The appropriate value will be based on the type of proposal:

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

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

1. Acquisition price under \$250,000;

2. 1-4 dwelling units that are aggregated under one loan (CPED will use the assessed value unless the borrower requests an appraisal for determining acquisition cost)
- H. **COMPETITIVE BIDDING:** Projects must comply with the AHTF Bidding Procedures included in the supporting documents for the selection of a general contractor and/or the selection of sub-contractors. Developers are encouraged but not required to use open and competitive processes for the selection of consultants such as architects and engineers.
  - I. **COMPLIANCE WITH CITY POLICY:** Projects must comply with adopted City ordinances, policies, including but not limited to zoning and historic preservation ordinances under Title 20 and Title 23 respectively in the Minneapolis Code of Ordinances, the Minneapolis 2040 comprehensive plan, building codes, and any documents listed above. Land use applications may be required depending on an awarded proposal.
  - J. **CONTRACTING GENERAL REQUIREMENTS:** The Supporting Documents contain the City's contracting requirements including affirmative marketing, apprenticeship, equal opportunity, prevailing wage, relocation, Section 3, Section 504, and Small and Underutilized Business Enterprise Program (SUBP). LAHA is required to meet the higher of state prevailing wage or city prevailing wage.
  - K. **COOPERATIVE HOUSING TRAINING:** If a leasehold cooperative is formed, the developer will be required to provide cooperative training services for the residents of the project.
  - L. **CPED RIGHT TO REJECT AND MODIFY PROPOSALS:** CPED reserves the right to reject any or all proposals or parts of proposals and to negotiate modifications of proposals submitted. Projects that receive an AHTF Award are expected to proceed to closing as approved by the City Council. If at any point, modifications are needed to the project, the City may require that the AHTF Award be relinquished and resubmitted through the annual NOFA round.
  - M. **DEGREE OF NEED:** The City will provide assistance only to the projects that require assistance to achieve the AHTF Program's goals and objectives. It must be demonstrated that other sources of funds are not available or adequate.
  - N. **DESIGN STANDARDS:** All projects are subject to the Minneapolis Unified Housing Policy Design Standards. To comply with the 2013 changes to the HOME Final Rule, the AHTF Program uses Minnesota Housing's Rental Housing Design/Construction Standards for all projects available here: <https://www.mnhousing.gov/rental-housing/building-standards.html> CPED may consider administrative waivers to these standards based in part upon a demonstrable hardship or specific conflict with adopted City policy on a case by case basis. Further, LAHA uses, rules, and requirements can be found at MS 2024 477A.35

Projects that receive an AHTF Award are expected to proceed to closing as approved by the City Council. If at any point, modifications are needed to the project, the City may require that the AHTF Award be relinquished and resubmitted through the annual NOFA round.

- O. **LEASES:** All leases must comply with the household protection requirements of 24 CFR 92.253 and 24 CFR Part 5, Subpart L, as those protections are enhanced by the Violence Against Women Reauthorization Act of 2013 ("VAWA"). Projects must provide each new household applicant for any unit in the project a notice and certification form in form approved by the City at the time applicant is admitted to a unit or denied admission based on the project's tenant selection policies and criteria and concurrent with any notification of eviction from a unit. Master leasing of short-

term rentals is prohibited throughout the project during the affordability period. Leases must be for a minimum term of at least one year. Lease changes must require a 30-day notice to the tenant as well as a 30-day notice for termination.

- P. RESERVE REQUIREMENTS - LPA:** Any Limited Partnership Agreement must include a provision addressing the terms and conditions for disbursement from the reserve accounts that specifically states that upon the transfer of any ownership interest or at the end of the compliance period, whichever is earlier, any funds remaining in the reserve accounts must remain with the development for the term of the loan or the affordability period, whichever is longer. Any LAHA grant funds remaining after the longer of the term of the loan or the affordability period must continue to be controlled by the nonprofit grantee for the purposes of advancing its mission.
- Q. MINIMUM CONSTRUCTION, REHABILITATION AND/OR PROPERTY STANDARDS:** The Project must be completed and maintained throughout the loan term in compliance with local housing codes, Lender's written construction standards, and zoning ordinances and the City's Green Communities requirements. If HOME funds are awarded, the development must also comply with the construction standards in 24 CFR 92.251 and the ongoing property standards of 24 CR 92.251(f) throughout the HOME Affordability Period.
- R. CONSTRUCTION MANAGEMENT:** The City will attend monthly draw meetings, perform monthly inspections documenting progress and perform a final inspection certifying the project is in compliance with requirements. The City will perform the Debarment and Limited Denial Participation.
- S. VISITABILITY:** Wherever practical, HUD recommends addressing the concept of visitability in addition to the above requirements. Housing that is "visitable" has a very basic level of accessibility that enables persons with disabilities to visit friends, relatives, and neighbors in their homes within a community. HUD recommends (1) providing a 32-inch clear opening in all interior and bathroom doorways; and (2) providing at least one accessible means of egress/ingress for each unit.
- T. DEVELOPER CAPACITY:** Developers must submit financial statements and documentation of experience in housing development. To the extent that a developer cannot demonstrate the proper strength in a particular area, the developer will be required to hire or joint venture with an entity that has strength in that particular area. Developers must demonstrate the following:
1. Professional development experience, reasonable financial strength, and the ability to undertake the proposed project;
  2. The ability to obtain sufficient financing; and
  3. Sufficient capability to manage the project successfully after completion or hire a professional management company with experience in managing affordable housing in compliance with AHTF requirements including ongoing compliance monitoring.
  4. Submit current audited and/or unaudited organizational financial statements.
  5. Submit current financial statements for each partner of partnership or corporation.
  6. Submit Development Team Qualifications and Housing Experience including for supportive housing.
- U. DEVELOPER ELIGIBILITY:** Developers may be non-profit or for-profit, or governmental units

- V. DEVELOPER FEE LIMITS:** The developer fee (paid either upfront or deferred) is provided to the developer of a project for time expended on, and risks associated with putting a development project together.

**Developer Fees** mean all developer fees, profit, administration and overhead, development consultant fees, construction management fees and any other amounts including all deferred fees paid to Borrower or any affiliate of Borrower in conjunction with the Project provided however, that it does not include an asset management fee to Borrower's general partner or limited partner.

The developer may delegate some of his or her responsibilities to a third party, such as a Development Consultant or Processing Agent, construction manager, or Owner's representative consultant etc. In such cases, the delegated responsibilities must be thoroughly understood by all parties involved, and the fees paid to the third party must be included in the Developer Fee limit calculations below and broken out in the underwriting workbook.

The following maximum developer fee limit shall apply:

1. For new construction and adaptive reuse – no greater than 15% of the total development costs, excluding the developer fee, construction consulting fee and capitalized reserves for the first 50 units, and no more than 8% of the total development costs, excluding the developer fee, construction consulting fee and capitalized reserves, for 51 units and over.
2. For Acquisition/Rehabilitation Projects in which the ownership is not changing (including if the GP of the existing entity is an affiliate of the new entity), the maximum total fee is no greater than 15% of total development costs, excluding the developer fee, construction consulting fee, capitalized reserves and acquisition costs.

A deferred developer fee may be included as a source in the construction budget and paid from cash flow after debt service. The City will typically allow an amount that is up to the lesser of 50% of the Total Developer Fee or the amount that can be paid back from excess cash flow in 10-13 years. When included for purposes of Secured Funding points, the amount of deferred developer fee is considered a committed source and cannot be decreased.

The City has an expectation that Projects will need to increase the deferred developer fee consistent with the above parameters to address funding gaps prior to closing.

**W. GENERAL CONTRACTING FEE LIMITS:**

1. **Contractor's Profit:** The maximum contractor profit is 6% of net construction costs. Net construction costs are defined as construction costs and on-site work not including contractor profit, general requirements, and overhead.
2. **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 general contractor's insurance (except builder's risk), temporary walkways, fences, roads, and other similar expenses.
3. **Contractor's Overhead:** The maximum allowance for overhead 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% of net construction costs in the aggregate.
4. **Developer or Owner as Contractor:** When there is an identity of interest between the developer or owner and the contractor, in addition to the fee limits stated above, the combined balance of developer fee, contractor profit, contractor overhead, and general requirements may not exceed 20% of the total development costs less the developer fee.

**X. ARCHITECT FEE LIMITS:** Separate allowances for design and construction administration are calculated based on the gross construction cost on the Workbook. The design allowance (75%) is provided at completion and acceptance of the working drawings and specifications (i.e., at closing). The construction administration allowance (25%) is provided over the course of construction.

**Y. ENERGY EFFICIENCY AND GREEN BUILDING RESOURCES:** The City, HUD, and MHFA all emphasize energy efficiency. Xcel Energy and CenterPoint Energy offer a variety of programs, services, rebates and energy efficiency resources to assist developers, owners and builders with the construction of energy efficient commercial and residential developments, including the following:

1. Xcel: For commercial (multifamily apartment buildings and commercial buildings) contact the Business Solutions Center at 1-800-481-4700. Xcel currently offers three programs:
  - a. Energy Design Assistance for projects in the early stages of the design process.
  - b. Energy Efficient Buildings for prescriptive rebates for projects where design is nearly complete or for existing buildings.
  - c. Energy Analysis for existing buildings with an on-site energy assessment providing a detailed energy audit by an energy engineer, complete with cost and savings estimates, Xcel Energy rebates and paybacks.
2. Call the Xcel Energy Builders Call Line at 1-800-628-2121 for the following logistical services:
  - a. Design and permitting
  - b. Relocating existing gas or electric
  - c. Disconnecting gas and electric services
  - d. Providing temporary electric needs
3. CenterPoint Energy: For assistance with existing programs or a custom program that can address the building envelope, water heating, and heating systems, call 612-321-4398.

**Z. GREEN COMMUNITIES:** Developers are required to incorporate green/sustainable elements consistent with the “Minnesota Overlay and Guide to the Green Communities Criteria”.

<https://www.enterprisecommunity.org/impact-areas/resilience/green-communities>

Developers are advised to ensure that the development proposal adequately reflects compliance with Green Communities standards and to thoroughly review MHFA’s Minnesota Overlay and Guide to the Enterprise Green Communities Criteria available here: <https://www.mnhousing.gov/policy-and-research/sustainable-housing.html>

All developers seeking AHTF funding must submit a completed Multifamily Intended Methods Worksheet available in the Application Materials section here: <https://www.mnhousing.gov/rental-housing/housing-development-and-capital-programs/rfps/consolidated-rfp-htc/consolidated-rfp-application-materials.html>

NOTE: Pursuant to the City’s Sustainable Building Policy, criteria 5.3a: Photovoltaic/Solar Hot Water Ready is mandatory for all projects with a flat roof design seeking AHTF resources.

**AA. FEES: APPLICATION, ORIGATION AND HOME MONITORING:**

1. Application Fee: A non-refundable \$1,500 application fee will be charged for each AHTF application.
2. Origination Fee: If a project is awarded funding, an origination fee of 1% the AHTF award will be collected at closing except for AHTF awards using federal HOME funds.
3. HOME Monitoring Fee: The HOME Final Rule published in the Federal Register on July 24, 2013 permits the City to charge a fee for HOME monitoring during the entire HOME Period of Affordability. The City’s current annual HOME monitoring fee for projects is included in the

supporting documents and must be included in the proforma for projects utilizing HOME funding.

**BB. FUNDING AWARDS MAY BE CONTINGENT UPON THE AVAILABILITY OF FUTURE FUNDING:** Due to the extended length of time that is typically required for projects to be fully funded and minimum funding commitment and expenditure timeframes imposed by HUD, the City Council at its sole discretion may make contingent AHTF awards to projects from projected future local funding that has not yet been budgeted or projected federal funding that has not yet been committed to the City. The City Council may elect to make AHTF funding awards contingent upon the future availability of funding.

**CC. FUNDING COMMITMENTS FROM OTHER FUNDERS:** Secured permanent capital funding commitments must be project specific and include written documentation stating the amount, terms, and conditions from the designated contributor. Rental and operating assistance may also be accepted with the amount, terms and conditions from the designated contributor. Words synonymous with “consider” or “may” (as in “may award”) are not funding acceptable.

First mortgage financing may not be included as a committed source. Syndication proceeds may only be included if the associated tax credits were awarded in a prior funding round.

Applicants must include anticipated, utility rebates or sales tax exemptions as a funding source. A letter from the developer committing these funds as a capital contribution to the project must be submitted with the application and prior to closing. All funding must be secured prior to closing.

Note: The City has an expectation that Projects will need to increase the deferred developer fee to address funding gaps prior to closing.

**DD. AREAS of CONCENTRATED POVERTY (ACP50) AND NON-ACP50:** The City of Minneapolis, in its duty to affirmatively further fair housing, is required by HUD to identify areas of concentrated poverty and areas with racial or ethnic population concentrations. The City uses an Areas of Concentrated Poverty (ACP)50 map to designate these areas. The ACP50 map is informed by HUD community measurement methodologies and indicates tracts where at least 40% of the population has incomes below 185% of the federal poverty threshold *and* where at least 50% of the population is people of color. The majority of these tracts are clustered in northwest and southcentral Minneapolis and suffer from historical racism and disinvestment.

The City of Minneapolis encourages and financially supports the production and preservation of affordable housing in all areas of the City. This comprehensive community investment strategy is coordinated and place-based. The City supports investment *outside* of ACP50s to expand the distribution of affordable housing and facilitate mobility for residents wishing to increase locational choice. The City supports investment *inside* of ACP50s to improve housing stability for current residents, support and improve existing community assets, revitalize, and help prevent involuntary displacement.

When utilizing HOME funds, the City will comply with the site and neighborhood standards of 24 CFR 891.125.

**EE. INTEREST RATE FOR PERMANENT FINANCING:** All projects will use a current market interest rate for purposes of estimating mortgage financing in their proposals.

**FF. LEAD-BASED PAINT:** The requirements of HUD Lead Safe Housing Rule, 24 CFR 35, subparts B through R, are promulgated to implement the Lead-Based Paint Poisoning Prevention Act, as amended, and the Residential Lead-Based Paint Hazard Reduction Act of 1992. Most HUD housing programs are covered by only one subpart of this part, but some programs can be used for more than one type of assistance and therefore are covered by more than one subpart of this part. All properties constructed prior to 1978 must be tested for lead-based paint to determine the presence or absence of lead-based paint on deteriorated painted surfaces or surfaces to be disturbed or replaced during construction and shall be performed by a certified lead-based paint inspector or risk assessor. In addition, a risk assessment in the dwelling units receiving federal assistance, in common areas servicing those units, and exterior painted surfaces, shall be performed prior to the start of rehabilitation. The individual or firm conducting the risk assessment shall provide and explain the results of the investigation and options for reducing lead-based paint hazards. The scope of work and method for abatement shall be included in the per unit rehabilitation dollar amount. Any adhesion-cohesion testing must be conducted by an independent third party for encapsulated components. Adhesion-cohesion testing should have the American Society of Testing Materials (ASTM) documentation to show the coating applied meets the requirements of being a lead-based paint encapsulate. All property owners or developers receiving assistance shall incorporate ongoing lead-based paint maintenance activities in regular building operations, in accordance with Sec. 35.1355 (a), as applicable. Please see the supporting documents for a summary of lead-based paint requirements by activity.

**GG. LEAD-BASED PAINT DESIGNER:** If lead is present at levels that need to be remediated, the City requires that a qualified lead-based paint designer participate in the project following Lead Poisoning Prevention Act and related Administrative Rules administered in part by the Minnesota Department of Health, including the following as excerpted from Minnesota Rules 4761.2320 Lead Project Designer:

1. "Lead project design" means site-specific written project specifications for a regulated lead work project. Lead project design includes written technical project specification incorporated into bidding documents.
2. All specifications for the treatment of lead-based paint shall be prepared by a licensed lead-based paint designer. (An individual preparing a lead project design, as defined in MN Statutes 144.9501, subd. 19a, must be licensed by the commissioner as a lead project designer. A lead project designer license is not transferable.

**HH. MARKET ASSESSMENT:** Proposals do not need to include a Market Assessment at the time of application unless the project is proposing a residential vacancy rate less than 7% per the AHTF Underwriting Requirements. The Market Assessment will be required at closing if not submitted with the application and must include a market study or comparably thorough market analysis which summarizes the following:

1. Evaluate general demographic, economic, and housing conditions in the defined market area and the regional context for the subject property;
2. Delineate the market area by identifying the geographic area from which the majority of a project's tenants are likely to come as well as the demographic characteristics of the area around the subject property to establish the market context;
3. Quantify the pool of eligible tenants in terms of household size, age, income, tenure, and other relevant factors. Not all residents of the market area are potential or likely tenants of any given project;
4. Analyze the competition by evaluating other housing opportunities with an emphasis on other affordable rental developments in the market area;
5. Assess the market for planned units and determine if there is sufficient demand to rent the income eligible housing units within 18 months of project completion;

6. Estimate the absorption period and evaluate vacancy rates around the subject property. Plan how many units can be successfully leased or sold each month and how long it will take to achieve a stabilized occupancy for the project;
7. Evaluate the effective demand and the capture rate, usually expressed as a percentage (the project's units divided by the applicant pool). The capture rate is the percentage of likely eligible and interested households living nearby who will need to rent units in the proposed project in order to fully occupy it. The lower this rate, the more likely a project is to succeed; and
8. Summarize construction pricing and trends.

**II. PROPERTY MANAGEMENT PLAN:** Proposals must include a property management plan which includes a description and a draft of the required forms in accordance with the following at a minimum:

1. Compliance with Fair Housing and Equal Opportunity (FHEO);  
<https://www.usa.gov/agencies/office-of-fair-housing-and-equal-opportunity>
2. Housing providers for all City-assisted projects will be required to submit and keep current an Affirmative Fair Housing Marketing Plan (AFHMP).  
<https://www2.minneapolismn.gov/government/programs-initiatives/housing-development-assistance/rental-property/fair-housing/>
3. Compliance with Affirmative Fair Housing Marketing Standards;  
<http://portal.hud.gov/hudportal/documents/huddoc?id=935-2a.pdf>  
An Affirmative Marketing Toolkit has been developed to assist with the development of this plan. The following link will generate an initial draft. <https://amtk.housinglink.org/login>
4. Maintenance and repair;
5. Personnel policy and staffing arrangements (such as required staff and tenant handbooks, personnel policy for training and discipline);
6. Program for maintaining accounting records including for required ongoing compliance monitoring and audits;
7. Rent collection policies and procedures;
8. Roles and responsibilities of managing agent;
9. Security per the Program Policies and Procedures;
10. Affordable housing opportunities are required to be advertised on HousingLink concurrent with any other public or private advertising. <https://www.housinglink.org/>
11. Include information on Housing Benefit 101 <https://mn.hb101.org/>
12. The role of Coordinated Entry process, for homeless units, if applicable.
13. Utilizing the MPHA wait list, if applicable

**JJ. TENANT SELECTION PLAN AND COMMUNITY PREFERENCE:** All projects awarded AHTF funds will be required to create a Tenant Selection Plan. See the supporting documents for further information including but not limited to, guidance on criminal background screening, Violence Against Women Act (VAWA) requirements, tenant-based rental assistance, supportive housing services, etc. that must be included as part of the Tenant Selection Plan. Projects shall provide a preference for any victims of domestic violence, sexual assault or stalking certified by the City as qualifying for an emergency transfer from another City-assisted affordable housing project.

The City has established a Community Preference Policy that can be applied to housing units resulting from the sale of City-owned property or financing through City funding programs on a program-specific basis. The goal of the Community Preference Policy is to disrupt involuntary displacement of Minneapolis residents. Under this policy, up to 50% of the units created shall give preference to eligible residents in the sale or rental of those units. Eligible residents are limited to those former and existing residents of the Neighborhood Stabilization Program (NSP) designated

areas of the city who have or are facing involuntary displacement due to extreme economic forces since January 1, 2007. See supporting documents Attachment 19 for the AHTF Community Preference Policy implementation rules.

**KK. MAXIMUM AWARD:** The maximum amount of AHTF award will be the lower of:

- \$35,000 per restricted unit at any size at or below 50% AMI;
- \$50,000 per restricted 2 or more bedroom unit at or below 30% AMI
- An additional \$5,000 per restricted homeless unit

The total AHTF award will not exceed 15% of the Total Development Cost, not including capitalized reserves (operating, replacement, support services) or non-housing costs.

The City may elect, at its sole discretion, to waive the 15% of the TDC limit for smaller scale preservation/stabilization projects.

Although projects may be eligible for a maximum award, based on available budget and funding sources, the City may elect not to award the maximum award.

**LL. LAHA OPERATING DEFICIT RESERVE GRANT AGREEMENT:** LAHA funds may be used to fund a portion of an approved AHTF award to capitalize an operating deficit reserve required by this Program. Grants to fund operating deficit reserves can only be made to nonprofit entities with a demonstrated mission of providing safe, dignified, affordable and supportive housing in Minneapolis and a controlling interest in the development. Such flexibility is subject to the City's sole discretion and funding availability. Funds for this purpose would be structured as a separate grant agreement and cannot exceed the total maximum award allowed and approved for the project. Projects with these funds will also be subject to annual reporting and Financial Review.

**MM. COST REASONABLENESS:** Proposals will be evaluated within the Minnesota Housing predictive model. The City reserves the right to not award funding to projects in which the City deems costs are not reasonable or may award funding conditioned on reducing the development costs.

**NN. MINIMUM AFFORDABILITY, MINIMUM UNIT COUNT AND PROJECT SIZE:** All rental housing projects of 10 units or more funded by the AHTF Program shall have at least 20% of the units affordable to and occupied by households at or below 50% of Metropolitan Area Median Income (AMI) for the term of the loan. The project must be located within the City of Minneapolis, contain not less than ten (10) units, and be owned and managed as either a rental property or a leasehold cooperative. The City will, however, expect any units proposed as affordable to households at or below 60% or 80% of AMI to be restricted by the loan documents as well.

The City will fix restricted units (rather than let them float) unless the project is 100% restricted by the AHTF Declaration or the project needs to be able to float units for purposes of LIHTC.

**OO. NEIGHBORHOOD GROUP REVIEW:** Developers are required to submit their development projects to the official neighborhood group for review prior to City Council approving an AHTF award. Include the neighborhood review letter in the funding proposal application.

**PP. POSITIVE CONVERSION:** Positive conversion means conversion in any manner of buildings or units that do not currently have affordable rents to units with affordable rents or conversion of non-residential property to affordable rental housing.

**QQ. PROJECT-BASED SECTION 8 VOUCHERS:** The AHTF Program awards points for project-based rental assistance such as HUD's Supportive Housing Program and Section 8 vouchers that are administered by the Minneapolis Public Housing Authority (MPHA). The City strongly encourages and will support seeking the inclusion of PBV in AHTF projects. **The application process is approximately 60 days and this timeframe should be factored in prior to the AHTF NOFA application deadline.** Projects that receive vouchers from MPHA will be required to complete the HUD Environmental Assessment process as described in the Federal Sources section of the Program. This process and timeline should be factored into the project closing deadline.

For more information contact: Brandon Crow at 612-342-1420 or [bcrow@mplspha.org](mailto:bcrow@mplspha.org) or <http://www.mphaonline.org/>

City-assisted housing projects are required to accept tenant based rental housing assistance, including, but not limited to Section 8 Housing Choice Vouchers, HOME tenant-based assistance and State Housing Support, and comply with affirmative marketing requirements.

**RR. PROJECT FINANCING AND TIMELY COMPLETION CONDITIONS:** AHTF Program money must be used in a timely manner. Developers are required to submit a project schedule that outlines the milestone stages of the project, including the acquisition of site, securing the other project funding, closing date, relocation, demolition, construction start date, and construction completion date. Developers of projects with AHTF funding awards must submit progress reports as described in the supporting documents summarizing various project-related accomplishments. Projects unable to meet the timelines may lose their funding allocation. However, developers may reapply during the annual RFP cycle. The following project performance timeframes apply:

1. Commencing on the date the full City Council approves the AHTF money for a project, the funding is allocated for eighteen (18) months. If a second award is approved for a project, the funding in total is allocated for eighteen (18) months from the most recent approval date.
2. At the end of eighteen (18) months, the funding allocation will be extended administratively for an additional nine (9) month period if the developer can provide evidence that:
  - a. At least one-third of the total development funds have been raised; and
  - b. The balance of the development money is likely to be raised; and
  - c. That a closing will occur within the next twelve months.
3. The City will retain 12% of the AHTF Loan funds until the final draw after construction completion.

**SS. PROJECT SCOPE OF WORK:** Developers are required to submit a preliminary scope of work which outlines cost estimates and preliminary rehab specifications, drawings, and site plans for the project. CPED may require, however, more substantial rehabilitation than initially proposed to ensure compliance with applicable policy.

**TT. PROPOSAL EVALUATION AND SELECTION PROCESS:** Developers are strongly encouraged to take project readiness into consideration when applying for a AHTF award. CPED staff will evaluate and underwrite the AHTF proposals according to the selection criteria contained in this document. For rehabilitation projects, a physical inspection of the property by CPED will be necessary. Following this review and the scoring and ranking of the proposals, staff recommendations for project funding to the City Council will be made. CPED staff will determine the applicable funding source for all projects.

**UU.RELOCATION POLICY:** Displacement is strongly discouraged. However, if it is necessary and unavoidable, the developer must submit a relocation plan that complies with the applicable federal or City policy for temporary or permanent displacement. Federal relocation regulations or local relocation rules apply to all projects funded through the AHTF. Staff will assess upon initial application submittal whether federal or local funds will apply to the project and determine whether the local or federal relocation policy applies. The required Tenant Relocation Plan must include the following relocation materials (see supporting documents for additional information):

1. Occupancy information/rent rolls of all persons occupying the real property on the date of the initial submission of the proposal for assistance by the developer to the grantee or HUD, if the developer has site control; or
2. Occupancy information/rental rolls of all persons occupying the real property as of the date that the developer obtains site control (e.g. purchase option) if site control is not obtained until after submission of the proposal.
3. Occupancy information/rent rolls of all persons moving into the property on or after the dates described above.
4. Occupancy data/rent rolls of all persons occupying the property upon completion of the project.
5. Draft relocation plan for temporary relocation (on site and off site), permanent relocation, and a combination of temporary and permanent relocation.
6. General Information Notice (GIN) must be sent to all persons occupying the real property on the date of the initial submission of the proposal, date that the developer obtains site control, and all persons moving into the property on or after the dates described. The GIN informs affected persons of the project and that they may be displaced by the tenant.
7. Include a relocation budget estimate in the development pro forma and information detailing the calculation of the relocation budget estimate.

During CPED's proposal review period, staff may request additional information to ensure compliance with the federal relocation regulations and the local relocation rules.

**VV. RENT:** The supporting documents provide utility allowance, income and rent information. While the information is current as of the public release of this RFP, the data is expected to change over time. The rent and income limits for each unit must match. For example, a unit that is intended for a 50% AMI household must have a 50% AMI rent limit and a 50% AMI income limit unless there is project based rental subsidy or State Housing Support funding in the project. For example, a 30% AMI income limit may be matched with a fair market rent (FMR) limit if there is a rental subsidy.

Rent increases for occupied AHTF units are limited to once annually. This limit applies to the rent charged for the unit and not the portion of tenant paid rent for residents assisted with Section 8 or other rental assistance, which may increase or decrease based on changes in income. This limit also applies regardless of the term of the lease or any language in the lease that would allow rents to increase more than once annually. Rents must always comply with limits imposed by the program(s) that financed the development and/or respective unit. This includes other Minneapolis funding sources as well as funding sources provided by other funders.

The limitation on rents includes rent, services and utility payments or monthly allowances for services and other non-optional charges. The utility allowance schedule as determined by the Minneapolis Public Housing Authority for Section 8 housing as updated from time to time may be used. Alternatively, a utility allowance (i) determined using HUD's Utility Schedule Model based on the utility allowance requirements at 24 CFR 92.252(d) in the HOME Regulations, (ii) determined using another methodology allowed under 24 CFR 92.252(d) or (iii) provided the City has not used

federal HOME Investment Partnership Program funds, a utility schedule that aligns with another government-provided funding source for the project may be used.

Upon determination that HOME funding applies to a given project, rents and the operating proforma will be adjusted to comply with HOME rent limits.

**WW. SCATTERED SITE PROJECTS:** Proposals that contain a combination of at least ten single family, duplex, triplex and fourplex housing units are typically eligible for AHTF funding and considered to be a single project by the AHTF Program for underwriting purposes.

**XX. SECURITY COSTS:** Developers are required to implement measures necessary and appropriate to maintain a safe and crime-free living environment for the property residents. These measures must be described in the required Property Management Plan and the costs should tie out to the costs included in the proforma. At a minimum, this plan should include involvement in neighborhood crime prevention strategies, resident awareness, and training. Capital items contained in the plan should be included in the deferred maintenance and replacement reserve analyses as appropriate. Any unique or significant operating costs should be identified in the management and operating costs.

**YY. SITE CONTROL:** The AHTF Program requires evidence of site control as a condition of submitting a proposal. Evidence of site control must be shown by one of the following means:

1. Fee Title
2. Contract-For-Deed
3. Signed Purchase Agreement
4. Signed Purchase Option
5. Signed Redevelopment Contract
6. A proposal with CPED for a Parcel of Land or a building that CPED owns.

In the cases of 2-6 above the developer must also show that the site is controlled for an acceptable amount of time and also has no conditions that would limit the use of the property. Proposals without evidence of site control may be rejected without receiving an underwriting review.

**ZZ. TAX INCREMENT FINANCING:** Information on the City's Tax Increment Financing Policy may be found here: <https://www2.minneapolismn.gov/government/programs-initiatives/tif/>

**AAA. UNDERWRITING PERIOD (20 YEAR CASH FLOW):** The AHTF underwriting period is 20 years. Therefore, the required cash flow projection or pro forma period is 20 years from stabilized occupancy.

**BBB. UNDERWRITING STANDARDS:** Proposals are required to meet CPED's underwriting standards to be eligible for funding. The AHTF CPED Underwriting Standards are included in the supporting documents. These standards reflect the City's approach to underwriting, but they are not meant to be comprehensive, nor are they meant to address every possible situation. Any waiver of, or any change to these standards, will be determined by the City Council at its sole discretion. The City will not modify or waive any program requirement specified in this Program and Policy document or that is required by any federal, state or local law or regulation. If multiple requirements or restrictions apply to a project due to multiple funding sources, generally the most restrictive will control. Final terms and requirements will be represented in the loan documents.

## AFFORDABLE HOUSING TRUST FUND SUPPORTING DOCUMENTS

- Attachment 1: Income and Rent Limits
- Attachment 2: Map of Areas of Concentrated Poverty 50% or greater people of color (ACP50)
- Attachment 3: Contracting Requirements with Attachment A, SUBP Special Provisions
- Attachment 4: AHTF and Housing Revenue Bond Bidding Procedures
- Attachment 5: Summary of Lead-Based Paint Mitigation Requirements
- Attachment 6: Self-Scoring Worksheet
- Attachment 7: Underwriting Standards
- Attachment 8: Government Data Practices Act Disclosure Statement
- Attachment 9: Federal and City Relocation Requirements
- Attachment 10: Tenant Selection Plan Guidance and VAWA
- Attachment 11: Community Preference Policy: AHTF
- Attachment 12: HOME Monitoring Fee Schedule
- Attachment 13: HOME CHDO Checklist
- Attachment 14: HOME Investment Partnership Funds Policies and Procedures