

# Anoka County Rental Development Capital Fund Program Manual

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## 1 Introduction

The Anoka County Housing and Redevelopment Authority (“the Authority” or the “County”) created the Consolidated Affordable Housing Development Program (CAHDP) to encourage the preservation and development of affordable housing opportunities throughout Anoka County.

This Rental Development Capital Fund (RDCF) program manual provides an overview of program requirements and describes relevant policies and priorities. The County reserves the right to waive any and all procedures contained herein where they may interfere with the timely implementation of projects in the County’s interest.

The sources of funds for the CAHDP are federal and local sources including: the HOME Investment Partnerships Program (HOME) 24 CFR Part 92; Community Development Block Grant (CDBG) 24 CFR Part 570; Local Affordable Housing Aid (LAHA) MN Statute 477A.35 and Statewide Local Housing Aid (SAHA) MN Statute 477A.36.

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## 2 Project Eligibility

Projects to create or preserve affordable multifamily rental housing are eligible for RDCF. Developments anywhere within Anoka County are eligible to receive RDCF; there are no geographic limitations.

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## 3 Affordability and Anti-Discrimination Requirements

To minimally qualify for RDCF, projects must include affordable units, which are defined for the RDCF program as at or below 50% AMI, or at or below 60% AMI for projects using low-income housing tax credits. Projects will be prioritized that provide affordable housing to households that have incomes that do not exceed 50 percent of the greater of state or area median income as determined by the United States Department of Housing and Urban Development.

3.1 Income limits RDCF 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, 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 available in **Exhibit #1**.

3.2 Rent limits Gross rents for RDCF -assisted projects must not exceed the HOME Investment Partnership program rent limits established by HUD. The current rent limits as of the date of publication of this Manual are located in [Exhibit#2](#).

### 3.3 Fair housing and Anti-Discrimination Requirements

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.

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## 4 Design, Contracting and Construction Standards

### 4.1 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 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:

- Energy Star products, standards and building certification
- The most current B3 standard: 3.0 – B3 ([b3mn.org](http://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.”

### 4.2 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.

#### 4.3 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.

If federal funds are provided, the County will need to complete the required Federal Review, prior to any choice limiting action being taken. Choice limiting actions, which is set forth in 24 CFR 58.22 specifies that an environmental review must be performed before any funds, regardless of source are committed to a project. This includes other activities that are not being funded through the grant but are considered part of the overall project. Applicants should not spend any funds or execute any written agreements until the environmental review has been completed. This applies to any entities that are requesting assistance or providing funding as part of the overall project.

#### 4.4 Lead Based Paint

For rental rehabilitation projects, the developer must disclose if the unit was built before 1978. If federal funds are provided, the applicable lead-based paint regulations 24 CFR Part 35 and rules must be followed. For all projects, the County encourages developers to have a lead safety plan.

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## 5 Financing and Contracting Requirements

### 5.1 Award letter and period of performance

Developments will receive a funding award letter after approval of an RDCF award by the Anoka County Housing and Redevelopment 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. 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 HRA board approval. Developers must receive written approval from the County prior to implementing any changes. Projects awarded RDCF must close on all of the project’s permanent financing (including RDCF) by the deadline indicated in the award letter, which is typically 18 months after the award date. A maximum of two one-year extensions of the closing deadline may be available under certain limited circumstances; please contact the RDCF Program Manager. All funds awarded under the loan agreement must be disbursed within two years of the loan agreement execution date.

### 5.2 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. It is highly recommended that the developer discuss the project with city staff prior to applying for RDCF funding.

### 5.3 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 RDCF 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 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 nondebarment 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.

### 5.4 Financing terms and contractual requirements

The County will complete a final underwriting 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, or other significant changes have been made to the project without County approval. An executed loan agreement is the final commitment and will be required prior to disbursement. Successful rental projects awarded financial assistance from RDCF typically receive a deferred, low interest bearing 30-year loan (or such longer term as was indicated by the project at time of application). RDCF loan documents include a Loan Agreement, Declaration of Covenants and Restrictions, a Mortgage and a Promissory Note. The standard RDCF interest rate will be simple interest and based on the project need and ability to repay the funds. 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 and may include a profit-sharing provision. A typical interest rate will be from 1 to 3 percent.

Projects approved for funding require disbursement within two years of the loan execution date. If funding has not been disbursed in a timely manner, for any reason whatsoever, the

County has the discretion to rescind the funding. RDCF 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 for each funding program is available upon request by (contact the RDCF program manager); please be advised that terms and conditions in the template loan documents are subject to change. Applicants are encouraged to review the standard form loan agreement and note any rejected terms with the submission of their proposal.

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## 6 Tenant Selection and Compliance Reporting Requirements

6.1 Rental requirements All RDCF -funded projects will be required to comply with the following for the entire term of the RDCF 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.

## 6.2 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, and as revised during the affordability term. Compliance materials must be submitted in the format and on the timeline required by the County.

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## 7 Housing with Services (aka Supportive Housing)

While supportive housing is not the primary focus of RDCF, RDCF 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. RDCF -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 in 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.