Hennepin County Repair + Grow Program Overview
Draft: July 2024

In Hennepin County alone, 65,000 low-income households live in housing that costs more than half of their monthly income. With strong support from Hennepin County, the 2023 Minnesota Legislature authorized new funding and programs specifically to increase production of affordable housing to meet that need. This included a historic 0.25% Metro Area Sales and Use Tax for housing, and the Local Affordable Housing Aid (LAHA) program to implement those tax proceeds (sections 297A.9925 and 477A.35). Later in 2023, the Hennepin County Board authorized an Implementation Framework outlining strategies to use sales tax revenues to meet highest priority county goals within the LAHA goals and requirements (Resolution 23-0438).

The LAHA Implementation Framework applies LAHA funds to proven county strategies along the affordable housing continuum. This strategy implements our disparities reduction framework and goals, and builds on County programs and infrastructure already tested through the pandemic.

See the webpage on Hennepin County's LAHA plan for more information:
https://www.hennepin.us/en/business/work-with-henn-co/metro-area-sales-and-use-tax.

Repair + Grow Overview

Hennepin County needs a healthy ecosystem of developers and owners to expand affordable housing production for low-income residents, but many partners are still struggling to keep existing projects open due to industry-wide rental revenue decreases and operating cost increases.

The Hennepin County LAHA Implementation Framework includes an early, one-time program to repair and build the capacity of affordable housing owner-developers. This program, now called Repair + Grow, will provide one-time assistance to local non-profit affordable housing owners to mitigate or remove challenges standing in the way of new development.

The goal of Repair + Grow is to ensure that affordable housing developers and owners have the capacity to undertake significant new affordable housing development when Hennepin County programs the bulk of LAHA funding to capital financing in 2026. Repair + Grow funds will be provided as a grant with reporting and performance metrics.

Everything in this draft overview is subject to change.

1.1 Vendor qualifications, eligibility and experience

Proposals must meet minimum eligibility requirements and describe a clear plan to increase financial stability of affordable housing properties located in Hennepin County, and improve financial sustainability of the parent organization. Award amounts will be informed by the size and depth of affordability of the organization's affordable housing portfolio located in Hennepin County, by the organization's level of financial need, and by the feasibility and impact of the stabilization plan.

To minimally qualify, organizations must meet four factors:

1. Be nonprofits with principal place of business located in Minnesota, as defined by:
   - Tax filings use a Minnesota address
   - More than 50% of the organization's rental housing located in Minnesota

2. Own a minimum of 40 units of housing in Hennepin County which are rent and income-restricted below 60% AMI, as defined by:
   - A recorded declaration from an affordable housing funder (4d alone does not qualify the property or unit, but "Naturally Occurring Affordable Housing" acquired by a nonprofit and with recorded rent and income restrictions are eligible)
   - Proof of ownership demonstrating that units are owned by one of the following:
     - The applicant,
     - An LLC or LP for which the applicant is the managing general partner,
     - Other properties where the applicant can demonstrate ownership or control, in Hennepin's sole discretion
   - Demonstration of lease-based housing with month-to-month or longer durations (excludes emergency shelters, assisted living, board & lodge, and nursing homes.)

3. Demonstrate significant financial impacts in the Hennepin County portfolio due to recent economic and social conditions, as outlined in section 1.2 below (i.e. ledgers, invoices and/or other materials[1]) and a narrative describing at least two of the following:
   - Negative or flat property operating revenue due to loss of rental income between the years 2019 to 2024
   - Operating expenses (i.e. utilities, insurance) with year-to-year increases of 10% or greater
   - Necessary but unanticipated costs (i.e. security) borne by the property but paid via the parent organization
   - Rental vacancy rates exceed 7%, and/or rental income collections from tenants is lower than 90%
   - Capitalized reserves lower than benchmarks required by lenders/investors, OR at lower than December 31, 2019 levels
   - Baseline financial and property ownership information will be required from applicants from financial year 2019.

4. Provide a Stabilization Plan that demonstrates a clear, concrete plan to stabilize and improve their affordable housing portfolio in Hennepin County. Stabilization Plans must include both:
   - How funds will be used to support the organization's mission;
   - At least four of the following performance metrics:

[1] While Hennepin County will not share this information except as required via a formal Freedom of Information Act request, organizations' financial data will become public data after the RFP process.

        - Improved training and retention of front-line, entry-level staff, including property managers, maintenance technicians, real estate development staff, asset management staff;
        - Increased occupancy rates, with lower rates of late or missing rent payments'
        - Faster rates of unit turns (i.e. new occupants residing in units) when units become vacant;
        - Decreases in past-due bills to vendors, including fees (property management and/or other) owed to the parent organization;
        - Reserves are restored to industry-standard levels, or other minimum levels required by project investors/funders;
        - New development projects in pipeline; and
        - Other metrics as proposed by applicants and approved by Hennepin County in its sole discretion; AND
    - Increased financial stability within Hennepin County properties, defined by:
        - Affordable housing properties in Hennepin County remain affordable to at least December 31, 2035; and
        - Increased financial sustainability (and therefore increase future development capacity) of the parent organization

1.2 Eligible costs, eligible expenditure period, and required documentation

Proposals must include a budget that reflects eligible costs to be requested for reimbursement. and documentation of financial impacts. The required documentation listed below will be required as part of disbursement requests submitted to Hennepin County after grant agreement execution.

Additionally, applicants will be required to attest that the costs for which they are requesting reimbursement have not already been reimbursed by another program (i.e. the Stable Housing Organization Relief Program, https://mnhousing.gov/rental-housing/housing-development-and-capital-programs/deferred-loans-and-grant-programs/stable-housing-organization-relief-program-(shorp).html).

Eligible costs, and the required documentation for each cost category, are listed below:

Eligible Cost	Expenditure period	Required documentation
Staff training	1/1/2025-12/31/2025	Invoices for training registration fees
Asset management consulting	1/1/2025-12/31/2025	Consulting invoices
Retention bonuses for front-line staff	1/1/2025-12/31/2025	Schedule of bonuses; list of staff retained
Property marketing costs, including cost of advertisements and/or marketing staff	1/1/2025-12/ f31/2025	Invoices

Unpaid fees due to the parent organization from affordable housing properties (i.e. property management fees, asset management fees) that are outstanding as of 1/1/2025	3/1/2020-12/31/2025	Ledger of outstanding fees; property management and asset management agreements
Deferred maintenance	1/1/2025-12/31/2025	Contractor invoices indicating date, property address, unit number if applicable, and scope of work
Typical costs with extraordinary cost increases (utility, insurance, etc)	3/1/2020-12/31/2025	Current + comparison invoices; Repair + Grow will cover 50% of the cost of the invoice
Cost of vacancy loss, if the applicant has a rent forgiveness program in place that requires active tenant participation	3/1/2020-12/31/2025	Ledgers indicating vacancies; documentation of rent forgiveness programs that require active tenant participation; demonstration of how the portfolio will be stronger in 2 years as a result of this plan
Contributions to capitalized reserves. Operating, replacement, expense coverage ratio reserves are eligible.	1/1/2025-12/31/2025	Bank documentation of reserve balances; documentation of reserve requirements in project legal documents
Repayment of cash borrowing from parent organization to properties, provided that the loan is still outstanding as of 1/1/2025.	3/1/2020-12/31/2025	Journal entries
Other costs proposed by applicants and approved by Hennepin County in its sole discretion	To be determined	To be determined

Past-due rent payments and staff time are not eligible uses for Repair + Grow.

Hennepin County will accept requests for reimbursement for eligible costs at the end of each annual quarter. Reimbursement requests must be submitted after the grant agreement between Hennepin County and the applicant organization is fully executed.

1.3 Evaluation criteria

Award sizes will be based on financial need, portfolio size, stabilization plan. Evaluation criteria shall include the following:

1. Demonstration of financial need

   a. Proposals able to demonstrate financial need within the Hennepin County portfolio owned by the organization and at the organizational ("parent") level will be prioritized
   b. Proposals that demonstrate imminent financial catastrophe will be ineligible
2. Size and character of affordable housing portfolio located in Hennepin County
   a. Proposals that involve portfolios with deeper affordability will be prioritized (top priority: units reserved for & affordable to 30% AMI, secondary priority: 50% AMI)
   b. Proposals that involve portfolios with a higher percentage of 30% AMI units
3. Effectiveness of Stabilization Plan for portfolio stabilization and capacity growth.
4. Quality of proposal, including without limitation:
   a. Demonstrated understanding of the scope of services
   b. Compliance with proposal format & content
   c. Clarity and thoroughness of proposal
   d. Prepared for interview/presentation (if applicable)

1.4 Program requirements

Selected applicants must comply with the following during the period of performance:

Deliverables

Organizations selected for Repair + Grow funding will be required to submit reports annually through the end of the grant period (3 years), reporting on:

- the metrics and outcomes the proposal intends to advance, and
- any additional reporting factors required by Minnesota Housing.

Report format to be provided by Hennepin County.

Period of performance

The term of the grant agreement will be January 1 to December 31, 2027, with some costs eligible from March 2020, as outlined above. Reporting will be required annually during the entire term of the grant agreement. Affordability restrictions are required to extend to December 31, 2035 or later.

1.5 Financing terms and contractual requirements

- Grant agreement:
  - To expedite funds to organizations selected via this RFP, this program will utilize the standard Hennepin County grant agreement. A template of this agreement will be provided as an attachment to the RFP.
- Declaration ensuring affordability:
  - If a property this is part of the proposal response to the Repair + Grow RFP has an existing recorded declaration or LURA ensuring affordability through December 31, 2035 or further, no new declaration will be required.
  - If a property's affordability requirements expire before December 31, 2035, a new or amended declaration will be required. The declaration will require that the County

approve any property transfers (sales) before December 31, 2035, and that the prospective owner accept, in writing, all duties and obligations of the declaration and deliver this assumption agreement to the County prior to the property transfer.

- Financial records and reporting:
    - Single audits will not be required.
    - Organizations requesting funds will be required to submit a standard attestation as part of the reimbursement request process.
    - Awardees will be required to maintain financial records for a minimum of 6 years and comply with other financial requirements in the County standard grant agreement.