

HENNEPIN COUNTY
MINNESOTA

Affordable Housing Incentive Fund Program Manual
Attachment to the 2024 Coordinated Affordable Housing RFP

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1. Introduction

In 2000, the Hennepin County Housing and Redevelopment Authority (“the Authority”) created the Affordable Housing Incentive Fund (AHIF) to encourage the preservation and development of affordable housing opportunities throughout Hennepin County. This AHIF Program Manual provides an overview of program requirements and describes relevant policies and priorities. The Authority reserves the right to waive any and all procedures contained herein where they may interfere with the timely implementation of projects in the Authority’s interest.

2. Project eligibility

Affordable rental and affordable homeownership projects were both eligible for AHIF for the first 20 years of this funding program. In 2022, the Authority created a separate fund for affordable homeownership development, allowing AHIF to focus on the creation or preservation of affordable rental housing.

Developments anywhere within Hennepin County are eligible to receive AHIF; there are no geographic limitations.

3. Affordability and anti-discrimination requirements

Income limits

AHIF 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 by household size and are updated by HUD on an annual basis and are available here:

<https://www.huduser.gov/portal/datasets/il.html>

The current income limits as of the date of publication of this Manual are:

TABLE 1. HUD INCOME LIMITS, EFFECTIVE MAY 2023

	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	50,560
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%	66,300	75,750	85,200	94,650	102,250	109,800	117,400	124,950

To minimally qualify for AHIF, projects must include affordable units, which are defined for the AHIF program as at or below 50% AMI, or at or below 60% AMI for projects using low-income housing tax credits.

Rent limits

Gross rents for AHIF-assisted projects must not exceed the Multifamily Tax Subsidy Project (MTSP) rent limits established by HUD for the appropriate income tier. Except in the case of committed project-based rental assistance or committed Housing Support, rent limits must match the income limits set out for each rental unit. The rent limits are based on a household paying no more than 30 percent of gross income for gross housing costs, including tenant paid utility costs. Rent limits are based on a formula of 1.5 persons per bedroom, are adjusted annually, and are published annually by the Minnesota Housing Finance Agency (MHFA). Current (and historical) rents are available here:

[Rent & Income Limits \(mnhousing.gov\)](https://www.mnhousing.gov/rent-income-limits)

The current rent limits as of the date of publication of this Manual are:

TABLE 2. MHFA RENT LIMITS, EFFECTIVE MAY 2023

AMI	EFF/0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
30%	652	699	838	969	1,080	1,192	1,304
50%	1,087	1,165	1,397	1,615	1,801	1,988	2,173
60%	1,305	1,398	1,677	1,938	2,161	2,385	2,608
80%	1,740	1,864	2,236	2,584	2,882	3,181	3,477

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.

County anti-discrimination policy

In accordance with the County's policies against discrimination, no person shall be excluded from full employment rights or participation in or the benefits of any program, service, or activity on the grounds of race, color, creed, religion, age, sex, 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.

County anti-displacement policy

As a large urban county, Hennepin County recognizes that many of our residents are impacted by systemic racism and don't 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 involuntary displacement of Black, Indigenous and people of color (BIPOC), and vulnerable populations such as low-income households, immigrants, the elderly, and people with disabilities.

Relocation

Though AHIF are not federal funds, the Authority requires compliance with the federal [Uniform Relocation Act](#) in any AHIF-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 the creation of a relocation plan. 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.

4. Design, contracting and construction standards

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 the lawful use and operation.

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

- B3 Guidelines Version 3.0: [3.0 – B3 \(b3mn.org\)](#) which includes the SB2030 Energy Standard
- [Energy Star](#) products, standards and building certification
- [The Principles of 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."

Section 504

Section 504 of the Rehabilitation Act of 1973 prohibits discrimination based on disability. Section 504 requires that five percent (rounded up) of all new and rehabilitated units must be fully accessible for

people with mobility impairments (physical handicaps) and that an additional two 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).

Additional requirements apply to the common areas. These requirements state that all ground floor units must be accessible in buildings with no elevator, when feasible, if built prior to March 13, 1991. For buildings with elevators, all units must be accessible.

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

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.

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, applicant shall provide any reports or other documentation required by each jurisdiction in order to demonstrate compliance with applicable laws, ordinances, and regulations.

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).

In addition, the Authority 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 they've made 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 here: <https://www.hennepin.us/-/media/hennepinus/business/work-with-hennepin-county/contracting-with-hennepin/WEP-approved-programs-list.pdf>

Environmental review

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. Financing and contracting requirements

Award letter and period of performance

Developments will receive a funding award letter after approval of an AHIF award by the Authority 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.

Projects awarded AHIF must close on all of the project's permanent financing (including AHIF) by the deadline indicated on the award letter. Extensions may be available under certain limited circumstances; please contact the AHIF Program Manager.

Due diligence requirements

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

Municipal support

Projects must demonstrate community support. For AHIF funds, an authorizing council resolution from the municipality will be required following the funding award and prior to disbursement. It is highly recommended that the developer discuss the project with city staff prior to submitting an application for AHIF funding.

Financial commitments

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 AHIF loan.

In addition to the items specifically highlighted above, 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, worker's compensation in form and content satisfactory to the county.

Documentation of non debarment

County policies require that the applicant organization, and other 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.

Financing terms and contractual requirements

Successful rental projects awarded financial assistance from AHIF typically receive a deferred, interest bearing 30-year loan (or such longer term as was indicated by the project at time of application). AHIF loan documents include a Loan Agreement, Declaration of Covenants and Restrictions, a Mortgage and a Promissory Note. The standard AHIF interest rate is 1% simple interest. Any requests for a non-interest bearing loan will need to be justified and, if approved, may include a profit-sharing provision. Financing terms will be determined by Hennepin County staff based on the project’s development and operating budgets and ability to repay.

AHIF 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. A standard form loan agreement has been included in the RFP attachments; please be advised that terms and conditions are subject to change. Applicants are encouraged to review the loan documents and note any rejected terms with the submission of their proposal.

6. Rental requirements

All AHIF-funded projects will be required to comply with the following for the entire term of the AHIF 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; that is reasonably related to the program eligibility and ability to comply with the lease; that 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.
- Tenant selection processes should allow for appeals, or consideration on case-by-case basis.
- 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; provides a minimum 30-day period of notification for termination of tenancy.
- Notify tenants that the *Landlords and Tenants: Rights and Responsibilities* handbook is available.

- Post a fair housing poster in a common conspicuous area.
- Ensure tenants have the opportunity to review property management procedures in different formats or different languages if requested by the tenant.

Rental compliance reporting/program monitoring

Annual reporting during the affordability period is required. 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.

7. Housing with services (aka supportive housing)

AHIF-funded developments originally proposed as supportive housing shall provide the appropriate and necessary level of services for the project during the entire affordability period. Hennepin County will review new supportive housing proposals based on clearly defined operating and service budgets and funding sources.

If proposing supportive housing, the applicant must demonstrate how it will achieve and ensure housing stability through written service plans, marketing plans, and tenant selection policies. Applicants 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.

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 supportive services, including county-supported units serving significant at risk and/or homeless populations, must be reviewed and approved by Hennepin County housing stability staff. Contact the appropriate staff at hs.housing.grh@hennepin.us with supportive services questions.

8. Units set aside for Hennepin County HHS populations

In order to provide more housing opportunities for Hennepin County's Health and Human Services (HHS) client population, developers of mixed-income projects are encouraged to reserve housing units within funded projects for priority occupancy by HHS clients. While all unit sizes are valuable to the HHS program, the HHS unit commitment must specify which size(s) of units are being set aside. Note that whichever option is elected will have implications for the number of vacancies which must be reported to the county and reserved for priority occupancy by HHS clients for a minimum 14-day period. Units may not be physically separated from other units. A unit income restriction at or below the 30% AMI

level, with rent set at the 30% AMI level or with a dedicated, project-based source of rent assistance, is required for an HHS set-aside unit.

HHS units will not be the same units as homeless units. HHS units will not be filled via referrals from the coordinated entry system. Homeless units should not be “double-counted” with HHS unit commitments in the application and are considered a separate commitment.

Service provision. Managers/staff of projects with HHS unit commitments are not required to directly offer support services as services will be coordinated by the tenant through the county or other provider. HHS delivers a variety of services to individuals or families that assist with basic needs or encourage client development in the following areas:

- Social programs (safety net services such as food support, emergency shelter and cash assistance).
- Help for people who are developmentally disabled
- Services for seniors
- Services for veterans
- Behavioral and chemical health services
- Protective services for children and adults
- Child support
- Health care through Medical Assistance

Agreement by the developer to set aside units for HHS clients will include:

- A Declaration of Covenants and Restrictions filed against the property reflecting the agreement and the 30% AMI rent and income restriction.
- Required notification to the county when a unit becomes available. A developer must hold the unit for 14 days while the county works to refer applicants to the project. If no eligible county clients are referred within 14 days, the vacancy opens to the general public.
- Hennepin County will provide one HHS staff contact person for notification of vacancies and questions regarding HHS client referrals.
- A county-approved flexible tenant selection plan for the HHS units. This tenant selection should consider the applicant’s history in resolving and reconciling of barriers for tenancy, and address racial disparities in housing access and stability.