HENNEPIN COUNTY
MINNESOTA

Program Manual

HOME Investment Partnerships Program

December 13, 2024

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Hennepin

Contents

1 Introduction

In 1992, Congress passed the HOME Statute in Title II of the Cranston-Gonzalez National Affordable Housing Act (NAHA). HOME Regulations are found at 24 CFR Part 92. This Part implements the HOME Investment Partnerships Act (the HOME Investment Partnerships Program).

Under the HOME Investment Partnerships Program, HUD allocates funds by formula among eligible State and local governments to strengthen public-private partnerships and to expand the supply of decent, safe, sanitary, and affordable housing, with primary attention to rental housing, for very low-income and low-income families.

Hennepin County's (County) HOME Program Manual provides an overview of program requirements and County priorities. This is not intended to cover all of the program requirements. The updated Federal regulations at (24 CFR Part 92) governing the program are available on HUD's website for the HOME Program: https://www.hudexchange.info/programs/home/. If there is a conflict between this manual and the federal regulations, the federal regulations control. Projects funded with HOME must comply with the HOME Program regulations for the entire required period of affordability.

2 Project eligibility

Types: Affordable rental and affordable homeownership projects are both eligible for HOME funds.

Location: Developments in Suburban Hennepin County are eligible to receive HOME funds from Hennepin County. The city of Minneapolis receives an allocation of HOME fund directly from HUD, making projects in Minneapolis ineligible for HOME funds from the County.

Activities: Acquisition of property, construction of new housing for permanent or transitional rental and ownership, moderate or substantial rehabilitation of units, site improvements for HOME-assisted projects, other reasonable and necessary expenses related to the development of affordable housing, homeowner purchase assistance or rehabilitation financing, and tenant-based rental assistance are all eligible for HOME funding.

CHDO Operating: The County may use up to 5 percent of its fiscal year HOME allocation for the operating expenses of Community Housing Development Organizations (CHDO). These funds are limited to an amount that provides no more than 50 percent, or $50,000, whichever is greater, of a CHDO's total operating expenses in that fiscal year.

3 HOME set-asides

3.1 Community Housing Development Organization (CHDO)

As required, a minimum of 15 percent of County HOME funds are reserved for CHDO projects. The HOME Regulations define a CHDO at 24 CFR Part 92.300 Subpart G, as a private nonprofit, community-based service organization with the purpose and the capacity to provide and develop decent, affordable housing for the community it serves. A CHDO must document that they meet these criteria each time they apply for CHDO set-aside funding. The deadline for all qualified CHDO requests may be extended until all funds have been committed to CHDO eligible projects that meet the RFP priorities and requirements.

3.2 Administration

The County will use ten (10) percent of its fiscal year HOME allocation to defray administrative costs.

3.3 Tenant Based Rental Assistance (TBRA)

In light of the number of families in emergency shelters and on waiting list for other deep subsidy programs, the County will set aside HOME funds for a TBRA Program. The administration of the subsidy program will be awarded to an entity with previous subsidy experience: the ability to, at a minimum, coordinate needed services, and the ability to administer the program within all regulations. Administration costs will be paid with HOME Administration or other funds.

4 Affordability and anti-discrimination requirements

4.1 Income limits

HOME projects must include housing units reserved for households with annual gross incomes at or below income limits established by the U.S. Department of Housing and Urban Development (HUD).

Income limits are adjusted by percentage of area median income ("AMI") and household size and are updated by HUD on an annual basis at: https://www.huduser.gov/portal/datasets/il.html. The current income limits as of the date of publication of this Manual are attached as Exhibit 1.

To minimally qualify for HOME funds, rental projects must include affordable units, defined as at or below 60 percent of area median income (AMI). For projects that have five or more HOME-assisted rental units, at least 20 percent of the units must be occupied by very low-income households (50 percent of area median income or below).

Homeownership projects may only assist households with annual gross incomes not to exceed 80 percent of AMI for the Minneapolis/Saint Paul metropolitan statistical area (MSA) as determined by HUD.

4.2 Rent limits

Gross rents for HOME-assisted projects, including all tenant paid utility costs, must not exceed the rent limits established by HUD for the appropriate income tier. In addition, for projects that have five or more HOME-assisted units, gross rents for 20 percent of the units, including all tenant paid utility costs, must not exceed the Low HOME limits. The current rent limits as of the date of publication of this Manual are attached as Exhibit 1.

4.3 Maximum home value

The initial purchase price or after-rehabilitation value of homeownership units assisted with HOME funds must not exceed 95 percent of the area median purchase price for single family housing, as determined by HUD (see Exhibit 1) (Section 215(b) of National Affordable Housing Act).

4.4 County anti-discrimination policy

In accordance with the County's policies against discrimination, no recipient of HOME funds shall exclude any person from full employment rights or prohibit any person from participation in or the benefits of any program, service, or activity on the grounds of any protected status or class, including but not limited to race, color, creed, religion, age, sex, gender expression, gender identity, disability, marital status, sexual orientation, public assistance status, or national origin; and no person who is protected by applicable federal or state laws, rules, or regulations against discrimination shall be otherwise subjected to discrimination.

4.5 County anti-displacement policy

As a large urban county, Hennepin County recognizes that many of our residents are impacted by systemic racism and do not have the same opportunities to grow and thrive as others in our population. For these residents, quality of life is impacted and the likelihood of a shorter lifespan is greater. Projects must minimize the displacement of Black, Indigenous and people of color (BIPOC), and vulnerable populations such as low-income households, immigrants, the elderly, and people with disabilities.

5 Other Federal Requirements

5.1 Fair housing

The Fair Housing Act prohibits discrimination in all housing related transactions based on race, color, religion, national origin, sex, familial status and disability. Projects shall comply with all federal laws, executive orders, and implementing rules and regulations. Projects shall also comply with Minnesota law and local city ordinances regarding fair housing and human rights, including the Minnesota Human Rights Act. Recipients of HOME funds must have procedures for handling fair housing complaints in place; owner(s) and/or manager(s) of the property shall be aware of these management procedures.

5.2 Relocation

HOME funds require compliance with the federal Uniform Relocation Act in any HOME-funded developments that involve acquisition, demolition or rehabilitation of property (not including voluntary homeowner rehabilitation). Acquisition includes the purchase of real estate, including vacant parcels, regardless of the source of acquisition funds. Any activities that could result in temporary or permanent displacement and the relocation of tenants will require relocation plans. All activities will trigger the need for one or more disclosure notices for the sellers, buyers and/or occupants. It is recommended that the developer work with a relocation expert/consultant.

5.3 Environmental Review

An Environmental Assessment (EA) process must be completed for every HOME project, and neither the recipient nor County may commit or expend HUD or other federal funds or make a choice-limiting action, prior to receiving the required Release of Funds.

Choice-limiting actions include but are not limited to: any physical action on the site; commitment or expenditure of HUD or non-HUD funds for property acquisition, rehabilitation, conversion, lease, repair, or construction activities. Projects that proceed with any choice-limiting action(s) before receiving the Release of Funds will be forfeiting access to the HOME funds for the project. Purchase Agreements for property should be contingent upon this requirement (Guidance: https://www.hudexchange.info/resource/5032/hud-memo-guidance-on-options-and-conditional-contracts-for-purchase-of-real-property-for-environmental-reviews-conducted-by-a-responsible-entity-under-24-cfr-58/).

The County will not begin the required EA until the project has been selected for HOME funding. The EA process may include:

- a minimum 30-day review of the site by the State Historic Preservation Officer (SHPO),
- publication of a public comment notice.

A completed Phase I Environmental Site Assessment is required for projects with five or more units. If indicated by the Phase I, a Phase II Environmental Site Assessment and response action plan may also be required.

5.4 Match Requirements

HOME recipients must contribute or match no less than 25 cents for each dollar of HOME funds spent on affordable housing. The County expects funded projects to assist with meeting this requirement.

The matching contribution adds to the resources available for HOME-assisted or HOME-eligible projects and must come in the form of a permanent contribution to affordable housing. Generally, investments from state or local governments or the private sector qualify as matching contributions, whereas federal funds (such as CDBG) do not qualify. Eligible sources of a match for HOME funds include cash, donated construction materials or volunteer labor, value of donated land or real property, value of foregone interest, taxes, fees, or charges levied by public or private entities, investments in on- or offsite improvements, proceeds from bond financing, the cost of supportive services provided to families living in HOME units, and the cost of homebuyer counseling to families purchasing HOME-assisted units.

5.5 Davis Bacon Act and Section 3

Every contract for housing with 12 or more HOME assisted units must contain provisions requiring the payment of not less than the wages prevailing in Hennepin County. Contracts must also be subject to overtime provisions.

Section 3 projects cover HUD program assistance used for housing rehabilitation, housing construction and other public construction projects that generally exceed a $200,000 project threshold. The Section 3 program requires recipients of HUD funding to direct employment, training, and contracting opportunities to low-income individuals and the businesses that employ these persons within their community. Section 3 is a provision of the HUD Act of 1968 and is found at 12 U.S.C. 1701u. The regulations are found at 24 CFR Part 75. Recipients of HUD funds (i.e. grantees and contractors) must ensure that, "to the greatest extent feasible" when certain HUD funds are used to assist housing and community development projects, preference for construction-related training, jobs, and contracting opportunities go to low- and very-low income people and to businesses that are owned by low- and very-low income persons or businesses that hire them. These opportunities are both gender and race neutral.

5.6 Build America, Buy America Act (BABA)

Projects utilizing HOME funds are subject to the Build America, Buy America Act. The purpose of BABA is to bolster America's industrial base, protect national security, and support high-paying jobs. BABA requires any "infrastructure project," including buildings and real property, funded by any "Federal Financial Assistance" (FFA) to apply a domestic content procurement preference. This means that all iron, steel, manufactured products, and construction materials used in the infrastructure project must have been produced in the United States, unless the awarding agency has issued a waiver of this requirement. To read OMB's guidance on the implementation of BABA, please see 2 CFR 184: https://www.ecfr.gov/current/title-2/subtitle-A/chapter-I/part-184

5.7 Lead based paint

Housing assisted with HOME funds is subject to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856), and implementing regulations at part 35, subparts A, B, J, K, M and R of this title.

5.8 Conflict of interest

In the procurement of property and services by local and State HOME recipients and subrecipients, the conflict-of-interest provisions in 2 CFR 200.317 and 2 CFR 200.318 apply. In all cases not governed by 2 CFR 200.317 and 2 CFR 200.318, the provisions of this section apply.

5.9 Violence Against Women Act

The Violence Against Women Act (VAWA) requirements set forth in 24 CFR part 5, subpart L apply to all HOME tenant-based rental assistance and rental housing assisted with HOME funds, as supplemented by this section.

5.10 Financial Management

For each type of recipient, there is a set of federal principles which determine allowable costs under federal grants and other agreements with state and local governments in accordance with the applicable 2 CFR Part 200 OMB Circular. These principles also include single audit requirements, as applicable.

6 Design, contracting and construction standards

6.1 Construction/rehabilitation standards

All building improvements must comply with local and Minnesota State Building Codes. At a minimum, properties must meet HUD's Uniform Physical Condition Standards and maintain compliance with all applicable ordinances, building and use restrictions, code-required building permits, and any requirements with respect to licenses, permits, and agreements necessary for lawful use and operation.

In addition, applicants are encouraged to include additional design features to help reduce energy expenditures, maintain sustainability and enhance the health, well-being and productivity of building occupants, such as:

- Energy Star products, standards and building certification
- The most current B3 standard: 3.0 – B3 (b3mn.org) which includes the SB2030 Energy Standard
- The 7 Principles - Centre for Excellence in Universal Design; "The design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design."

6.2 Section 504

Section 504 of the Rehabilitation Act of 1973 prohibits discrimination based on disability and requires that everyone have equal opportunity to obtain housing built with federal funds. HUD regulations require that five (5) percent (rounded up) of all new and rehabilitated units must be fully accessible for mobility impairments (physically handicapped) and an additional two (2) percent (rounded up) of all NEW units must be fully accessible for sensory (hearing or vision) impairments. The accessibility must meet the Uniform Federal Accessibility Standards (UFAS). These requirements apply to multi-family and single-family developments.

Additional requirements apply to common areas.

In addition, under the Fair Housing Act, all ground floor units in buildings with no elevator must meet the Fair Housing Act's design and construction requirements, when feasible, if built prior to March 13, 1991. For buildings with elevators, all units must meet the Fair Housing Act's design and construction requirements. A unit that meets the Fair Housing Act's accessibility requirements will be one that does not have as great a degree of accessibility as a UFAS-complying unit but is one that may be easily adapted to be fully accessible without significant costs and the need to do significant structural modifications.

Section 504 requires that reasonable accommodations be made in rules, policies, practices, services and reasonable structural modifications.

6.3 Construction and demolition reuse and recycling policy

All non-hazardous building material generated during the project should be sorted by material type for recycling or, if collected as mixed waste, sent to a facility that achieves a minimum 60% recycling rate. If sorting by material type, at a minimum, the following materials should be separated for recycling: concrete, metals, untreated wood, and roofing material. Removal of building materials for reuse is encouraged where feasible. New construction, renovation, rehabilitation, and remodeling projects are encouraged to incorporate reused and recycled content building materials in their designs. Special construction waste recycling rates for County-funded projects may be available to projects selected for funding via this RFP.

6.4 Affirmative action

Projects shall comply with all applicable local rules and regulations for affirmative action. Where federal, state, and/or local policies and requirements for affirmative action and equal employment opportunity differ, the most restrictive policies and requirements shall apply. However, applicants shall provide any reports or other documentation required by each jurisdiction in order to demonstrate compliance with applicable laws, ordinances, and regulations.

6.5 Small businesses, women-owned and BIPOC-owned business enterprises

All projects must track and report outreach efforts and contracts awarded to Small Business Enterprises (SBEs), Women Owned Businesses (WBEs), and businesses owned by Black, Indigenous, and People of Color (BIPOC), also known as Minority Owned Businesses (MBEs). They can be accessed in the Central Certification (CERT) Program [Central Certification CERT Program.] In addition, the County encourages participation in the County's Workforce Entry Program (WEP). WEP encourages contractors to hire a specific number (based on the project) of graduates of approved job training programs or demonstrate good faith efforts to do so. Contractors hire on the job training program graduates as apprentices, who gain valuable skills and knowledge working on county projects. Apprentices must not have completed an apprenticeship training course that leads to journeyman status or have been employed as a journeyman. The County provides a list of approved job training programs, under the "Promoting a diverse vendor workforce" drawer, here:

https://www.hennepin.us/business/work-with-henn-co/contracting-with-hennepin-county

7 Financing and Contracting Requirements

7.1 Award letter and period of performance

Developments will receive a funding award letter after approval of a HOME award by the County Board. The award letter will outline important terms of the commitment, including the number of units committed and their affordability levels (AMI). Developers should carefully review award letters upon receipt. Requests to change any terms represented in the award letter – including changes to interest rates and unit affordability levels – must be made at least 3 months in advance of the project's anticipated closing date, as some changes may require County board approval. Developers must receive written approval from the County prior to implementing any changes.

The County will complete a final underwriting (aka 'subsidy layering review') of awarded projects before financial closing to confirm remaining financial need and continued adherence to County priorities. The County reserves the right to cancel a funding commitment if the project is not proceeding according to the timeline submitted in the application. An executed loan agreement is the final commitment and will be required prior to disbursement. If funding has not been disbursed in a timely manner, for any reason whatsoever, the County has the discretion to rescind the funding.

Projects awarded HOME funds must close on all permanent financing (including HOME) by the deadline indicated on the award letter, which is typically 18 months after the award date. A maximum of two one-year extensions may be available under limited circumstances; please contact the HOME Program Manager.

7.2 Due diligence requirements

Developers should contact County staff at least six months prior to the anticipated project closing date to begin the due diligence process. County staff will provide developers with a due diligence checklist. Notable items on the due diligence checklist are highlighted below.

Applicants shall identify all financial commitments necessary to complete the activity and provide third party documentation supporting all funding pledges, conditions/terms and applicable deadlines. Any in-kind contributions from the municipality, business sector, and/or community must also be documented as part of the due diligence process prior to closing the HOME loan.

County policies require that the applicant organization, and other key members of the project team, must not be suspended or debarred from doing business with the government. The County will verify non-debarment of the development entity by checking the federal exclusions database and the state debarred vendor report at time of application. Developers are required to submit documentation of non-debarment for key project team members – including developer, development consultant (if any), architect, general contractor, property manager, and service provider – prior to the project's financial closing.

In addition, documentation requirements include but are not limited to: Lender's Title Policy; commitment for an American Land Title Association (ALTA) survey; a Legal Opinion Letter; agreement to defend, indemnify and hold the County harmless from any and all claims or lawsuits that may arise from the funded activities; agreement to provide evidence of insurance general liability, builder's risk, and worker's compensation in form and content satisfactory to the County; and documentation satisfactory to the County that BABA requirements will be met.

7.3 Financing terms and contractual requirements

Hennepin County's goal is to create long-term affordable housing opportunities. Therefore, assistance is structured in a way to achieve that goal, and rental and ownership applicants must commit to being part of the project long term.

Rental projects:

Successful rental projects awarded financial assistance from HOME typically receive a deferred, interest bearing 30-year loan (or such longer term as was indicated by the project at time of application). HOME loan documents include a Loan Agreement, Declaration of Covenants and Restrictions, a Mortgage, and a Promissory Note. The standard HOME interest rates are simple interest of 3% for-profit and 1% for non-profits. Any requests for a non-interest-bearing loan will need to include clear documentation of how zero interest will support the development of the project and its residents.

Loans will require full repayment of principal and interest. Loans must be repaid at the point of loan maturity, sale of the property, or if the project does not meet the terms and conditions of the contractual agreement. Regardless of the structure of the loan, or if it is repaid prior to maturity, all rental projects must comply with the HOME regulations for at least the minimum affordability period. The term of the assistance and the affordability period will be determined by the County and included in the written agreement.

Homeownership projects:

Successful homeownership projects, depending upon the structure of the project, will be required to ensure either:

- that units will be resold to subsequent eligible buyers at an affordable price and give the seller a fair return on their investment, or
- that funds will be recaptured if there are no sale restrictions and the housing unit is sold prior to the end of the required affordability period.

Homeownership projects required to recapture funds will typically be structured in the form of deferred, non-interest-bearing loan that must be repaid at the point of maturity, sale, or if the homeowner does not meet the terms and conditions of the contractual agreement.

A standard form loan agreement has been included in the RFP attachments; please be advised that terms and conditions are subject to change.

8 Ongoing requirements, compliance reporting, program monitoring

8.1 Rental specific requirements

All HOME-funded rental projects will be required to comply with the following terms for the entire length of the HOME loan:

- Create and follow an Affirmative Marketing Plan that provides outreach to individuals that are the least likely to apply;

- Create and follow a Tenant Selection Plan that is consistent with providing affordable housing, reasonably related to the program eligibility and ability to comply with the lease, selects applicants from any waiting list in chronological order, that provides prompt written notification to rejected applicants noting reason(s) for the rejection, and that meets any local renter screening ordinances and regulations.
- Accept Section 8 housing choice vouchers and other tenant-based subsidies;
- Provide a written lease that has an initial term of one year, be free of any of the HUD-prohibited lease provisions, provide a minimum 30-day period of notification for termination of tenancy;
- Notify tenants that the *Landlords and Tenants: Rights and Responsibilities* handbook is available, and post a fair housing poster in a common conspicuous area, as required by Fair Housing (24 CFR 110.1); and
- Ensure tenants have the opportunity to review property management procedures in different formats or different languages if requested by the tenant.

A rental compliance guide provides general information on HOME regulations, the Consortium requirements, and the required annual monitoring forms for projects assisted with HOME funding. Find the rental compliance guide here: https://www.hennepin.us/business/work-with-henn-co/federal-housing-programs.

8.2 Homeownership specific requirements

All HOME-funded homeownership projects will be required to comply with the following terms for the entire length of the HOME loan:

- Create and follow written affirmative marketing and selection guidelines and policies and written program/project guidelines that provides for the pre-purchase and post-purchase needs of the population(s) being served in the proposed ownership projects, and that demonstrates how the project will ensure successful ownership to achieve housing stability;
- Ensure that all HOME assisted homebuyers receive at least pre-purchase homebuyer counseling; and
- If a property is not sold within nine months after project completion, it must be converted into rental property.

8.3 Compliance reporting/program monitoring

Annual reporting during the affordability period is required (HOME regulation at 24 CFR Part 92). This may include, but is not limited to, rent rolls, verifications of household income, household data, rent schedule, operating budget, and financial audits. The County has the right to review any and all procedures, including property management agreements, and all materials, notices, documents, etc., prepared for the implementation of the project. Fees may apply for compliance management. Monitoring may be performed on behalf of the County by a third-party entity.

9 Housing with services (aka supportive housing)

While supportive housing is not the primary focus of the HOME program, HOME may fund supportive housing that serves populations other than those designated a priority under the Supportive Housing Strategy, or for proposals that are otherwise ineligible for the Supportive Housing Strategy. HOME-funded developments that include supportive housing shall provide the appropriate and necessary level of services for the project during the entire affordability period.

If proposing supportive housing, the applicant must demonstrate how the project will assist residents achieving housing stability through written service plans, marketing plans, and tenant selection policies. The proposed project should also have a screening process that is low barrier/low threshold that screens in, rather than screens out, tenants. The tenant screening criteria should allow for consideration regarding criminal history, rental history, income, and credit factors likely to be present for supportive housing residents.

Participation in social services is based upon individual choice. Housing services should assure culturally sensitive outreach, programming and/or culturally appropriate living and community spaces. All proposed supportive housing projects will be reviewed by Hennepin County Housing Stability staff. If proposals include a significant share of units with Housing Support (formerly GRH), the proposal may need to apply to a separate RFP for approval of this Housing Support use. Contact the appropriate staff at hs.housing.grh@hennepin.us with Housing Support questions.

Exhibit 1: 2024 Income, Rent, Subsidy, and Value Limits

Hennepin Housing Consortium
HOME Investment Partnerships Program

Income limits

(Effective June 1, 2024)

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
30%	26,100	29,800	33,550	37,250	40,250	43,250	46,200	49,200
50%	43,500	49,700	55,900	62,100	67,100	72,050	77,050	82,000
60%	52,200	59,640	67,080	74,520	80,520	86,460	92,460	98,400
80%	68,500	78,250	88,050	97,800	105,650	113,450	121,300	129,100

MSA: Mpls/St. Paul Median Household Income: $124,950

Gross rent limits

(Effective June 1, 2024)

	SRO*	EFF/0 BR	1BR	2 BR	3 BR	4 BR	5 BR	6 BR
Low HOME	881	1,087	1,165	1,397	1,615	1,801	1,988	2,173
High HOME	881	1,174	1,327	1,622	2,066	2,285	2,502	2,720

LOW HOME rents are the lesser of the Fair Market Rent or the 50% rent limit. Units must be occupied by households with gross annual incomes that do not exceed 50% of area median income.
HIGH HOME rents are the lesser of the Fair Market Rent or the 65% rent limit. Units must be occupied by households with gross annual incomes that do not exceed 60% of area median income.
*Limit for Single Room Occupancy (SRO) units: typically calculated 75% of the Fair Market Rent Efficiency limit ($1,087 x 75% = $815)

FOR INFORMATION ONLY:

	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom	6 Bedroom
Fair Market Rent (FMR)	1,174	1,327	1,622	2,188	2,470	2,850	3,221
50% Rent Limit	1,087	1,165	1,397	1,615	1,801	1,988	2,173
65% Rent Limit	1.394	1,494	1,796	2,066	2,285	2,502	2,720

Maximum per unit subsidy limit

(Effective February 13, 2024)

SRO	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
129,758	136,116	181,488	252,993	327,929	359,263

Maximum value for homeownership activities

(Effective September 1, 2024)

	1-unit and Condominium Units	2-unit	3-unit	4-unit
NEW construction	$400,000	$513,000	$621,000	$769,000

Existing	$342,000	$438,000	$530,000	$657,000