



# Minnesota Housing – An Inside Look at the Consolidated RFP

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# Our Mission

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.

Increased level of knowledge about development opportunities in Greater Minnesota, including competitive request for proposals (RFPs)

# Agenda

- Single Family Pipeline Programs
- Overview - Consolidated Request for Proposals (RFPs)
- Single Family (home ownership) RFP
- Multifamily (rental) RFP

# Single Family Programs

- Home ownership
  - Down payment assistance
- Home Improvement
- Home ownership education, counseling and coaching
- Development
  - New construction
  - Acquisition-rehab
  - Owner-occupied rehab
  - Other

# Mortgage Programs

- Mortgage programs
  - Start Up
    - First time homebuyers only
    - Historic 40+ year mortgage program
  - Step Up
    - Purchase or refinance
    - No first-time homebuyer requirement
    - Started in 2012

# Mortgage Programs

- Down Payment Programs
  - Deferred Payment Loan (DPL)
  - Monthly Payment Loan (MPL)
- Loan Types
  - FHA
  - VA
  - Rural Development (RD)
  - Conventional
    - Fannie Mae and Freddie Mac
    - Insured and uninsured

# Mortgage Programs

- Fixed interest rates
- As little as 3% down
  - Only \$1,000 must come directly from the borrower
- Income limits (Greater Minnesota)
  - Start Up
    - 1/2 people – \$84,200
    - 3+ people – \$96,800
  - Step Up
    - \$125,900



# Home Improvement – Fix Up

- Flagship home improvement program
- Affordable, fixed rates up to 20 years
- Basic, permanent improvements
- Secured and unsecured loan options up to \$50,000
- Income limit (Greater MN) - \$125,900
- Special loan offerings for accessibility and energy efficiency improvements
- Options for communities to buy down interest rates

# Home Improvement – Rehab/Emergency

- Deferred, interest-free loans for low-income households
  - 30% median income
    - One person - \$21,000
    - Four persons - \$30,000
- Loans up to \$27,000
- Address basic livability issues
- Lenders – local non-profits/units of government

# Lenders – Loan Programs

- Mortgage programs
  - Banks and mortgage companies
- Fix Up
  - Banks, credit unions, non-profits and government agencies
- Rehab/Emergency
  - Non-profits and government agencies
  - Typically one lender per county/area

# Education/Counseling/Coaching

- Pre-purchase
  - Financial wellness
  - Pre-purchase education (Home Stretch in-person class)
  - Pre purchase counseling/advising
- Post-purchase
  - Reverse mortgage counseling
  - Foreclosure prevention counseling
- Funding
  - HECAT
  - Homeownership Capacity (financial wellness)

# Consolidated RFP - Introduction

- Legislature has been appropriating funds to Minnesota Housing for 20+ years
  - Challenge Fund
  - Funds can be used for multifamily (rental) or ownership developments
    - Minnesota Housing is able to allocate funds between division and activities each year
    - Co-funders
      - Depends on region of state

# RFP - Timeline

- Application Deadline
  - Early June
- Application Review
  - Summer
- Selections
  - Late September/early October
- Minnesota Housing Board approval
  - November 21, 2019

# Impact Fund – Eligible Uses of Funds

- Acquisition, rehabilitation and resale of existing housing
- Owner-occupied rehabilitation
- New construction, including demolition or removal of existing structures with rebuild
  - Down payment assistance
- Reducing interest rates on Minnesota Housing home improvement loans through a Community Fix Up Initiative

# Impact Fund – Eligible Applicants

- Cities and counties
- Housing and Redevelopment Authorities
- For-profit and nonprofit organizations
- Indian tribes or tribal housing corporations
- Public Housing Agencies
- Joint powers boards
- Individual homebuyers/homeowners are not eligible to apply directly



# Impact Fund – Types of Funds

- **Construction Financing:** A short-term, low-interest bearing loan made to assist an administrator with acquiring, demolishing, rehabilitating or constructing owner-occupied housing.
- **Deferred Loans:** Interest-free deferred loan financing is available to help eligible homeowners bridge affordability gaps not covered by first-mortgage or other funding sources.
- **Grants:** Provided on a limited basis to bridge value gaps between a project's total development cost and its fair market value or for other eligible activities where recapture of loan funds proves infeasible or unaffordable.

# Impact Fund – Selection Criteria

- **Project feasibility:** The cost of developing or rehabilitating the proposed housing must be reasonable and economically viable given market conditions.
- **Community need:** The extent to which there is a well-defined community need for the housing activity in the Target Area based on local demographic, workforce, and economic factors.
- **Organization capacity:** The applicant's and applicant's partners' related housing experience is evaluated for capacity to undertake and complete the proposal.

# Impact Fund - Funding

- Funders

- Minnesota Housing

- Greater Minnesota Housing Fund (Greater MN only)

- Metropolitan Council (metro only)

- Typical Funding

- Approximately \$9 million/year

# Impact Fund - Example

- Total Development Cost - \$275,000
- Appraised value/sales price - \$250,000
- Borrower first mortgage financing - \$230,000

# Impact Fund - Example

- Total Development Cost - \$275,000
  - Value Gap (Grant) - \$25,000
- Appraised value/sales price - \$250,000
  - Affordability Gap (loan) - \$20,000
- Borrower first mortgage financing - \$230,000

# Impact Fund - Timeline

- Timeline
  - April – Request for Proposal (RFP) published
  - April/May/June – High volume of technical assistance sessions with potential applicants (but can be scheduled anytime)
  - June – Application Deadline
  - August/September – Selections
  - October – Minnesota Housing Board approval
  - January – Contracts signed for 20-month period (construction loans 26 months)

# Impact Fund – Other Items

- Income limits
  - 115% area median income; communities often target lower on their own based on community/project needs
  - Currently \$101,900 in Greater Minnesota
- Special Niche
  - For proposed activities the same as existing affordable housing programs at Minnesota Housing or elsewhere, must justify need why borrowers cannot use other existing programs
- Incentive Fund
  - Additional funding may be available for awardees who successfully complete awards early in advance of the next RFP funding round

# Greater MN Examples – New Construction

- Marshall
- Duluth
- Baudette
- Grand Marais
- Frazee
- Big Lake
- Rochester



# Greater MN Examples – Owner-Occupied Rehab

- Winona
- Hutchinson
- Mora
- Virginia
- Bemidji area
- Southwest MN
- Duluth
- Buhl & Chisholm

# Greater MN Examples – Down Payment Assistance

- Hutchinson
- SE Minnesota (3 Rivers)
- St Peter
- Perham
- Thief River Falls

# Greater MN Examples – Other Activities

- Acquisition/Rehab
  - Duluth
  - One Roof Housing
- Manufactured Home Replacement
  - Mankato Area
  - Minnesota Valley Action Council (MVAC)

# RFP Resources - Multifamily

- Consolidated annual RFP – access funding from Minnesota Housing:
  - Deferred loans – generally interest-free
  - Amortizing first mortgage loans
  - Low Income Housing Tax Credits
    - Reduces investor's federal tax liability for 10 years
    - In exchange, investor buys LIHTC and agrees to 30 years of affordability
    - Proceeds from sale of credits used for affordable housing

# Eligible Activities

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# Eligible Activities

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# Successfully Accessing Funding

## Strategic Priorities

- Access to fixed transit
- Greater Minnesota workforce housing
- Economic integration
- Tribal
- Planned community development
- Preservation
- Supportive housing

## Opportunities for Senior Bonds:

Residing for people with

65 or older with 80% of the units  
for seniors & meet income limits

Targeting households at 30% of  
total income.

Designing in to ensure a range of services to  
support aging in place



# Workforce Housing Development Program

- Up to 25% of total development costs
- No rent or income restrictions required (although income restrictions are allowed)
- New construction or adaptive reuse
- Only available for Greater Minnesota communities

# Workforce Housing Development Program

## Unique program features:

- Eligible applicants are typically small- to mid-sized cities
- Developers are not eligible for funds
- Applicants can chose to receive funds as a grant or a deferred, forgivable, zero-interest loan

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