



2025 Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program RFP Frequently Asked Questions (FAQ)

Application Deadline: Thursday, April 24, 2025, 5 p.m. Central time

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The following are questions and answers regarding the 2025 Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program RFP. All questions were received by Minnesota Housing between the RFP release on February 20, 2025, and the deadline for questions on March 28, 2025.

Applicant Eligibility

Q1. Is a Housing and Redevelopment Authority (HRA), Community Development Agency (CDA), Economic Development Authority (EDA), Port Authority, Regional Development Commission (RDC), county, neighboring township or other entity able to apply on its own behalf, or on behalf of a city?

A. No. Only Tier II cities are eligible applicants. A Tier II city satisfies all four criteria below. It is:

- A statutory or home rule charter city;
- Located in Greater Minnesota, meaning outside the seven-county Twin Cities metro area (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties);
- Not certified to receive [Local Affordable Housing Aid \(LAHA\)](#) funds directly from the Department of Revenue in 2025; and,
- Not certified to receive Statewide Local Housing Aid, also referred to as [Statewide Affordable Housing Aid \(SAHA\)](#), funds directly from the Department of Revenue in 2025.

Q2. May two or more cities, or a city and other entity, partner and apply together as co-applicants?

A. No. While partnerships or other agreements (for example, Grantee-subgrantee relationships) may be necessary or beneficial to carry out certain projects, only one city

can be the applicant, and it must be a Tier II city. For the definition of a Tier II city, refer to Q1 above.

Q3. Is a township, county, Census-designated place or unincorporated area an eligible applicant?

A. No. Only Tier II cities are eligible applicants. For the definition of a Tier II city, refer to Q1 above.

Q4. Are Tribal Nations and Tribally designated housing entities eligible applicants?

A. No. Tribal Nations are able to receive Statewide Affordable Housing Aid (SAHA) funds directly from the [Department of Revenue](#). However, all Tier II cities, including Tier II cities within Tribal reservations or that otherwise include Tribal lands or serve Native people, are eligible applicants. For the definition of a Tier II city, refer to Q1 above.

Q5. Can a redevelopment authority be the administrator of the grant funds and manage the Qualifying Project/program?

A. Yes. However, the city must be the Grantee and Minnesota Housing's primary contact. The city is solely responsible for fulfilling all terms of the Grant Contract Agreement, including requesting disbursements and reporting progress to Minnesota Housing.

Q6. Is Minnesota Housing able to provide a definitive list of all Tier II cities?

A. The [Community Need methodology document](#) contains a list of Tier II cities, but it is not definitive. Any city that meets the criteria of a Tier II city is encouraged to apply. For the definition of a Tier II city, refer to Q1 above.

Q7. Is a city that is certified to receive LAHA or SAHA funds directly from the Department of Revenue in 2025 an eligible applicant?

A. No.

Q8. Is a city that is certified to receive LAHA or SAHA funds directly from the Department of Revenue in 2025, but did not receive LAHA or SAHA funds directly from the Department of Revenue in 2024, an eligible applicant?

A. No.

Qualifying Projects

Q9. What is the definition of a “nonprofit” as included under “Eligible Uses” in the RFP Instructions? Specifically:

- financial support to **nonprofit** affordable housing providers in their mission to provide safe, dignified, affordable and supportive housing in Minnesota; and,
- funding of supportive services or staff of supportive services providers for supportive housing as defined in section [462A.37, subdivision 1](#). Financial support to **nonprofit** housing providers to finance supportive housing operations may be awarded as a capitalized reserve or as an award of ongoing funding.

A. For purposes of this RFP, “nonprofit” means a charitable organization that is formed for the purpose of fulfilling a mission to improve the common good of society rather than to acquire and distribute profits. The organization meets the definitions in [Chapter 317A, Minnesota Statute 309.50, subd. 4](#), or meets the definitions defined in the Internal Revenue Service code, with the most common type being a 501(c)(3).

Q10. Do “nonprofit affordable housing providers” include nonprofit affordable housing developers?

A. Yes, if the developer meets the definition of “nonprofit” provided in the answer to Q9, then the nonprofit affordable housing developer is considered a nonprofit affordable housing provider.

Q11. Do “nonprofit affordable housing providers” include housing cooperatives?

A. Generally no, unless the housing cooperative meets the definition of “nonprofit” provided in response to Q9 and one or more units is affordable.

Q12. Do “nonprofit affordable housing providers” include housing and redevelopment authorities (HRAs), economic development authorities (EDAs), public housing authorities (PHAs) and other similar types of public organizations?

A. No. In general, housing and redevelopment authorities, community development agencies, economic development authorities, public housing authorities, regional development commissions, other instrumentalities of local governments or of Tribal Nations, and other special purpose districts, are not nonprofit affordable housing providers.

Q13. Can a Grantee require deliverables in exchange for “financial support to a nonprofit affordable housing provider in its mission to provide safe, dignified, affordable and supportive housing?” For example, can the financial support be structured as loans or grants to the funding stack for new development?

A. Yes. Grantees may require deliverables in exchange for financial support to a nonprofit affordable housing provider in its mission to provide safe, dignified, affordable and supportive housing.

Q14. Is “financial support to a nonprofit affordable housing provider in its mission to provide safe, dignified, affordable and supportive housing” necessarily a subgrant? And if so, is it necessary to enter into a formal contract with the subgrantee before the subgrantee incurs eligible expenses on a Qualifying Project, as stated in Section 5.03 of the Program Guide?

A. No, financial support to a nonprofit affordable housing provider in its mission to provide safe, dignified, affordable and supportive housing is not necessarily a subgrant.

Minnesota Housing expects grantees will establish both that the nonprofit’s mission includes providing safe, dignified, affordable and supportive housing and a formal process for distributing financial support to the nonprofit established according to the grantee’s own rules and procedures.

Although a Grantee may choose to require a written agreement with the nonprofit before distributing financial support to the nonprofit, it is not a general requirement of the program. However, Grant Contract Agreements between Grantees and Minnesota Housing may contain more restrictive requirements, which may include a requirement to enter Grantee-subgrantee or other written agreement(s) with the nonprofit(s) prior to distributing financial support to the nonprofit(s).

Q15. To be considered “financial support to a nonprofit affordable housing provider in its mission to provide safe, dignified, affordable and supportive housing,” must the nonprofit’s mission include providing supportive housing? If the nonprofit’s mission includes providing housing that is safe, dignified and affordable, but not supportive, is that sufficient?

A. Yes. The nonprofit’s mission may, but is not required to, include providing supportive housing.

Q16. May a Grantee spend funds on a Qualifying Project outside its city limits? For example, to support a housing development project in a neighboring township? Or to provide emergency rental assistance for a resident experiencing homelessness or housing instability who finds housing in another city?

A. Yes; if all other requirements of the Program are met and the expenditure is lawful, the city may use grant funds regardless of where the beneficiary is located.

Q17. Are projects with multiple phases eligible for funding if earlier phases were completed before the award of Program funds? For example, if a housing project has finished

framing, exterior/interior work and system installation, can the final phase be funded as long as it begins after the grant is awarded?

A. Yes, a “phase” of a larger project can be considered a “Qualifying Project.”

Q18. May purchasing land for an affordable housing development be considered a Qualifying Project?

A. Yes, consistent with the previous answer, the site acquisition “phase” can be considered a Qualifying Project. Specifically, purchasing land for an affordable housing development may be considered a Qualifying Project under the Affordable Housing Development and Financing category. This is so even if the housing is not actually built during the term of the Grant Contract Agreement, as may be the case with a Grantee planning to spend grant funds to acquire and hold land for future Affordable Housing development. Grantees should document their efforts to develop or promote development of the purchased land for Affordable Housing.

Q19. Does the "Affordable Housing Development and Financing" category of Qualifying Projects also include the renovation of existing low-income housing units?

A. Yes; if the Grantee’s definition of “low income” matches (or is lower than) the income limits applicable to Affordable Housing Development and Financing projects and all other Program requirements are met, renovation (also referred to as rehabilitation) can be considered a type of Affordable Housing Development and Financing project. The income limits are:

- For homeownership projects, 115% of the greater of state or area median income as determined by HUD,
- For rental housing projects, 80% of the greater of state or area median income as determined by HUD, and
- Lower limits if set by the Grantee in its discretion to ensure the housing is affordable to the local work force.

Q20. Can Program funds be used to rehabilitate occupied housing?

A. Yes. Depending on how the Grantee’s rehabilitation project or program is structured, and if all other Program requirements are met, rehabilitation of occupied housing may be considered one or both of the following categories of Qualifying Projects:

- Affordable Housing Development and Financing;
- Financial support to nonprofit affordable housing providers in their mission to provide safe, dignified, affordable and supportive housing in Minnesota.

- Q21. Can a Grantee “layer” funds from this program in a Qualifying Project with funds from other Minnesota Housing or state programs, such as the Greater Minnesota Housing Infrastructure Grant Program, Local Housing Trust Fund Grant Program, Statewide Local Housing Aid, Community Homeownership Impact Fund, Workforce Housing Development Program, Economic Development and Housing Challenge Program and Low-Income Housing Tax Credit funding?**
- A. The Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program places no restrictions on layering funds with other programs. If the other program allows layering, it is allowed.
- Q22. Income limits for the Affordable Housing Development and Financing Qualifying Project category are greater than the Program prioritization income limits. Can a Grantee use both 80% AMI and 115% AMI income limits in the same homeownership project?**
- A. Yes. A Grantee could choose to use two different income limits in the same Affordable Housing Development and Financing Qualifying Project. (For example, a Grantee could use a 115% AMI limit to ensure the project meets the definition of an Affordable Housing Development and Financing Qualifying Project, and an 80% AMI limit in support of its efforts to prioritize projects that provide affordable housing to Low-Income Households, as required by statute and the [Program Guide](#).)
- Q23. May a Grantee choose to set lower income eligibility limits than what the Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program may require?**
- A. Yes, Grantees could choose to set lower income limits.
- Q24. What does it mean to “prioritize” projects that provide Affordable Housing to Low-Income Households? Is there a minimum number or share of units affordable at certain income levels that Grantees must provide?**
- A. Prioritizing projects that provide Affordable Housing to Low-Income Households is a statutory requirement. Grantees are responsible for determining how best to prioritize Affordable Housing to Low-Income Households. Minnesota Housing will evaluate Grantees’ commitments and efforts on a case-by-case basis.
- Q25. How can a Grantee determine which is the “greater of state or area median income as determined by HUD,” and which number(s) to use for 115%, 80% and 50% (or lower) income limits?**
- A. HUD publishes median income figures on its [website](#). Unlike with some of its programs, Minnesota Housing does not publish income limits for the Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program. Instead, Grantees are empowered to

review income figures published by HUD and determine 115%, 80% and 50% income limits.

Historically, state median income has been higher than area median income in all regions of Greater Minnesota except for the Rochester metropolitan area. The latest figures available from HUD as of March 2025 note the state median family income for Minnesota is \$111,800. So, 115% of this is \$128,570; 80% is \$89,440 and 50% is \$55,900.

Q26. A Grantee has data showing household incomes and housing costs in a certain building/subdivision/manufactured home park/neighborhood are low. Can the Grantee use this information to qualify a homeownership project, rental project, Affordable Housing Development and Financing Project or emergency rental assistance project? Or, for those types of projects where income limits apply, do Grantees need to document the income of each household that occupies or intends to occupy a unit supported by grant funds?

A. Minnesota Housing strives to make housing programs more accessible and easier to use. (See its [2024-2027 Strategic Plan](#), pages 27-29.) Simplifying program administration and access for households applying for assistance is particularly important.

As noted in Minnesota Housing's [Program Guide, Section 2.03](#), "Grantees may establish policies and procedures for determining income eligibility." Grantees, too, are encouraged to make their programs more accessible and easier to use. For some situations, "fact-specific proxies" such as the questioner describes may be appropriate and simplify administration and access. In other cases, documentation from individual households may be necessary, more appropriate or easier to use. In any case, for projects with affordability and income requirements, Grantees should keep record of how they determined affordability and how income requirements have been or will be met. Grant Contract Agreements may contain additional requirements.

Q27. What is considered "homeownership" as included in the "Eligible Uses" and "Qualifying Projects" sections of the RFP Instructions? Specifically:

- For **homeownership** projects, 115% of the greater of state or area median income as determined by HUD and,
- For **homeownership** projects, 80% of the greater of state or area median income (AMI) as determined by HUD.

A. Grantees are encouraged to exercise reasonable discretion in defining homeownership for themselves.

Minnesota Housing suggests that homeownership generally refers to occupancy of a housing unit by the homeowner as their primary place of residence. A 'homeowner' generally is any person on the deed, title and/or mortgage or note on the home with a

legal interest in the property. Minnesota Housing also considers manufactured housing owners and individuals with a vendee interest in a contractor for deed or contract for title to be homeowners.

Q28. Do state prevailing wage requirements apply to Qualifying Projects?

A. There are two sets of state prevailing wage requirements to consider:

1. State prevailing wage requirements under [Minn. Stat. 116J.871](#) do not apply to aids under [Minn. Stat. 477A](#) to a political subdivision, including aid funds awarded under the Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program (which is authorized by [Minn. Stat. 477A.36, subd. 3](#)).
2. Under certain circumstances, use of aid funds awarded under the Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program may trigger state prevailing wage requirements under [Minn. Stat. 177](#). In broad terms, Minn. Stat. 177 applies to an award of \$25,000 or greater for housing that is publicly owned.

All questions regarding state prevailing wages and compliance requirements should be directed to the Department of Labor and Industry as follows:

Division of Labor Standards and Apprenticeship
State Program Administrator
443 Lafayette Road N, St. Paul, MN 55155
651.284.5091 or dli.prevwage@state.mn.us

Q29. Can a Grantee use grant funds for a housing navigator position?

A. Because neither staffing nor administrative expenses are Qualifying Projects, grant funds cannot be used simply to fund a staff position. However, housing navigation and services may be funded as a component of one or more Qualifying Project categories that may include:

- Emergency rental assistance for households earning less than 80% of the area median income as determined by the United States Department of Housing and Urban Development (HUD).
- Financial support to nonprofit affordable housing providers in their mission to provide safe, dignified, affordable and supportive housing in Minnesota.
- Operations and management of financially distressed residential properties.
- Supportive services or staff of supportive services providers for supportive housing as defined in section [462A.37, subdivision 1](#). Financial support to nonprofit housing providers to finance supportive housing operations may be awarded as a capitalized reserve or as an award of ongoing funding.
- Operating emergency shelter facilities, including the costs of providing services.
- Other projects specifically approved in writing by Minnesota Housing staff.

Q30. Does building or rehabilitating an existing unit as a homeless shelter for families that provides supportive services and is temporary housing for 90 days fit the definition of a “Qualifying Project”?

A. This use is consistent with the intent of the Program and could likely fit into one or more Qualifying Project categories if all other Program requirements are met. Qualifying Project categories may include:

- (If managed by a nonprofit Affordable Housing provider) Financial support to nonprofit Affordable Housing providers in their mission to provide safe, dignified, affordable and supportive housing in Minnesota.
- Operating emergency shelter facilities, including the costs of providing services.
- Other projects specifically approved in writing by Minnesota Housing staff.

Q31. Does financing transitional housing focused on a certain population, such as people recovering from substance abuse, fit the definition of a “Qualifying Project”?

A. This use is consistent with the intent of the Program and could likely fit into one or more Qualifying Project categories if all other Program requirements are met. Qualifying Project categories may include:

- (If managed by a nonprofit affordable housing provider) Financial support to nonprofit Affordable Housing providers in their mission to provide safe, dignified, affordable and supportive housing in Minnesota.
- (If also considered emergency shelter) Operating emergency shelter facilities, including the costs of providing services.
- Other projects specifically approved in writing by Minnesota Housing staff.

Applying for Funds

Q32. Is the Intent to Apply form required for application?

A. **No, the Intent to Apply is not required.** Applicants are, however, encouraged to [submit a Notice of Intent to Apply](#) as soon as possible, if they have not already and even if they have already applied, so that Minnesota Housing and key stakeholders can better manage the Program. The Notice of Intent to Apply will remain open throughout the RFP application period.

Q33. Is there a way to download a copy of the application to prepare responses “offline,” such as in a Word document, before entering them in the Cvent application tool?

A. Yes! Minnesota Housing strongly encourages applicants to prepare their responses “offline,” such as in a Word document, before entering them in the Cvent application

tool, and has made an [Application Content Reference Document](#) available for this purpose.

Q34. Applicants are asked to describe local policy actions and collaboration over the past five years. If an action took place more than five years ago, can an Applicant still describe it?

A. While Minnesota Housing appreciates the Applicant's efforts, and the Applicant could add context by noting an action started more than five years ago, Applicants are advised to focus their responses on local policy actions taken in the past five years. This five-year guideline promotes fairness and reduces the burden on applicants who may otherwise feel compelled to share much longer histories.

Q35. Could updating a city's zoning code to encourage Accessory Dwelling Units (ADUs) be included as an effort to encourage housing in the past 5 years?

A. Yes, this would be considered an effort to encourage housing.

Q36. Would a rental project that qualifies as a market-rate workforce housing project per state statute receive any points for "affordable or low-income" per Minnesota Housing scoring?

A. A building with Market-Rate units may also contain units that qualify as Affordable Housing. In fact, some or all the same units may be considered both Market-Rate and Affordable. In either case, the project could demonstrate a commitment by an Applicant to use Program funds for Affordable Housing for Low-Income Households.

As the questioner points out, state statute authorizing the Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program ([Minn. Stat. 477A.36](#)) does in limited circumstances allow Program funds to be used for development of Market-Rate Residential Rental Property. The same statute also requires prioritizing projects that provide Affordable Housing to Low-Income Households.

Q37. Can Minnesota Housing accept late submissions of RFP application documents?

A. No, Minnesota Housing cannot accept late submissions for any RFP documents.

Q38. Do you want information, such as the pre-award risk assessment, for a nonprofit subgrantee with which a city is interested in partnering?

A. No. Due diligence for subgrantee relationships is solely the responsibility of the Grantee.

Q39. Will Minnesota Housing publish another RFP for this Program? If so, when?

A. Additional funds may be available to award through future RFP., including state-appropriated funds of up to \$1.25 million for fiscal year 2026 and \$1.25 million for fiscal year 2027. Minnesota Housing has not set a date for the next RFP.

Q40. Does Minnesota Housing have recommendations/resources for designing projects and programs for Communities Most Impacted by Housing Instability?

A. There are many potential solutions; the Tier II Program allows a very wide array of Qualifying Projects and there are many Communities Most Impacted by Housing Instability. The best strategies and solutions include Communities Most Impacted by Housing Instability in their design and depend on the context in which they are designed and implemented.

Communities Most Impacted by Housing Instability, as defined in Minnesota Housing's Minnesota Housing's [Strategic Plan](#), include: lowest income, people of color, Indigenous individuals, LGBTQ+, people experiencing homelessness, people with disabilities, immigrants, large families, seniors and children. This also includes people facing barriers and/or limited choices due to: poor credit, limited savings, criminal history, prior evictions, and transitioning out of foster care, prison, or other systems.

Contracting

Q41. If awarded funds, when will disbursements begin?

A. Grantees may request disbursements after the Grant Contract Agreement is executed by all parties. Disbursements will be made on a reimbursement basis unless otherwise noted in the Grant Contract Agreement.

Q42. Will the Work Plan and Budget in the Grant Contract Agreement be very granular and specific? For instance, will it need to be based on quotes for work to be performed and provide fixed, line-item dollar amounts? Or, will it be more general, perhaps providing information on possible uses of funds and a total budget, but not fixed, line-item dollar amounts?

A. Minnesota Housing has not yet determined the form Work Plans and Budgets will take. Minnesota Housing will work with Grantees and provide as much flexibility as possible while also honoring the competitive nature of the RFP, the intent of the Program and state procurement laws, rules and regulations, including Office of Grants Management policies.

Q43. If a Grantee is awarded funds for more than one category of qualifying projects, will the Grantee be able to move funds between categories without a contract amendment?

- A. According to Section 5.06 of the [Program Guide](#), “the budget attached to the Grant Contract Agreement may be modified but requires written approval from Minnesota Housing staff before the Grantee incurs the expense. Any such change must be accompanied by an updated budget document and an amendment to the Grant Contract Agreement incorporating the new budget.”

Minnesota Housing has not yet, however, determined the form Work Plans and Budgets will take. Minnesota Housing will work with Grantees and provide as much flexibility as possible while also honoring the Program Guide and the competitive nature of the RFP, the intent of the Program and state procurement laws, rules and regulations, including Office of Grants Management policies.