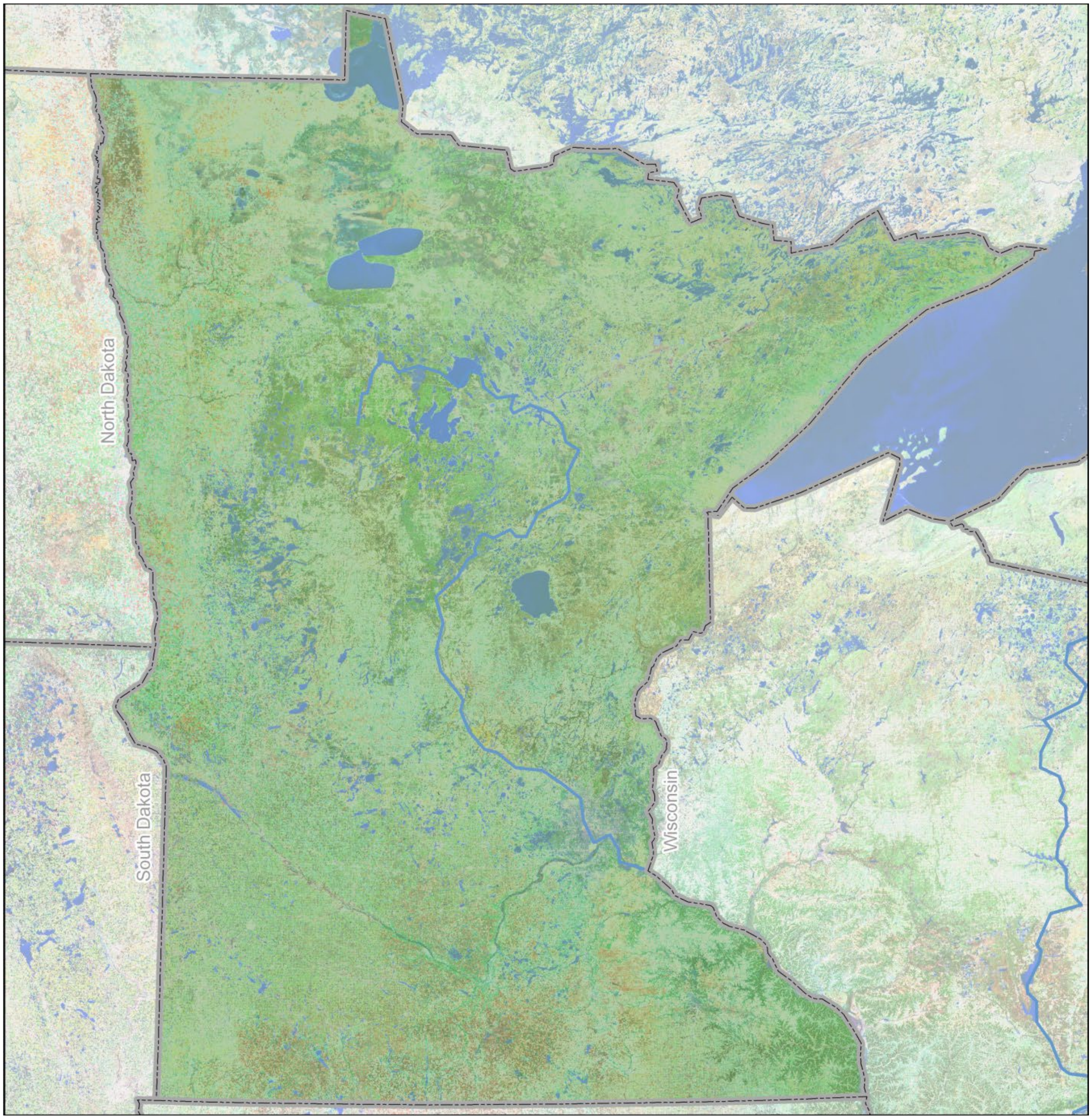
MINNESOTA ANNUAL ACTION PLAN FOR HOUSING AND COMMUNITY DEVELOPMENT

DRAFT – APRIL 2025



Executive Summary

AP-05 Executive Summary - 24 CFR 91.200(c), 91.220(b)

1. Introduction

The U.S. Department of Housing and Urban Development (HUD) requires consolidated planning, application, reporting, and citizen participation processes, together called the Consolidated Plan, for the following formula grant programs: Community Development Block Grants (CDBG), Home Investment Partnerships Program (HOME), National Housing Trust Fund (NHTF), Emergency Solutions Grants (ESG), and Housing Opportunities for Persons with AIDS (HOPWA). The Consolidated Plan is designed to be a collaborative process whereby a community establishes a unified vision for housing and community development actions. It offers communities the opportunity to shape these housing and community development programs into effective, coordinated housing and community development strategies. It also allows for strategic planning and citizen participation to occur in a comprehensive context, thereby reducing duplication of effort. Guided by the Consolidated Plan, an Annual Action Plan is created to detail the proposed funded activities that will assist housing and community development initiatives throughout the State. As the lead agency for the Consolidated Plan for the State of Minnesota, the Minnesota Department of Employment and Economic Development (DEED), in coordination with the Minnesota Housing Finance Agency (Minnesota Housing), and the Department of Human Services (DHS), hereby follows HUD's guidelines for citizen and community involvement. Furthermore, these agencies are responsible for overseeing these citizen participation requirements, those that accompany the Consolidated Plan and the CDBG, HOME, HOPWA, NHTF, and ESG programs, as well as those that complement the DEED planning processes already at work in the state.

2. Summarize the objectives and outcomes identified in the Plan

This could be a restatement of items or a table listed elsewhere in the plan or a reference to another location. It may also contain any essential items from the housing and homeless needs assessment, the housing market analysis or the strategic plan.

The strategies of the programs administered by the DEED, Minnesota Housing, and DHS are to provide decent housing, a suitable living environment, and expanded economic opportunities for the state's low- and moderate-income residents. The agencies strive to accomplish these strategies by maximizing and effectively utilizing all available funding resources to conduct housing and community development activities that will serve the economically disadvantaged residents of the state. By addressing needs and creating opportunities at the individual and local government levels, the agencies hope to improve the quality of life for all residents of the state. These strategies are further explained as follows:

- Providing decent housing requires helping homeless persons obtain appropriate housing and assisting those at risk of homelessness, preserving the affordable housing stock, increasing availability of permanent housing that is affordable to low- and moderate-income persons without discrimination, and increasing the supply of supportive housing.

- Providing a suitable living environment entails improving the safety and livability of neighborhoods, increasing access to quality facilities and services, and reducing the isolation of income groups within an area through integration of low-income housing opportunities.

- Expanding economic opportunities involves creating jobs that are accessible to low- and moderate-income persons, making mortgage financing available for low- and moderate-income persons at reasonable rates, providing access to credit for development activities that promote long-term economic and social viability of the community, and empowering low-income persons to achieve economic stability.

3. Evaluation of past performance

This is an evaluation of past performance that helped lead the grantee to choose its goals or projects.

The State's evaluation of its past performance has been completed in a thorough Consolidated Annual Performance and Evaluation Report (CAPER). This document states the objectives and outcomes identified in the first year of the State's 2022-2026 Consolidated Plan and includes an evaluation of past performance through measurable goals and objectives compared to actual performance. The past year Consolidated Plan and CAPER can be found on the Small Cities Development Program (https://mn.gov/deed/government/financial-assistance/community-funding/small-cities.jsp) and Minnesota Housing (http://www.mnhousing.gov) websites.

4. Summary of Citizen Participation Process and consultation process

Summary from citizen participation section of plan.

As part of the consolidated planning process, the lead agency must consult with a wide variety of organizations in order to gain understanding of the housing and community development stage. This Annual Action Plan represents a collective effort from a broad array of entities in Minnesota including private, non-profit, and public organizations, non-entitled communities, county governments, Continuum of Care organizations, and various other state agencies. The public participation process included focus groups, outreach committees, and public input sessions.

The public was notified of the availability of the draft Annual Action Plan in the State Register and through our state social media outlets, event agency calendar and eNews listservs, including to organizations that work directly with underserved populations, limited or non-English speaking persons and persons with disabilities. For example, per our Citizen Participation Plan, we reached out to a wide network of councils and coalitions focusing on specific populations, including the Council on Asian Pacific Minnesotans, Central Cultural Chicano, CLUES, Council for Minnesotans of African Heritage, Minnesota Council on Latino Affairs, and the Upper Midwest American Indian Center. In addition, our eNews distribution includes an extensive network of providers for persons with disabilities, through the Olmstead Implementation Office currently located at Minnesota Housing. Public comment narratives are included as attachments in Citizens Participation Comments. A draft Citizen Participation Plan is included in the 2025 draft Annual Action Plan for public feedback.

This year, two hybrid (in-person and virtual attendance) public hearings were proposed to provide information on proposed activities and receive public comment.

5. Summary of public comments

This could be a brief narrative summary or reference an attached document from the Citizen Participation section of the Con Plan.

Citizen input gathered during the first public hearing is included in the Unique Appendices. This will be updated after the comment period for the second public hearing and reflected in the 2025 Annual Action Plan Comments and Responses documents within the Unique Appendices.

6. Summary of comments or views not accepted and the reasons for not accepting them

This will be updated after the public comment period.

7. Summary

The 2025 Action Plan has the following goals. These goals will use HOME, ESG, HOPWA, NHTF and CDBG funds.

• Provide Decent Affordable Housing - DEED

Fund housing rehabilitation activities for low- to moderate-income homeowner and rental households through CDBG funds, DEED

• Enhance Affordable Housing Opportunities - Minnesota Housing funds housing activities for low-to-moderate income households, including the rehabilitation and new construction of rental housing using HOME and NHTF funds. In addition to the income priority, Minnesota Housing also considers special needs populations as a priority in the state, and will allow, when appropriate, a limitation or preference to those populations. Two special needs populations allowed with regards to HOME and National Housing Trust Fund funding are permanent supportive housing for "High Priority Homeless" and people with disabilities. High Priority Homeless means (i) households experiencing long-term homeless; (ii) households at significant risk of experiencing long-term homelessness; or (iii) households prioritized for permanent supportive housing by the Coordinated Entry System adopted by the local continuums of care. For persons with disabilities, the limitation or preference will be limited to the population of families (including individuals) with a member whose disability significantly interferes with their ability to obtain and maintain housing. In accordance with the regulatory requirements of HOME and the NHTF, any limitation or preference will not violate nondiscrimination requirements.

• Promote Economic Development - DEED

Encourage robust economic growth through the development and retention of businesses and jobs in non-entitlement (I.e., cities and counties that do not receive funding directly from HUD) areas of the State.

• Facilitate Housing and Service for the Homeless - Minnesota Housing and Department of Human Services

Provide funds for service providers to meet the various housing and service needs of the homeless population in Minnesota.

• Provide Funds for Special-Needs Housing and Services - Minnesota Housing

Continue to fund programs that provide housing and services to special needs populations, including those with HIV/AIDS.

• Address Public Facility Needs - DEED

Address community needs through improvements to public facilities and streetscape.

PR-05 Lead & Responsible Agencies - 91.300(b)

1. Agency/entity responsible for preparing/administering the Consolidated Plan

The following are the agencies/entities responsible for preparing the Consolidated Plan and those responsible for administration of each grant program and funding source.

Agency Role	Name	Department/Agency
Lead Agency	MINNESOTA	
CDBG Administrator	MINNESOTA	Department of Employment and Economic Development
HOPWA Administrator	MINNESOTA	Minnesota Housing Finance Agency
HOME Administrator	MINNESOTA	Minnesota Housing Finance Agency
ESG Administrator	MINNESOTA	Department of Human Services
HTF Administrator	MINNESOTA	Minnesota Housing Finance Agency

Table 1 – Responsible Agencies

Narrative

Three state agencies administer HUD Community Planning and Development (CPD) programs, Minnesota Department of Employment and Economic Development, Minnesota Department of Human Services, and the Minnesota Housing Finance Agency.

Consolidated Plan Public Contact Information

Minnesota Department of Employment and Economic Development (DEED) is the lead agency and primary point of public contact on the consolidated plan.

OMB Control No: 2506-0117 (exp. 09/30/2021)

AP-10 Consultation - 91.110, 91.300(b); 91.315(l)

1. Introduction

As part of the consolidated planning process, the lead Agency, DEED, along with Minnesota Housing and DHS, consulted with a wide variety of organizations in order to gain understanding of housing and community development needs.

Provide a concise summary of the state's activities to enhance coordination between public and assisted housing providers and private and governmental health, mental health and service agencies

This plan, as part of the 2022-2026 Consolidated Plan, represents a collective effort from a broad array of entities in Minnesota, ranging from advocacy groups for people with disabilities to economic development organizations. Private, nonprofit, and public organizations, including mayors, county supervisors, county commissioners, county managers, planning and development district administrators, councils of government, persons interested in the CDBG program, persons interested in the HOME or NHTF programs, persons associated with Continuum of Care organizations, and the Minnesota Department of Health were contacted through email correspondence, telephone interviews, virtual meetings, and face-to-face interactions. These persons were solicited to discuss housing and community development needs in Minnesota, including the ranking of those needs and activities that DEED, Minnesota Housing, and DHS might consider to better address needs throughout the state. Further, individuals were asked to provide additional insight into prospective barriers and constraints regarding housing and community development needs in Minnesota.

The State facilitates meetings with agencies and interested parties to discuss existing community needs and to brainstorm funding options to assist communities, creating a roadmap for future projects, specific actions and timelines to achieve these goals.

DEED holds application and implementation training sessions for CDBG grantees including representative from regional development commissions, economic development authority, housing and development authority, consultants, for-profit organizations, community action agencies and units of general local government (UGLG). During these trainings, staff discusses allowable activities based upon the Consolidated and Annual Action Plan. Participants are encouraged to provide their ideas as DEED begins the planning process for the 2025 Annual Action Plan. Refer to the Unique Appendices.

Describe coordination with the Continuum of Care and efforts to address the needs of homeless persons (particularly chronically homeless individuals and families, families with children, veterans, and unaccompanied youth) and persons at risk of homelessness

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Representatives from the Minnesota Interagency Council on Homelessness (MICH) subcommittee on Continuum of Care Planning send representatives to all Continuum of Care regional meetings. As part of the DHS and Minnesota Housing's participation in the MICH, staff are working with CoCs around the state to implement the State's Crossroads to Justice Strategic Plan - *Crossroads to Justice: Minnesota's New Pathways to Housing, Racial and Health Justice for People Facing Homelessness*, which includes five goals or "results." These goals focus on Collaboration with impacted communities, homelessness prevention, robust crisis responses, housing options, and health and public health. Each of the goals has strategies and action items to ensure the plan is action oriented.

Describe consultation with the Continuum(s) of Care that serves the State in determining how to allocate ESG funds, develop performance standards for and evaluate outcomes of projects and activities assisted by ESG funds, and develop funding, policies and procedures for the operation and administration of HMIS

DHS conducts a statewide Request for Proposals which includes ESG funding, and provides an opportunity for each CoC to evaluate, score and provide feedback to DHS staff on the projects requesting funding within their region. Representatives from the Minnesota Interagency Council on Homelessness (MICH) subcommittee on Continuum of Care Planning also send representatives to all Continuum of Care regional meetings. Since April 2020, regular state provider webinars (focused on funding and COVID-response) have included over a hundred participants, including CoC coordinators, homeless providers and persons with lived experience. A bi-monthly statewide Coordinating Call with a broader focus has also been occurring, with broader participation than in similar, pre-pandemic efforts. Development of HMIS policies and procedures, as well as oversight of HMIS operations and administration, is the shared responsibility of Minnesota state agencies, Continuum of Care regions, local governments, tribal governments, and community-based organizations. This shared responsibility is facilitated through the HMIS Governing Board, consisting of representatives of state government, CoC regions, HMIS end users, Minnesota Tribal Collaborative, and other interested parties, as well as numerous sub-committees which report to the Governing Board.

2. Describe Agencies, groups, organizations and others who participated in the process and describe the state's consultations with housing, social service agencies and other entities

Table 2 – Agencies, groups, organizations who participated

1	**Agency/Group/Organization**	Minnesota Housing
	Agency/Group/Organization Type	Housing Other government - State
	What section of the Plan was addressed by Consultation?	Housing Need Assessment Non-Homeless Special Needs HOPWA Strategy
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	The state recipient of HOME, NHTF, and HOPWA allocates other housing resources for a range of affordable housing activities, supportive housing through homeownership. The agency coordinates the HUD CPD resources with state funding programs and Low-Income Housing Tax Credits.
2	**Agency/Group/Organization**	USDA-Rural Development
	Agency/Group/Organization Type	Housing Other government - Federal
	What section of the Plan was addressed by Consultation?	Housing Need Assessment Non-Homeless Special Needs
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Minnesota Housing routinely consults with the USDA Rural Development local office to evaluate rental rehabilitation deferred loan projects, as well as homeownership lending activities to identify and address lending gaps in rural areas. Additionally, DEED communicates with USDA Rural Development on public facility projects to potentially assist in addressing funding gaps for critical infrastructure activities. Minnesota Housing, in partnership with USDA RD, continues a special program set aside for the preservation of Section 515 properties in rural Minnesota, utilizing the Rental Rehabilitation Deferred loan program (a state funded program).

3	**Agency/Group/Organization**	Greater MN Housing Fund (GMHF)
	Agency/Group/Organization Type	Housing Regional organization Community Development Financial Institution
	What section of the Plan was addressed by Consultation?	Housing Need Assessment Non-Homeless Special Needs
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Through regional forums, Minnesota Housing and DEED participate with USDA Rural Development and the Greater Minnesota Housing Fund in gathering community inputs on housing needs across the state, particularly in rural communities. Minnesota Housing partners with GMHF in particular to preserve naturally occurring affordable housing by coordinating with and participating in the NOAH fund.
4	**Agency/Group/Organization**	MN Community Action Association
	Agency/Group/Organization Type	Housing Services - Housing Services-Education Services-Employment Regional organization
	What section of the Plan was addressed by Consultation?	Non-Homeless Special Needs Anti-poverty Strategy
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Throughout the year, the umbrella community action group as well as individual community action agencies to coordinate with CAP programs such as housing construction, rehabilitation and assistance, energy assistance, and financial literacy education. Regular consultations with CAP agencies help state agencies direct resources in ways that are consistent with other CAP programming.

5	**Agency/Group/Organization**	Minnesota Department of Corrections
	Agency/Group/Organization Type	Other government - State
	What section of the Plan was addressed by Consultation?	Homeless Needs - Chronically homeless Homelessness Strategy
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Staff have been meeting with representatives from the Department of Corrections since fall of 2018 to discuss incidents of discharge from correctional facilities that result in homelessness. The initial goal is to develop a shared understanding of the roles and responsibilities of state corrections staff and homeless service providers in regard to Individual's re-entry. The overall goal is to facilitate access to shelter for those who were homeless before entering a correctional facility, and those who have exhausted all other housing and support options.
6	**Agency/Group/Organization**	Minnesota Coalition for the Homeless
	Agency/Group/Organization Type	Housing Planning organization
	What section of the Plan was addressed by Consultation?	Homeless Needs - Chronically homeless Homeless Needs - Families with children Homelessness Needs - Veterans Homelessness Needs - Unaccompanied youth Homelessness Strategy

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	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	The Regional Expert Network (REN) is a group sponsored by the Coalition for the Homeless to amplify the voices of persons with lived experience in homelessness policy making. The REN group met with DHS staff in April 2021 to discuss key issues around housing, shelter and economic opportunity facing the communities in which they live (across Minnesota). Specifically, DHS sought suggestions for how to target and prioritize ESG and other state homeless resources (distributed through our April 2021 RFP process) to best meet these emerging needs.
7	**Agency/Group/Organization**	State of Minnesota Department of Employment and Economic Development Office of Broadband Development
	Agency/Group/Organization Type	Other government - State
	What section of the Plan was addressed by Consultation?	Broadband
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	The Minnesota Office of Broadband Development (OBD) is the state agency dedicated to expanding broadband infrastructure throughout the state. DEED staff meets with OBD staff to discuss actions and programs to provide broadband infrastructure. Programs include the Border-to-Border Broadband Development Program and Low-density Pilot Broadband Development Program which are designed to extend broadband infrastructure to unserved or underserved areas of the State; and the Line Extension Connection Program which is to fund the extension of existing broadband infrastructure to unserved areas such as rural properties. OBD is also implementing the federal Broadband Equity Access and Deployment (BEAD) infrastructure program. OBD lead the facilitation and completion of the statewide digital opportunity plan to connect people to people, people to information and people to resources. OBD is working to provide resources to communities to address internet service affordability, device access, and digital skills provided by the Digital Equity Act.

8	**Agency/Group/Organization**	Minnesota Department of Public Safety
	Agency/Group/Organization Type	Other government - State
	What section of the Plan was addressed by Consultation?	Emergency management
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	The Minnesota Homeland Security and Emergency Management (HSEM) Division of the Department of Public Safety (DPS) comprises of team of experts to help communities recover from disaster. DEED staff meets with HSEM staff on an as needed basis to discuss any historic and potential impacts natural hazards have had on communities. Flooding is a common hazard with high wind events becoming more common. Impacts from natural hazards and disasters appear to be more frequent; however, mitigation efforts have assisted in limiting impacts from flooding. HSEM chairs a committee which meets with other State agencies to coordinate funding and programs to assist communities impacted by disaster events.
9	**Agency/Group/Organization**	Housing Justice Center
	Agency/Group/Organization Type	Housing Services - Housing Service-Fair Housing
	What section of the Plan was addressed by Consultation?	Housing Need Assessment Fair Housing

	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Housing Justice Center (HJC) is an organization that addresses fair housing and civil rights and provides legal assistance to ensure housing stability and prevent homelessness. Like with other valued stakeholders, Minnesota Housing frequently meets and consults with HJC throughout the year both on federal matters, such as discussing their priorities for the use of federal funds, and state matters--for example, providing technical assistance on state legislation that sought to ban discrimination on the basis of income. Regular consultation allows for improved coordination on our shared priorities.
10	**Agency/Group/Organization**	Southern Minnesota Regional Legal Services
	Agency/Group/Organization Type	Housing Services - Housing Service-Fair Housing
	What section of the Plan was addressed by Consultation?	Housing Need Assessment Fair Housing
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Southern Minnesota Regional Legal Services (SMRLS) is a civil legal service organization that addresses fair housing, civil rights and landlord/tenant issues. Additionally, SMRLS focuses on the needs of Southern Minnesota with a specialization on the unique needs of rural Minnesota. Minnesota Housing frequently meets and consults with SMRLS throughout the year both on federal matters, such as discussing their priorities for the use of federal funds, and state matters--for example, SMRLS specializes in assisting agricultural workers throughout the State. Regular consultation allows for improved coordination on our shared priorities.
11	**Agency/Group/Organization**	Mid-Minnesota Legal Aid
	Agency/Group/Organization Type	Housing Services - Housing Service-Fair Housing

	What section of the Plan was addressed by Consultation?	Housing Need Assessment Fair Housing
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Mid-Minnesota Legal Aid (Legal Aid) is a civil legal services organization that addresses fair housing and civil rights and provides legal assistance to ensure housing stability and prevent homelessness. Minnesota Housing frequently meets and consults with Legal Aid throughout the year both on federal matters, such as discussing their priorities for the use of federal funds, -- and state matters--for example, providing technical assistance on state legislation that sought expanded funding opportunities for cooperatively-owned multifamily housing. Regular consultation allows for improved coordination on our shared priorities.
12	**Agency/Group/Organization**	MN NAHRO
	Agency/Group/Organization Type	Housing PHA
	What section of the Plan was addressed by Consultation?	Housing Need Assessment Public Housing Needs

	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Minnesota Chapter of National Association of Housing and Redevelopment Officials (NAHRO) members include 150 Agency Members and 50 other organizations. Its members own and operate more than 21,000 public housing units across the state. Minnesota Housing consults with NAHRO and individual PHAs around the state on a regular basis to discuss how to make Minnesota Housing's Publicly Owned Housing funds (POHP) more streamlined (See the AP 60 for more info on the POHP program). These meetings identified several improvements including prompting Minnesota Housing to create a more extensive guide for PHAs on how to apply for POHP. Our frequent consultations with PHAs and NAHRO also include providing technical assistance on a regular basis for PHAs who apply for and receive POHP funding. Finally, consultation with PHAs help to identify high priority critical physical needs as well as opportunities to address climate resiliency in public housing. Feedback from the PHAs is sued to determine how to best target funding to meet PHA needs across the state. DEED sponsors the NAHRO conferences to highlight the importance of housing and economic development through outreach efforts of the Small Cities program.
13	**Agency/Group/Organization**	Youth Services Network
	Agency/Group/Organization Type	Services - Housing Services-Children Services-homeless Planning organization
	What section of the Plan was addressed by Consultation?	Homelessness Needs - Unaccompanied youth Homelessness Strategy

	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	The group is a statewide coalition of youth-serving agencies that coordinated services and advocates with policy makers on behalf of unaccompanied youth and their providers. State Department of Human Services staff regularly consult with this group to inform homeless youth policy.
14	**Agency/Group/Organization**	Minnesota Department of Health
	Agency/Group/Organization Type	Health Agency Other government - State
	What section of the Plan was addressed by Consultation?	Homelessness Strategy
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Staff from the Department of Human Services routinely meet and consult with the states Infectious Disease response team to assess current outbreaks in emergency shelter or congregate living settings, and to discuss mitigation strategies for shelter and housing settings funded through state shelter capital funds.
15	**Agency/Group/Organization**	Minnesota HMIS Governing Board
	Agency/Group/Organization Type	Planning organization
	What section of the Plan was addressed by Consultation?	Housing Need Assessment Homeless Needs - Chronically homeless Homeless Needs - Families with children Homelessness Needs - Veterans Homelessness Needs - Unaccompanied youth Homelessness Strategy

	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	A member of the Department of Human Services Homelessness, Housing, and Support Services Administration serves as a co-chair of the state's HMIS Governing Board. The Board is comprised of both State funders, Continuum of Care representatives, and persons with lived experience. The Board sets policy and makes funding decisions for the State Homeless Management Information System (HMIS) and oversees the administration of the system by Minnesota's statewide HMIS administrator. This regular participation in HMIS Governance and strategy informs the allocation and uses of ESG funds, reporting and training needs related to outcomes and performance measures, and other key components of the Plan.
16	**Agency/Group/Organization**	Harm Reduction Collaboration
	Agency/Group/Organization Type	Services-Persons with Disabilities Services-Persons with HIV/AIDS Health Agency Other government - State Other government - County
	What section of the Plan was addressed by Consultation?	Housing Need Assessment Homeless Needs - Chronically homeless Homelessness Strategy Non-Homeless Special Needs
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	The group is a statewide coalition of organizations serving persons (including those experiencing homelessness) through a harm-reduction lens; the group seeks to bring voices from its respective communities to the harm reduction and substance use disorder (SUD) political and policy landscape. Department of Human Services staff regularly attend and consult with this group as the State's street outreach, drop-in and emergency shelter providers are increasingly on the front-lines of responding to the SUD epidemic.

Identify any Agency Types not consulted and provide rationale for not consulting

There are no agency types that are purposely not consulted.

Describe other local/regional/state/federal planning efforts considered when preparing the Plan

Name of Plan	Lead Organization	How do the goals of your Strategic Plan overlap with the goals of each plan?
Continuum of Care	Minnesota Interagency Council on Homelessness	Minnesota has a statewide plan to end homelessness which includes all CoCs in the state. This plan is coordinated by the MICH, in which staff from 11 state agencies participate. The MN Plan to End Homelessness encompasses all of the affordable housing and suitable living environment goals of the Strategic Plan. In addition, DHS and other state agency staff regularly attend local and regional CoC and FHPAP planning meetings to give and receive input to inform the Strategic Plan.
Olmstead Plan	Olmstead Implementation Office	The Olmstead Plan is a broad series of key activities our state must accomplish to ensure people with disabilities are living, learning, working, and enjoying life in the most integrated setting. The Plan will help achieve a better Minnesota for all Minnesotans, because it will help Minnesotans with disabilities have the opportunity, both now and in the future to live close to family and friends, live more independently, and participate in community life.

Name of Plan	Lead Organization	How do the goals of your Strategic Plan overlap with the goals of each plan?
Affordable Housing Plan	Minnesota Housing	Minnesota Housing has a suite of planning documents that guide the Agency's work. The four-year Strategic Plan is the overarching document and currently covers 2024 through 2027. The Strategic Plan has 14 strategic objectives, which includes focusing on the people and places most impacted by housing instability, increasing the development of new housing that is affordable, and addressing homeownership barriers and reducing disparities. The Affordable Housing Plan (AHP) is the next plan in the suite, serves as Agency's business plan for implementing the Strategic Plan, covers a two-year period, outlines the resources the Agency expects to be made available over the two years, and outlines key policy, program and operational initiatives. The current 2024-2025 AHP covers the implementation of the first two years of the 2024-2027 Strategic Plan. The 2026-2027 Affordable Housing Plan will cover the second two years.
Analysis of Impediments to Fair Housing	Minnesota Housing	Minnesota adopted a new statewide Analysis of Impediments to fair housing in Fall of 2018, and reports on annual action plan progress in each CAPER.
Small Cities Grantees	DEED	DEED and MN Housing have partnered to co-fund rental preservation projects. Public Facility projects with the highest grant need were funded in partnership with USDA Rural Development, Minnesota Public Facility Authority, MN Dept. of Health, MN Pollution Control, and Department of Energy. DEED conducted eight training/informational sessions to grantees and potential non-entitlement applicants. DEED also encourages grantees and potential applicants to conduct more purposeful outreach to minority populations in their communities to potentially increase these populations in participating in the Small Cities Development Program.

Table 3 - Other local / regional / federal planning efforts

Narrative

DHS works closely with other ESG jurisdictions within the State to ensure consistency and coordination wherever possible. The State periodically meets with local units of government who are also administering ESG funding, providing a venue for close coordination and communication, as well as peer to peer technical assistance. Local jurisdictions also participate in the State's ESG funding review process, and DHS staff provided training to these jurisdictions on best practices in preparing for a HUD on-site monitoring.

During April & May 2021, DHS held special meetings consulting with all 10 CoC Review Committees regarding ESG and other homeless assistance programs distributed through the April 2021 DHS Combined Request for Proposals. These meetings included a range of CoC members, including coordinators, providers, community members and representatives, and persons with lived experience. Similarly, CoC Coordinators and their review committees participated in the review process for the 2023 DHS Combined Request for Proposals. DHS will continue this same process going forward.

Minnesota Housing consults regularly with the Minnesota chapter of the National Association of Housing and Redevelopment Authorities in planning and implementing the state Publicly Owned Housing Program for capital needs funding as described in AP-60.

AP-12 Participation - 91.115, 91.300(c)

1. Summary of citizen participation process/Efforts made to broaden citizen participation
Summarize citizen participation process and how it impacted goal-setting.

The Consolidated Planning process has been designed to enumerate Minnesota's overall strategy for coordinating federal and other housing and community development resources to provide decent housing, establish and maintain a suitable living environment, and expand economic opportunities, particularly for low- and moderate-income persons. Interested groups and individuals have also been encouraged to provide input into all aspects of Minnesota's Consolidated Planning activities, from assessing needs to setting priorities through performance evaluation. The public involvement process was initiated with the Citizen Participation Plan (CPP). The objectives of the CPP are to ensure that the citizens of Minnesota, particularly persons of low- and moderate-income, persons living in slum and blight areas, units of local government, housing agencies, and other interested parties, are provided with the opportunity to participate in the planning process and preparation of the Consolidated Plan, including amendments to the Consolidated Plan and the Annual Performance Report. The CPP is attached in admin tab.

The State has aimed to broaden public participation through numerous opportunities for citizens and other interested parties to contribute information, ideas, and opinions about ways to improve Minnesota's neighborhoods, promote housing affordability and enhance the delivery of public services to local residents. These efforts include a broad-based, statewide survey pertaining to Minnesota's housing and community development needs; discussions with agency and community representatives during focus group sessions to address rental, homeowner, and homeless needs; and regional forums held across the state to gather input from Minnesota citizens and interested parties. Other steps the State took to encourage widespread participation in the planning process included publishing notices in a variety of media formats, and direct solicitation of input from community members, program participants, and their interest groups. In general, since the pandemic the State has found that offering virtual options—through the utilization of Teams, WebEx, Zoom, etc.—for citizens to engage has greatly increased participation by citizens.

The State of Minnesota continues to be committed to keeping all interested groups and persons informed of each phase of the Consolidated Planning process and of activities proposed or undertaken under HUD formula grant programs. DEED, Minnesota Housing, and DHS published the draft Annual Action Plan for public review in a manner that afforded citizens, public agencies, and other interested parties a reasonable opportunity to examine its contents and submit comments. The draft Plan included the amount of assistance the state agencies expect to receive and the activities that may be undertaken, including the estimated amount that will benefit persons of low- and moderate-income.

OMB Control No: 2506-0117 (exp. 09/30/2021)

Refer to the Unique Appendices attachment for additional information.

Citizen Participation Outreach

Sort Order	Mode of Outreach	Target of Outreach	Summary of response/attendance	Summary of comments received	Summary of comments not accepted and reasons	URL (If applicable)
1	Public Meeting	Non-targeted/broad community	The first hybrid public hearing was held on Wednesday, March 26, 2025. Seventeen (17) attendees - 14 virtual attendance and 3 in-person participated and provided comments.	Comments received cover topics such as HUD's many restrictions limits the ability to assist chronically homeless individuals or others who do not meet the criteria in accessing housing, opportunities to expand ownership opportunities and broaden the allowable uses of CDBG for homeownership programs, affordable housing units in new development not fully addressing the need of individuals earning 30% of less of the area median income, and new approaches or innovative ways to share and communicate RFPs.	Comment received regarding programs not associated with CDBG, HOME, HOPWA, ESG or NHTF funding were not accepted as other programs must adhere to their program or funding requirements.	

Sort Order	Mode of Outreach	Target of Outreach	Summary of response/attendance	Summary of comments received	Summary of comments not accepted and reasons	URL (If applicable)
2	Public Meeting	Non-targeted/broad community	On September 16, 2024, DEED participated at the NAHRO 2024 Fall Conference as an outreach effort for cities and counties to learn about the Small Cities Development Program. There were approximately 40 attendees.	None	None	
3	Public Meeting	Non-targeted/broad community	On October 9, October 22 and December 3,2024, DEED hosted Environmental Review training sessions to non-profit and for-profit organizations as part of an outreach effort to inform audiences about the federal requirements of the Small Cities Development Program. There were approximately 25 attendees.	None	None	

Sort Order	Mode of Outreach	Target of Outreach	Summary of response/attendance	Summary of comments received	Summary of comments not accepted and reasons	URL (If applicable)
4	Public Meeting	Non-targeted/broad community	On November 13, 2024, DEED presented along with USDA RD, PFA, MDH and MPCA at the Minnesota Rural Water Association event as part of an outreach effort to promote the Small Cities Development Program's Public Facility Infrastructure activity. There were approximately 100 attendees.	None	None	
5	Public Meeting	Non-targeted/broad community	On September 6, September 7 and September 27, 2023, DEED conducted implementation workshops on the CDBG Small Cities Development Program. There were approximately 60 attendees.	Refer to the Unique Appendices	None	

Table 4 – Citizen Participation Outreach

Expected Resources

AP-15 Expected Resources – 91.320(c)(1,2)

Introduction

The following section describes the annual allocation the State of Minnesota expects to receive over the next five years based on the allocation amounts for program years 2022-2026.

Anticipated Resources

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
CDBG	public - federal	Acquisition Admin and Planning Economic Development Housing Public Improvements Public Services	18,836,467.00	80,447.00	6,114,675.30	25,031,589.30	19,193,916.00	Minnesota Department of Employment and Economic Development (DEED)

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
HOME	public - federal	Acquisition Homebuyer assistance Homeowner rehab Multifamily rental new construction Multifamily rental rehab New construction for ownership TBRA	8,203,543.00	2,368,855.32	0.00	10,572,398.32	0.00	Minnesota Housing (MH) (acquisition, multifamily rental new construction and rehab only)

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
HOPWA	public - federal	Permanent housing in facilities Permanent housing placement Short term or transitional housing facilities STRMU Supportive services TBRA	455,194.00	0.00	0.00	455,194.00	0.00	Minnesota Housing (MH) (Housing Opportunities for Persons With AIDS: Short Term Rental, Mortgage, Utility Assistance only)

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
ESG	public - federal	Conversion and rehab for transitional housing Financial Assistance Overnight shelter Rapid re-housing (rental assistance) Rental Assistance Services Transitional housing	2,245,705.00	0.00	0.00	2,245,705.00	0.00	Minnesota Department of Human Services (DHS)

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
HTF	public - federal	Acquisition Admin and Planning Homebuyer assistance Multifamily rental new construction Multifamily rental rehab New construction for ownership	3,144,833.37	0.00	0.00	3,144,833.37	0.00	Minnesota Housing (MH) (acquisition, multifamily rental new construction and rehab only)

Table 5 - Expected Resources – Priority Table

Explain how federal funds will leverage those additional resources (private, state and local funds), including a description of how matching requirements will be satisfied

The CDBG match will be a mix of private, local, and state resources such as loans from local banks, weatherization funds, Minnesota Housing rehabilitation loans. United States Department of Agriculture Rural Development (USDA RD), Public Facilities Authority (PFA), Minnesota Department of Health (MDH), CDBG-Economic Development match is through local initiatives, local banks, owner equity. DEED's CDBG prior year resources include the 15% set-aside for the federal Minnesota Investment Fund program from the previous allocation, which is roughly $2.7 million. The additional funds include reverted grant funds from other small cities grant awards. Larger rehabilitation and construction projects will leverage state/local funding and other federal funds. Smaller project may also leverage other sources such as private, state/local and potentially federal funds. Grantees will retain documentation to show other funding sources have been expended on the project and will be reported annually.

The HOME match requirement is met through tenant-based rental assistance from Minnesota Housing's Bridges program, which provides a rent subsidy for up to five years to persons with mental illness until they can obtain a permanent rent subsidy; and the State Housing Trust Fund program which also provides rental assistance targeted to individuals and families at-risk of homelessness.

The ESG match requirements are met a variety of ways, depending on the level of state resources available to the Department of Human Services in a particular biennial funding cycle. DHS expects that for FFY2025 and the remainder of the plan, sufficient state appropriations (under the Emergency Services Program) will be available, allowing DHS to provide a state-level match for the entire annual ESG allocation. To ensure compliance with the ESG match requirement, DHS has notified all ESP grantees in the current biennium (whose awards are being used as state-level ESG match) of the prohibition on using those funds to match other federal awards, and of DHS intent to administer these state matching funds in the ways required by ESG regulation.

Minnesota Housing's HOME and NHTF programs leverage other agency, state funded, and low-income housing tax credit investment. Minnesota Housing has an annual Consolidated RFP (Request for Proposal) process which is the agency's largest competitive funding round. It is the primary mechanism that the agency uses to award and allocate federal and state resources to develop and preserve rental homes that are affordable throughout the state of Minnesota. The Consolidated RFP provides a "one stop shop" by consolidating and coordinating multiple housing resources into one multifamily application process. Applicants request funding for a specific housing development and/or activities that meet a specific housing need and generally do not apply for specific programs. The Consolidated RFP deploys significant capital funds and includes federal (including low-income housing tax credits, HOME and NHTF) resources and state appropriated development programs. Minnesota Housing also often has deferred loan and project-based voucher resources available from our Public Funding partners. One of the key benefits of the Consolidated RFP is a consistent application and funding cycle that allows adequate planning time at the community level as well as a streamlined application review process. Minnesota Housing is able to review all applications at once and compare scoring, feasibility and other review considerations across all submittals in order to maximize the number of projects that get funded each year throughout the state.

If appropriate, describe publicly owned land or property located within the jurisdiction that may be used to address the needs identified in the plan:

The State will not use state-owned land to address the needs identified in the plan, though CDBG recipients may use locally owned land.

Discussion

The final allocation amounts for the CDBG, ESG, HOME, NHTF, and HOPWA programs have not been officially confirmed at the time of drafting this document. HUD has indicated that funding awards will be announced in mid-May. The figures provided in the table above reflect the FY2024 award. If the actual annual allocation differs from the expected amount, DEED, DHS, and MN Housing will make the necessary adjustments, and the program will proceed as outlined.

Annual Goals and Objectives

AP-20 Annual Goals and Objectives – 91.320(c)(3)&(e)

Goals Summary Information

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
1	Address Housing Rehabilitation Needs - DEED	2022	2026	Affordable Housing		Retain Decent Housing for LMI Renters/Owners	CDBG: $6,825,874.00	Rental units rehabilitated: 64 Household Housing Unit Homeowner Housing Rehabilitated: 207 Household Housing Unit
2	Increase Affordable Housing Opportunities-MH	2022	2026	Affordable Housing		Unit Production for LMI Renter Households		Rental units constructed: 450 Household Housing Unit Rental units rehabilitated: 125 Household Housing Unit
3	Support Economic Development and Workforce Needs	2022	2026	Non-Housing Community Development		Economic Opportunities	CDBG: $1,748,000.00	Facade treatment/business building rehabilitation: 38 Business Jobs created/retained: 0 Jobs Businesses assisted: 0 Businesses Assisted

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Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
4	Facilitate Housing and Service for the Homeless	2022	2026	Homeless		Homelessness	ESG: $2,235,077.00	Tenant-based rental assistance / Rapid Rehousing: 150 Households Assisted Homeless Person Overnight Shelter: 3750 Persons Assisted Homelessness Prevention: 70 Persons Assisted
5	Provide Funds for Special-Needs Housing & Services	2022	2026	Non-Homeless Special Needs		Community Services for Vulnerable People	HOPWA: $455,194.00	Homelessness Prevention: 1100 Persons Assisted
6	Improve Public Facilities & Infrastructure DEED	2022	2026	Non-Housing Community Development		Public Facilities and Infrastructure	CDBG: $13,338,076.00	Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit: 9832 Persons Assisted Public Facility or Infrastructure Activities for Low/Moderate Income Housing Benefit: 16520 Households Assisted

Table 6 – Goals Summary

Goal Descriptions

1	**Goal Name**	Address Housing Rehabilitation Needs - DEED
	Goal Description	Provide funding for housing rehabilitation activities for low- to moderate-income homeowner and rental households through CDBG funds, totaling an estimated $6,825,874. The CDBG funding breakdown includes an estimated HUD allocation of $18,836,467, additional funds from prior years totaling $6,114,675.30, and program income from prior years amounting to $80,447, bringing the total to $25,031,589.30. The program income of $80,447.00 is allocated specifically for streetscape activities.
2	**Goal Name**	Increase Affordable Housing Opportunities-MH
	Goal Description	Fund housing activities for low-to-moderate income rental households, including renovation and new construction, and operating subsidy. The total amount allocated from HUD for HOME is $8,203,524, with an additional $2,169,650.49 to be added in program income from the prior fiscal year, for a total of $10,373,174.49. The total amount allocated for HTF is 3,144,833.37. For this goal, total resources amount to $13,518,007.86.
3	**Goal Name**	Support Economic Development and Workforce Needs
	Goal Description	Encourage robust economic growth through commercial building rehabilitation activities, the development and retention of businesses and jobs through CDBG funds totaling an estimated $1,748,000. The CDBG funding breakdown includes an estimated HUD allocation of $18,836,467, additional funds from prior years totaling $6,114,675.30, and program income from prior years amounting to $80,447, bringing the total to $25,031,589.30. The program income of $80,447.00 is allocated specifically for streetscape activities.
4	**Goal Name**	Facilitate Housing and Service for the Homeless
	Goal Description	Provide funds for service providers to meet the various housing and service needs of the homeless population in Minnesota.
5	**Goal Name**	Provide Funds for Special-Needs Housing & Services
	Goal Description	Continue to fund programs that provide housing and services to special needs populations, including those with HIV/AIDS.

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6	**Goal Name**	Improve Public Facilities & Infrastructure DEED
	Goal Description	Address community needs through improvements to public facilities and infrastructure through CDBG funds, totaling an estimated $13,338,076. The CDBG funding breakdown includes an estimated HUD allocation of $18,836,467, additional funds from prior years totaling $6,114,675.30, and program income from prior years amounting to $80,447, bringing the total to $25,031,589.30. The program income of $80,447.00 is allocated specifically for streetscape activities.

Estimate the number of extremely low-income, low-income, and moderate-income families to whom the jurisdiction will provide affordable housing as defined by HOME91.215(b)

Through the HOME and NHTF programs, an estimated 110 housing opportunities will be made available to extremely low-income, low-income, and moderate-income families. NHTF assisted units are required to serve extremely low-income households (30% AMI and below). HOME assisted units are required to be occupied by households with low incomes (80% AMI), but for projects with more than four HOME units (as typical for rental projects funded through Minnesota Housing), the requirement is for at least 20% of HOME units to be occupied by households with incomes at 50% AMI or lower.

Over the past several years, Minnesota Housing has been receiving more applications for new construction projects compared to rehabilitation projects. Accordingly, Minnesota Housing's use of HOME and NHTF funds has shifted from smaller per-unit investment amounts to larger per-unit investment amounts in a smaller number of mostly new construction projects. Because of the larger number of applications for new construction projects Minnesota Housing has been able to focus its HOME and NHTF funds in new construction projects that have larger financing gaps that otherwise would not have moved forward. While this has allowed Minnesota Housing to complete these projects, it has also directly impacted the number of units that have been assisted with HOME and NHTF funds.

AP-25 Allocation Priorities – 91.320(d)

Introduction:

The following section describes the allocation priorities for FY 2025.

Funding Allocation Priorities

	Address Housing Rehabilitation Needs - DEED (%)	Increase Affordable Housing Opportunities-MH (%)	Support Economic Development and Workforce Needs (%)	Facilitate Housing and Service for the Homeless (%)	Provide Funds for Special-Needs Housing & Services (%)	Improve Public Facilities & Infrastructure DEED (%)	Total (%)
CDBG	31	0	8	0	0	61	**100**
HOME	0	100	0	0	0	0	**100**
HOPWA	0	0	0	0	100	0	**100**
ESG	0	0	0	100	0	0	**100**
HTF	0	100	0	0	0	0	**100**

Table 7 – Funding Allocation Priorities

Reason for Allocation Priorities

Percentages include administration costs. Allocation priorities are based on needs in market study, needs assessment, State directive, and public input.

CDBG: CDBG spending will be split between addressing housing rehabilitation needs, economic development and public facilities and infrastructure improvements. These spending priorities have been established through the planning process of where the most need is, as well as the capacity to make an impact on those in need in the State of Minnesota. The amount spent on each category is determined both by current application received, past performance and the current ability to meet housing and community development needs in the State. Funds allocated to addressing housing rehabilitation will benefit low- to moderate-income household while improving public facilities and infrastructure will benefit project areas that are predominately low- to moderate-income. Economic Development funds will be utilized to support the Minnesota Investment Fund Program by providing gap financing to businesses creating jobs that benefit low- to moderate-income

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workers as well as rehabilitation of commercial buildings in small cities’ downtowns and commercial areas.

HOPWA: Federal regulations dictate both the geography in which HOPWA funds may be used and the beneficiaries. Because only 15% of persons living with HIV/AIDS live in counties outside the seven-county Twin Cities metropolitan area and most are already housed, preventing homelessness is a more cost-effective approach than housing development or tenant-based rent assistance.

NHTF: National Housing Trust Funds will be directed towards efforts to enhance affordable housing opportunities through new construction and rehabilitation.

HOME: Many federally assisted and naturally affordable housing developments need rehabilitation to preserve their federal rent subsidy or affordability of their units. There is also a growing need for new affordable rental housing. All of the HOME funds will be directed toward enhancing the affordable housing opportunities for low to moderate income households throughout the State.

ESG: The total funds for ESG will be spent on services and housing, including rapid rehousing, homelessness prevention, and emergency shelter, for homeless households and households at-risk of homelessness in the State.

How will the proposed distribution of funds will address the priority needs and specific objectives described in the Consolidated Plan?

For CDBG, the distribution of funds addresses the high needs of low to moderate income households, economic opportunities, and public facilities and infrastructure improvements that can be addressed within the CDBG regulations. These needs impact small or rural cities and counties throughout the State which the loss of one may destabilize a community.

For HOME and NHTF, the Consolidated Plan ranks low to moderate income households as a high need. There is a high need for rental rehabilitation. Funds will be targeted to projects that will serve low to moderate income households in the State.

Minnesota uses its HOPWA resources to maintain persons with HIV/AIDS in their current housing by providing emergency assistance because that is the most pressing need identified for this population.

As outlined in the Consolidated Plan, ESG funds will be used to meet the priority needs of providing emergency shelter, prevention, and rapid re-housing to persons at-risk of, and experiencing, homelessness.

AP-30 Methods of Distribution – 91.320(d)&(k)

Introduction:

Formula grant funds from the CDBG, HOME, NHTF, HOPWA, and ESG programs may be directed to their highest and best use and anticipated to be successful first, within each set of program guidelines, given the funding of all housing and community development programs throughout Minnesota. Distribution of funds are based allocations provided by HUD. If additional funding is received that exceeds the amount originally provided by HUD, additional funding will be awarded using the Distribution Method noted below or retained to be utilized in the next program year.

Still, the housing and community development needs statewide far exceed the available resources to address them. Therefore, it is necessary to consider needs by type of activity and geography in order to ensure the greatest impact with limited resources. Diversity across the state means that different areas have different housing and community development needs that are best addressed through different types of investment activities. Such activities are guided by selected ranking criteria. Minnesota's experience with these programs shows that these resources are indeed distributed throughout the state. The entire state will be served by HOME, NHTF and ESG funds, and non-entitlement areas will be served by CDBG and HOPWA funds.

Distribution Methods

Table 8 - Distribution Methods by State Program

1	**State Program Name:**	DEED: Small Cities Development Program and Economic Development
	Funding Sources:	CDBG

	Describe the state program addressed by the Method of Distribution.	Of the amount available for awards, DEED intends to provide Small Cities Development Program (SCDP) funds in accordance with the following approximate allocations: 30 percent for Single Purpose Applications and 55 percent for Comprehensive Applications. The remaining 15 percent allocation is designated for DEED's federal economic development set-aside. If there is not a need from the unit administering federal economic set-aside funds, these funds will go towards SCDP projects, which would be approved by the Commissioner of DEED. Allocation percentages may be modified by the Commissioner of DEED if it is determined that there is a shortage of fundable applications in any category, as allowed in State Rules. DEED does not distribute funds based on specific geographic area. Applications are competitive in nature. Grant terms are typically 39 months but may longer depending on various factors including but not limited to timing of HUD release of funds and disasters affecting the project area. Method of Distribution calculation: The State subtracts from the annual CDBG Award the amount it sets aside for State Administration ($100,000 + 3% of the CDBG Award (2% for Administration and 1% Administration for Technical Assistance which does not require a state match)) to determine the amount available for CDBG grants. The 1% Administration for Technical Assistance is to support state staff to provide technical assistance to grantees. This includes presenting at workshops on how to apply for and implement CDBG-funded activities and/or onsite technical assistance by state staff to grant recipients on improving some aspect of grant implementation. The State then allocates the amount available for CDBG grants to three categories based on State Rules. That is; 15% for Economic Development Set-Aside, 55% for SCDP Comprehensive Grants, and 30% for SCDP Single Purpose Grants. The Business Finance Unit administers the Economic Development Set-Aside Grant Program and the Community Finance Division administers the SCDP program. No more than 20% of a CDBG allocation can be spent towards general administration. This includes general administration funds expended by DEED along with funds awarded and expended by grantees. Lastly, SCDP funds reverted from grantees who did not spend their total awarded grants in the previous fiscal years would be added to the current year’s available funding amount. Grantees

		must bring forward any Program Income they have and spend it first before any new CDBG award funds will be released from DEED. Once DEED has determined the total CDBG allocation available to award to projects, DEED will allocate this total to the Comprehensive and Single Purpose grant budget based on the ratio of Comprehensive funds to Single Purpose funds which is 64.7% to 35.3%. Once DEED determines the grant awards for the year, the percentage of grants awarded for comprehensive projects will be calculated. If that percentage is less than 55%, DEED staff will seek approval from the DEED Commissioner for the lesser percentage. DEED allows a maximum of 15% of project costs to administer the grant payable to grantees. In the event of a disaster, the State of Minnesota reserves the right to use funds for any eligible CDBG activity to an eligible grantee. In addition, in the event a HUD Five-Year Consolidated Plan has not yet been approved by HUD, DEED may award funding to eligible activities with reverted fund and unallocated past funding. Awarded applicants who have Program Income must expend this funding before any new CDBG funds will be disbursed. The State reserves the right to determine what activities are appropriate uses of funds based on needs of the community.

	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	Projects are evaluated based on an assessment of need, impact and cost effectiveness of the applicant to complete the project in a timely manner. <u>**SCDP fund evaluation process**</u>: Up to 240 points will be awarded based on evaluation of the proposed project to serve low- and moderate-income persons in relation to housing, public facilities, alleviate slum and blight in commercial areas, and/or address urgent need activities. Up to 210 points will be awarded based on evaluation of need, impact, and capacity for the proposed project. **Up to 30 points will be awarded based on an evaluation of State demographic information.** **Need:** up to 90 points may be awarded for the following: benefit to low- to moderate-income (LMI) persons and project addresses either substandard conditions or pose a threat to the health or safety of the occupants; an inadequate supply of affordable housing for LMI persons; or other documented condition that gives evidence of the need for improvement or additional units to the housing stock serving LMI persons. **Impact:** up to 90 points may be awarded for the following: an evaluation of the extent to which the proposed project will eliminate housing deficiencies or improve public facilities services serving LMI persons and evaluation of administrative capacity to complete the activity in a timely manner. The application must include information documenting an applicant's history in administering prior SCDP funds and/or other programs similar in nature, to determine whether the applicant can complete the proposed activity. Prior SCDP performance will be taken into consideration for future funding. **Cost-Effectiveness:** up to 30 points may be awarded for the following: an evaluation of the extent to which the proposed project will make cost-effective use of grant funds, including consideration with, and use of, funds from other public and private sources. per household benefit is reasonable; and project benefits existing, rather than future, population, unless growth is beyond applicant's control. **State Demographics:** up to 30 points will be awarded based on: the number of poverty-persons and the percentage of persons residing in the area under the applicant's jurisdiction. The per capita

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		assessed valuation of the area under the jurisdiction of the applicant, such that points are awarded in inverse relationship to the applicant's per capita assessed valuation. Economic Development funds: Funds disbursed via the Minnesota Investment Fund (MIF) to support economic development activities are selected based upon potential job creation and retention, project financial viability and community need factors. In more detail, projects are scored based upon the proposed project's ability to improve local economic stability, unemployment rate, median income ratios, projected job creation & retention, wage and tax base impact, financial feasibility, and public and private investment ratios.
	If only summary criteria were described, how can potential applicants access application manuals or other **state publications describing the application criteria? (CDBG only)**	Selection Criteria for the Minnesota Investment Fund is guided by Minnesota Statutes 116J.8731 which are available on the MN Office of the Revisor of Statutes web page. SCDP application information is available on the State of Minnesota Department of Employment and Economic Development's Small Cities Development Program website (https://mn.gov/deed/government/financial-assistance/community-funding/small-cities.jsp).
	Describe the process for awarding funds to state recipients and how the state will make its allocation available **to units of general local government, and non-profit organizations, including community and faith-based** **organizations. (ESG only)**	Not applicable.

	Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)	Not applicable.
	Describe how resources will be allocated among funding categories.	All funds must be used for economic development related activities undertaken by a Minnesota business. The State allocates the amount available for CDBG grants to three categories based on State Rules. 15% for Economic Development Set-Aside, 55% for SCDP Comprehensive Grants, and 30% for SCDP Single Purpose Grants. The Business Finance Unit administers the Economic Development Set-Aside Grant Program and the Community Finance Unit administers the Small Cities Development Program. No more than 20% of a CDBG allocation can be spent towards general administration. This includes general administration funds expended by DEED along with funds awarded and expended by grantees. The Commissioner of DEED has the authority to approve grants different from the above percentages. CDBG allocates a set of two rounds in funding. The first round of funding allocation is the use of reverted funds from past fiscal funding years with priorities for awarded public facility projects and owner-occupied/single-family projects. First round of funding allocation is released in early to mid-July. The second round of funding are new CDBG FY 2025 funding allocations that will be for all remaining awarded projects that are not in the round one funding pool. The release of the FY 2025 funding allocation is released once approval is received from HUD.

	Describe threshold factors and grant size limits.	SCDP funded Single Purpose Applications may only be awarded up to $600,000. Single Purpose Applications are applications that are focus on one housing or community development activity (example: owner-occupied rehabilitation or public facility). Comprehensive Applications may be awarded up to $1,400,000 with each activity not exceeding $600,000. Comprehensive Applications are comprised of two different activities, one of which must be housing (example: owner-occupied housing and commercial building rehabilitation). The maximum MIF grant size is $1,000,000 and is determined by financing need, project leverage capacity and number of jobs to be created or retained.
	What are the outcome measures expected as a result of the method of distribution?	For SCDP projects, outcome measures will include number of assisted housing units, whether owner-occupied or rental, that are rehabilitated, number of commercial buildings rehabilitated in a designated slum/blight area, or number of residents, particularly LMI persons, who benefit from a new or no longer substandard public facility or infrastructure. For MIF project, the measurement will be based on the number of LMI jobs created or retained and private leverage achieved.
2	**State Program Name:**	Minnesota Emergency Solutions Grant Program
	Funding Sources:	ESG
	Describe the state program addressed by the Method of Distribution.	Emergency Solutions Grant Program.

	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	**Organization-Wide Equity and Accessibility (15 points)** • Staff demographics to reflect population served and hiring practices • Action taken to offer culturally responsive program/services • Incorporation of participants in decision making and program evaluation • Steps taken for continuous improvement to provide affirming services to LGBTQIAP2+ population • Steps taken to make program/services accessible **Organization-wide Approach (5 points)** • Participation in local and regional homeless response system • Experience providing services, or if new provider, preparation to provide services • Best practice approaches • Partnerships with local child welfare providers *(youth programs only)* **Emergency Shelter Program Services and Activities (20 points per activity. Applications with multiple activities scored separately.)** • Clear description of policies and procedures around eligibility, program access/admission, length of stay, involuntary discharge, etc. • Detailed information about Emergency Shelter model (Congregate Site, Host Home, Rotating Site, Hotel/Motel, and Emergency Apartments) • Description of services provided • Strategies for implementing low barrier shelter • Implementation of harm reduction approaches **Emergency Shelter Program Revenue and Budget (10 points, per activity)** • Cost effectiveness of program • Detailed information on revenue sources • Diverse and sustainable funding • Descriptive/complete budget narrative and reasonableness of budget

		Scattered-Site Transitional Housing & Rapid Re-Housing Program Services and Activities (20 points per activity. Applications with multiple activities scored separately.) • Detailed information about housing model • Clear description of policies and procedures around eligibility, program access/admission, length of stay, involuntary discharge, and rent/utility payments • Description of services provided • Implementation of follow-up and after-care services • Clear plan to serve parents with their children, if applicable • Implementation of harm reduction approaches **Scattered-Site Transitional Housing & Rapid Re-Housing Program Revenue and Budget (10 points per activity.)** • Cost effectiveness of program • Detailed information on revenue sources • Diverse and sustainable funding • Descriptive/complete budget narrative and reasonableness of budget
	If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)	Announcement of the Request For Proposals for the ESG program are distributed to all Department of Human Services - Office of Economic Opportunity funded housing agencies, all Continuum of Care committees, all members of the Minnesota Interagency Council on Homelessness, and the Minnesota Coalition for the Homeless. The RFP will be posted on the Minnesota Department of Human Services website and published in the State Register.

	Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)	FFY2025 ESG funds have been awarded through a competitive Request For Proposals. Eligible applicants included non-profit 501 (c) (3) organizations and local units of government. Many of the non-profits are community and/or faith based. For more detail, see "AP-30 ESG Methods of Distribution" attachment under AP-90 Attachments.
	Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)	Not Applicable.

	Describe how resources will be allocated among funding categories.	For FFY2025, the State of Minnesota will use the maximum amount of funding allowable for emergency shelter activities, which in FY2025 is 60 percent of the State's estimated allocation. The State of Minnesota and its sub-recipients will use the maximum allowed amount for ESG Administration. A portion of these funds are shared with sub-recipients to assist in administration of their ESG programs. Additional ESG funds above the allowable shelter and administration limits will be used exclusively for prevention and rapid re-housing activities. The State has historically used the maximum allowable amount of its ESG allocation to fund emergency shelter. However, the State will continue to monitor the levels of emergency shelter, homelessness prevention and rapid re-housing funds available to non-entitlement areas of the state in future plan years and adjust the allocation of funding among each category accordingly.
	Describe threshold factors and grant size limits.	The State of Minnesota does not have grant limits in awarding ESG funds. However, because DHS attempts to achieve statewide distribution with emergency shelter and re-housing funds, sizes of grant awards may be limited by available funds and the number of requests. There are no threshold factors for funding other than those identified in "AP-30 ESG Methods of Distribution" attachment under AP-90 Attachments, which is limited to the timely and complete submission of application materials by the deadline.

	What are the outcome measures expected as a result of the method of distribution?	For the upcoming program year, we anticipate that 3,750 persons experiencing homelessness will receive adequate emergency shelter and that 220 persons who are either at-risk of, or currently experiencing homelessness, will be moved to permanent housing. By funding a continuum of activities with ESG, we address the needs of persons experiencing homelessness for both crisis and short or medium-term housing, including emergency shelter, prevention (re-housing those at-risk of homelessness) and rapid re-housing (for those already homeless by HUD's definition). We are the only State agency providing funding for emergency shelter activities, which meets a critical needs gap in rural parts of Minnesota.
3	**State Program Name:**	Minnesota Housing National Housing Trust Fund (NHTF)
	Funding Sources:	HTF
	Describe the state program addressed by the Method of Distribution.	NHTF funds will be distributed directly to owner/developers of affordable housing via Minnesota Housing's annual Multifamily Consolidated RFP. The Consolidated RFP is offered once per year and provides a means of "one stop shopping" by consolidating and coordinating multiple housing funding resources into one multifamily application process to maximize selections and efficiently allocate funds to the project with the best fit. Applicants request funding for a specific housing development proposal and generally do not apply for specific funding sources. The NHTF funds will be part of a deferred pool of resources, through Minnesota Housing, which are targeted to address specific and critical needs in rental housing markets, including but not limited to geographic priority areas: transit-oriented development, areas with strong job markets or job growth, areas that need more affordable housing, and tribal areas. Assistance will generally be in the form of a zero percent interest rate, 30-year deferred loan due and payable at the end of the term. Minnesota Housing provides the loans directly to the owners. Minnesota Housing retains the option to offer funds on a pipeline basis in the event qualified proposals are insufficient to use the entire NHTF grant.

	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	Applications must meet eligibility requirements and the project will be reviewed in accordance with the Multifamily RFP standards. Which can be found online here https://www.mnhousing.gov/rental-housing/housing-development-and-capital-programs/rfps/consolidated-rfp-htc.html The needs of very low-income renters, those with incomes below 50% of area median income (AMI), are a high priority for the State of Minnesota, with significant priority on extremely low income renters (below 30% AMI). Applications will be evaluated in accordance with need and scoring criteria that emphasizes other State priorities. For the 2024 consolidated RFP, these strategic priorities include: 1. Preservation of developments that contain existing federal assistance or other critical affordable units at risk of loss, 2. Address specific and critical rental housing needs, for example, serving the lowest income tenants, workforce housing, senior housing, housing for persons with disabilities, increasing opportunities for affordable housing in communities, and 3. Prevent and end homelessness, including through permanent supportive housing. These priorities may change slightly from year to year. Minnesota Housing also gives priority in awarding funding to the proposals that best meet selection priorities in effect at the time of the RFP. These selection priorities are provided with each Consolidated RFP process, which can be found online and attached in the appendix. In general, NHTF projects should meet the categories listed below to be eligible for funding: • Eligible Housing Types: o Permanent general occupancy rental housing o Senior housing o Permanent supportive housing • Eligible Projects: o Have a minimum of four units • Eligible Activities: o New Construction

		- Rehabilitation or preservation - Construction financing - Permanent financing - Operating assistance, if eligible for NHTF - Funding and application review requirements include, but are not limited to: - Project feasibility - Financial and organizational capacity - Strategic priorities and selection criteria - Deferred loan funding priorities - Underwriting standards - Payment standards - Rent and income limits - Multifamily design standards - Site control - Prevailing wage - Tenant Selection Plan (TSP) guidelines - Prohibited tenant preference policy - Tenant relocation Eligibility criteria are discussed at greater length in the NHTF Program Guide in the appendix. Consistent with Affirmative Fair Housing Marketing regulations, Minnesota Housing requires that each housing provider carry out an affirmative marketing program to attract prospective buyers or tenants in the housing market area regardless of race, creed, color, religion, sex, national, origin, marital status, status with regard to public assistance, disability, sexual orientation, or familial status. The plan should detail how the housing provider intends to market and attract populations that are least likely to apply to the project, including persons with disabilities and households of color. While rehabilitation is a priority for Minnesota Housing, most funds allocated will likely be used for rental new construction, depending on the types of applications received in response to the consolidated RFP, scoring, funding sources available, and the relative need for new construction or preservation.

	If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)	Not Applicable.
	Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)	Not Applicable.
	Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)	Not applicable.

	Describe how resources will be allocated among funding categories.	Minnesota Housing will allocate 10% of its grant to program planning and administration costs; up to one-third for operating cost assistance or funding operating cost assistance reserves; the balance of the grant will provide capital funding for new construction or rehabilitation of NHTF units.
	Describe threshold factors and grant size limits.	Rental applications under the Consolidated RFP must meet the requirements specified in the Multifamily RFP Standards. Recent requirements were that the project had to meet the factors of project feasibility, and the applicant had to meet the factors of organizational capacity. Application processes and eligibility criteria for the 2024 Consolidated RFP and subsequent RFPs may be found at MHFA's website www.mnhousing.gov. There are no limits on assistance amounts other than those established in regulations. Amounts of assistance are sized to specific project needs.
	What are the outcome measures expected as a result of the method of distribution?	Number of rental units rehabilitated and preserved or constructed or provided operating assistance.

4		
	State Program Name:	Minnesota Housing-HOME
	Funding Sources:	HOME
	Describe the state program addressed by the Method of Distribution.	Like NHTF, HOME funds will be distributed directly to owner/developers of affordable housing via Minnesota Housing's annual Multifamily Consolidated RFP. HOME funds will be part of a deferred pool of resources through the Multifamily Consolidated RFP, which is offered once per year and provides a means of "one stop shopping" by consolidating and coordinating multiple housing funding resources into one multifamily application process to maximize selections and efficiently allocate funds to the project with the best fit. Applicants request funding for a specific housing development proposal and generally do not apply for specific funding sources. Assistance will generally be in the form of a zero percent interest rate, 30-year deferred loan due and payable at the end of the term. Minnesota Housing provides the loans directly to the owners.

	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	Applications must meet eligibility requirements and the project will be reviewed in accordance with the Multifamily RFP standards. Which can be found online here https://www.mnhousing.gov/rental-housing/housing-development-and-capital-programs/rfps/consolidated-rfp-htc.html The needs of very low-income renters, those with incomes below 50% of area median income (AMI), are a high priority for the State of Minnesota, with significant priority on extremely low-income renters (below 30% AMI). Applications will be evaluated in accordance with need and scoring criteria that emphasizes other State priorities. For the 2024 consolidated RFP, these strategic priorities include: 1. Preservation of developments that contain existing federal assistance or other critical affordable units at risk of loss, 2. Address specific and critical rental housing needs, for example, serving the lowest income tenants, workforce housing, senior housing, housing for persons with disabilities, increasing opportunities for affordable housing in communities, and 3. Prevent and end homelessness, including through permanent supportive housing. These priorities may change slightly from year to year. Minnesota Housing also gives priority in awarding funding to the proposals that best meet selection priorities in effect at the time of the RFP. These selection priorities are provided with each Consolidated RFP process. Which can be found online and attached in the appendix. In general, HOME projects meet the categories listed below to be eligible for funding: • Eligible Housing Types: o Permanent general occupancy rental housing o Senior housing o Permanent supportive housing • Eligible Projects: o Have a minimum of four units • Eligible Activities:

		- New Construction - Rehabilitation or preservation - Construction financing - Permanent financing - Funding and application review requirements include, but are not limited to: - Project feasibility - Financial and organizational capacity - Strategic priorities and selection criteria - Deferred loan funding priorities - Underwriting standards - Payment standards - Rent and income limits - Multifamily design standards - Site control - Prevailing wage - Tenant Selection Plan (TSP) guidelines - Prohibited tenant preference policy - Tenant relocation Eligibility criteria are discussed at greater length in the HOME Program Guide in the appendix. Consistent with Affirmative Fair Housing Marketing regulations, Minnesota Housing requires that each housing provider carry out an affirmative marketing program to attract prospective buyers or tenants in the housing market area regardless of race, creed, color, religion, sex, national, origin, marital status, status with regard to public assistance, disability, sexual orientation, or familial status. The plan should detail how the housing provider intends to market and attract populations that are least likely to apply to the project, including persons with disabilities and households of color.

		While rehabilitation is a priority for Minnesota Housing, most funds allocated will likely be used for rental new construction, depending on the types of applications received in response to the consolidated RFP, scoring, funding sources available, and the relative need for new construction or preservation.
	If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)	Not Applicable.
	Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)	Not Applicable.
	Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)	Not Applicable.

	Describe how resources will be allocated among funding categories.	Ninety percent of the program funds will be directed towards programs. Up to 10 percent will be used for administration.
	Describe threshold factors and grant size limits.	There are no limits on assistance amounts other than those established in HOME regulations. The amount of assistance is sized to meet project needs. Rental applications under the Multifamily Consolidated RFP must meet the requirements specified in the Multifamily RFP Standards. Recent requirements were that the project had to meet factors of project feasibility, and the applicant had to meet factors of organizational capacity. Application processes and eligibility criteria for the 2024 Consolidated RFP and other RFPs may be found at MHFA's website www.mnhousing.gov.
	What are the outcome measures expected as a result of the method of distribution?	Number of rental units rehabilitated and preserved or constructed.

5	**State Program Name:**	Minnesota Housing-HOPWA
	Funding Sources:	HOPWA
	Describe the state program addressed by the Method of Distribution.	Minnesota Housing issued a Request for Proposals (RFP) in October 2023. Of the five applications received, two applicants - Rainbow Health Minnesota and Clare Housing - were selected for funding and have begun implementing programs that serve low income households (at or below 80% of area median income) who are living with HIV/AIDS outside of the 15-county Eligible Metropolitan Statistical Area (EMSA) as of March 2024. One of those sponsors has since dissolved, and funding was rolled over to Clare Housing. Minnesota Housing is currently still under contract with Clare Housing.
	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	Minnesota Housing will allocate resources to the existing grantee and/or additional grantees that can provide emergency assistance for short-term rent, mortgage and utility payments (STRMU) and collaborates with diverse community partners.
	If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)	Not Applicable.

	Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)	Not Applicable.
	Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)	After engaging with community partners as well as the Minnesota HIV Housing Coalition and other HIV/AIDS program funders, the funds were made available through an RFP process for application to all eligible sponsors, including eligible grassroots faith-based and other community-based organizations. Eligible applicants were evaluated on the financial capacity along with the project design and program processes. Special emphasis was placed on identifying potential barriers in the proposed geographic areas and showcasing knowledge and experience in providing HOPWA assistance through collaborative models with other health and housing providers, focusing on achieving long-term and holistic outcomes.
	Describe how resources will be allocated among funding categories.	There is only one funding category and all resources are allocated to it.

	Describe threshold factors and grant size limits.	Ninety-seven percent of the program funds will be directed towards programs. Minnesota Housing will retain 3% for the administration of the program.
	What are the outcome measures expected as a result of the method of distribution?	Assisted households remain in their homes.

Discussion:

Minnesota Housing issued a competitive HOPWA RFP on October 30, 2023, with applications due on December 4, 2023. As a result, Clare Housing and Rainbow Health Minnesota were selected as Project Sponsors and will provide emergency assistance for short-term rent, mortgage, and utility payments (STRMU). These Project Sponsors began their contract periods in March 2024 and will continue to provide STRMU throughout the 2024 program year. In July of 2024, Rainbow Health Minnesota ceased operations. Clare Housing will continue to provide STRMU through the 2025 program year. Low-income individuals and families living with HIV/AIDS in Greater Minnesota, who are at or below 80% of the area median income, will be eligible to receive HOPWA assistance through this program.

AP-35 Projects – (Optional)

Introduction:

As allowable in State Consolidated Plan, projects will be entered after the submission of the 2025 Annual Action Plan.

#	Project Name
	No Projects have been added to this Annual Action Plan

Table 9 – Project Information

Describe the reasons for allocation priorities and any obstacles to addressing underserved needs

AP-40 Section 108 Loan Guarantee – 91.320(k)(1)(ii)

Will the state help non-entitlement units of general local government to apply for Section 108 loan funds?

No

Available Grant Amounts

Not applicable

Acceptance process of applications

Not applicable

AP-45 Community Revitalization Strategies – 91.320(k)(1)(ii)

Will the state allow units of general local government to carry out community revitalization strategies?

No

State's Process and Criteria for approving local government revitalization strategies

Not applicable

AP-50 Geographic Distribution – 91.320(f)

Description of the geographic areas of the state (including areas of low-income and minority concentration) where assistance will be directed

Funds are available statewide to eligible entities as allowed by each program.

Geographic Distribution

Target Area	Percentage of Funds
Non-entitlement	**100%**
Statewide	**100%**

Table 10 - Geographic Distribution

Rationale for the priorities for allocating investments geographically

CDBG funds are available to units of local government that are within non-entitlements areas. Statewide - 100% and Non Entitlement - 100%. HOME and NHTF funds are available statewide. HOPWA funds are available to eligible applicants living outside of the 15-county Eligible Metropolitan Statistical Area.

For ESG Shelter funding, the application is open to all areas of the state, but priority is given to applications from the balance of state areas (non-ESG entitlement areas). Within ESG entitlement areas, priority is given to those jurisdictions which have chosen to use their ESG resources for emergency shelter but still demonstrate significant unmet need. For funding allocated to the ESG Prevention and Rapid Re-Housing activities, funds will only be awarded to applications from non-ESG entitlement areas of the state.

Discussion

Affordable Housing

AP-55 Affordable Housing – 24 CFR 91.320(g)

Introduction:

The term affordable housing that is used in 24 CFR 92.252 and 92.254 includes several elements that are not requirements of ESG, HOPWA and CDBG. Therefore, the only units that receive federal assistance that can be assured of meeting the standard of "affordable housing" and are described here are HOME and NHTF units.

One Year Goals for the Number of Households to be Supported	
Homeless	150
Non-Homeless	515
Special-Needs	0
Total	665

Table 11 - One Year Goals for Affordable Housing by Support Requirement

One Year Goals for the Number of Households Supported Through	
Rental Assistance	150
The Production of New Units	90
Rehab of Existing Units	425
Acquisition of Existing Units	0
Total	665

Table 12 - One Year Goals for Affordable Housing by Support Type

Discussion:

With HOME and NHTF combined, it is estimated that the state will support development or rehabilitation of a total 115 units of housing with FY 25 resources.

OMB Control No: 2506-0117 (exp. 09/30/2021)

AP-60 Public Housing - 24 CFR 91.320(j)

Introduction:

The State does not own or manage public housing.

Actions planned during the next year to address the needs to public housing

The Publicly Owned Housing Program (POHP) is a competitive funding program that has historically used the proceeds of General Obligation Bonds (GO) to provide financing to public housing authorities and agencies (PHAs). PHAs use these loans to rehabilitate and preserve public housing in the state. During the 2023 Legislative Session, the State Legislature approved approximately $41 million in general obligations bond proceeds, $40 million in general fund appropriations for public housing rehabilitation and $5 million specifically for Minneapolis PHA. In the first round of funding, Minnesota Housing received 42 applications from 27 PHAs requesting more than $92 million impacting over 3,250 units. Selections included 18 proposals for 1,641 units and $39.5 million. The second round of funding will close to applications on April 10. The agency received 58 initial responses, requests resources for over $100 million in critical repairs. POHP funds are prioritized to address health and life safety issues, critical needs, accessibility, and water and energy efficiency/climate resiliency.

Actions to encourage public housing residents to become more involved in management and participate in homeownership

The State does not own or manage public housing and, therefore, has no opportunities to access public housing tenants and has no actions planned.

If the PHA is designated as troubled, describe the manner in which financial assistance will be provided or other assistance

While the state does not operate any public housing authority, it does offer resources that may benefit troubled public housing authorities. The Publicly Owned Housing Program (POHP) is a state competitive funding program that uses the proceeds of General Obligation Bonds (GO) to provide financing to public housing authorities and agencies (PHAs). PHAs use these loans to rehabilitate and preserve public housing in the state. Troubled and other PHAs are invited to participate in the "Working Together" conference to receive training on topics relevant to their operations.

Discussion:

AP-65 Homeless and Other Special Needs Activities – 91.320(h)

Introduction

During FFY2025, the State of Minnesota plans on using ESG funds to address homeless needs throughout the State to help combat the rate of homelessness in the State. These efforts are coordinated through the Continuum of Care and strives to reduce the amount of homelessness in the State.

Describe the jurisdictions one-year goals and actions for reducing and ending homelessness including:

Reaching out to homeless persons (especially unsheltered persons) and assessing their individual needs:

The State of Minnesota provides funding to several street outreach, emergency shelters, and transitional housing programs across the state with the state and federal funding that has been made available to it. Some of these programs provide outreach to the unsheltered homeless population but many barriers to effective unsheltered outreach remain. These barriers include but are not limited to: the largely hidden nature of unsheltered homelessness outside of urban centers, large geographic distances and minimal staffing levels at providers, client mistrust of public systems or assistance, and daunting data collection recordkeeping. On-site community meals, support services, or community connect events can provide sources of contact with unsheltered persons and lead to additional services. The State of Minnesota continues to partner with regional Continuum of Care Committees to develop effective and low barrier Coordinated Entry systems in all areas of the state which can better serve as a focal point for assessing and prioritizing the individual needs of both unsheltered and sheltered persons.

Addressing the emergency shelter and transitional housing needs of homeless persons.

After many years of minimal state investment in emergency shelter, the 2021 Minnesota Legislature invested a record $6.8M in on-going base funding. This investment reflected the growing recognition of the important safety net provided by Minnesota's emergency shelter providers and was used by providers to respond to the growing need for safe and secure shelter while strengthening the existing shelter infrastructure. On a given night, over 5,000 persons are staying in emergency shelters in Minnesota and almost 2,000 persons are staying in transitional housing. The goal for the 2025 year, if no new resources will become available, is to continue to support these capacities at current levels. While emergency shelter is not a stand-alone solution to homelessness, shelter facilities fill a critical safety gap for families in many communities. This is particularly true during harsh Minnesota winters and in communities where extremely low vacancies or difficult rental markets result in many families exhausting all informal housing options during long episodes waiting for permanent housing

In such communities, youth, and families in particular struggle to exit homelessness or emergency shelter quickly as poor or minimal rental histories, high rents and rental deposits, low wages and other barriers make it difficult to obtain market-rate housing. Site-based transitional housing can provide an interim option for those unable to obtain their own lease (even with rapid-rehousing assistance), particularly in the growing number of Minnesota communities where private rental housing is increasingly unavailable or inaccessible for persons experiencing homelessness. For others, scattered-site transitional or rapid rehousing (funded with ESG and other sources) provides the rental assistance and supportive services that many individuals and families need to obtain and maintain private rental housing.

Helping homeless persons (especially chronically homeless individuals and families, families with children, veterans and their families, and unaccompanied youth) make the transition to permanent housing and independent living, including shortening the period of time that individuals and families experience homelessness, facilitating access for homeless individuals and families to affordable housing units, and preventing individuals and families who were recently homeless from becoming homeless again

Emergency Solutions Grant Program funds will be targeted to provide prevention and rehousing assistance and services to families, individuals, and youth, some of whom are veterans and some of whom are chronically homeless, to move these households from homelessness to housing. By targeting these funds to persons that currently reside in shelters (or who would be not for this assistance), the length of time these households are homeless will be reduced. With the provision of supportive services to the rapid rehousing participants, it is expected that permanent housing retention will be improved.

In addition to efforts with ESG funding, the State provides over $10.2 million dollars per year in Family Homelessness Prevention and Assistance Program (FHPAP), a funding stream which is dedicated to transitioning homeless persons to stable housing and preventing persons who are at greatest risk from becoming homeless.

Similar efforts are well underway among state, county and nonprofit providers seeking to end veteran homelessness as part of the State's Heading Home plan, including maintaining a statewide veteran registry. These efforts have shown results as the numbers of homeless veterans have decreased in recent years, and at least 9 of Minnesota 10 CoC regions have effectively ended veteran homeless (as of October 2024).

In Minnesota, the state's Medical Assistance program (federal Medicaid program) recently expanded to include a new Housing Stabilization benefit. This expanded Medicaid-eligible service is increasingly an important component of Minnesota's efforts to support people in transitioning to permanent housing and independent living.

The purpose of these services is to:

- Support an individual's transition into housing,
- Increase long-term stability in housing in the community, and
- Avoid future periods of homelessness or institutionalization.

Housing Stabilization Services are services that pay for staff that support people to find and maintain housing, it does not pay for the cost of housing. There are currently roughly 18,302 Minnesotans enrolled in Housing Stabilization Services.

Helping low-income individuals and families avoid becoming homeless, especially extremely low-income individuals and families and those who are: being discharged from publicly funded institutions and systems of care (such as health care facilities, mental health facilities, foster care and other youth facilities, and corrections programs and institutions); or, receiving assistance from public or private agencies that address housing, health, social services, employment, education, or youth needs

Discharge planning for persons residing in institutions initially occurs through the services provided by that institution, many of whom are legally required to provide discharge planning to residents leaving their facilities. In addition, the State's 10 Continuum of Care planning groups have developed Plans to End Homelessness which address coordination with discharge planning processes, including the development Coordinated Entry systems. As a result, local housing providers provide outreach and assessment to persons who may need supportive housing when leaving an institution. Unfortunately, many persons leaving these institutions are not initially eligible for HUD-funded programs administered through the Continuum of Care if they were not literally homeless upon entry and residing in the institution for 90 days or less. In these cases, discharge referrals are made to other types of supportive housing for which the household may qualify. At the Department of Human Services, the Bridging Benefits project continues to improve access to mainstream and public benefits for persons nearing discharge from the state's correctional system, a key component to reducing housing instability among those recently incarcerated in Minnesota. The Department of Corrections (DOC) published a "Homelessness Mitigation Plan 2022 Legislative Report." This plan was a collaborative effort, led by the DOC, that involved collaborative efforts with many groups ranging from other state agencies to people with lived experience of homelessness.

As noted earlier, in Minnesota the Family Homeless Prevention and Assistance Program (FHPAP) program is funded at over $10.2 million and a significant amount is used for homelessness prevention activities. These funds are available in all 87 Minnesota counties. These resources, as well as the State's Successful Transition to Adulthood (STAY) funding and Homeless Youth Act funding all assist unaccompanied youth leaving foster care and young parents to become stably housed and avoid homelessness.

Discussion

AP-70 HOPWA Goals – 91.320(k)(4)

One year goals for the number of households to be provided housing through the use of HOPWA for:	
Short-term rent, mortgage, and utility assistance to prevent homelessness of the individual or family	190
Tenant-based rental assistance	0
Units provided in permanent housing facilities developed, leased, or operated with HOPWA funds	0
Units provided in transitional short-term housing facilities developed, leased, or operated with HOPWA funds	0
Total	190

AP-75 Barriers to affordable housing – 91.320(i)

Introduction:

In the 2022 Housing and Community Development Survey, respondents were then asked if they knew of any barriers to the development or preservation of housing in their communities. Respondents most identified community opposition, or "not in my backyard" mentality, as a barrier to the development or preservation of housing. Cost was also a commonly perceived impediment as building materials, fuel, and services continue to become more expensive in the market, with the costs of land, materials, or labor ranking as the highest barriers to the development or preservation of housing. Those who provided additional narrative commentary in response to this question tended to highlight these same concerns, with many calling for outreach and education to address NIMBYism and a range of strategies designed to decrease the costs of providing affordable housing, including redevelopment, updates to zoning codes, and additional funding.

Actions it planned to remove or ameliorate the negative effects of public policies that serve as barriers to affordable housing such as land use controls, tax policies affecting land, zoning ordinances, building codes, fees and charges, growth limitations, and policies affecting the return on residential investment:

Containing the cost of developing affordable housing is a critical issue in Minnesota. To address the growing need for affordable housing, Minnesota Housing must build and preserve as many affordable units as possible with limited resources. Costs of land, materials and labor are outside of what Minnesota Housing can control; however, cost containment is a goal at Minnesota Housing. Costs are evaluated for each project and overall costs of production are also monitored and evaluated over time. At the same time, Minnesota Housing balances cost containment objectives with other policy goals, such as long-term operating costs.

Here are some additional examples of how Minnesota Housing reduces other barriers through our process:

We reduce the barrier of local land use and development policies by prioritizing developments that use land efficiently and minimize the loss of agricultural land and green space,

We reduce barriers of zoning by prioritizing developments that address the needs of the underserved populations of households of color, single-headed households with minor children, and people with disabilities; developments that are in opportunity areas.

We reduce barriers of local application and permit processes by prioritizing developments for which costs are reduced or avoided by regulatory changes, incentives, or waivers by the local governing body, including fast-track permitting and approvals, flexibility in site development standards and zoning requirements, and waiver of permit or impact fees.

In addition, the State fully supports efforts to reduce NIMBYism, prejudice, and negative attitudes toward affordable and multifamily housing, and will encourage planning decisions by CDBG sub-recipient communities that work to decrease segregation and increase integration of populations. The State will also fully support civic leaders and developers who undertake education in communities statewide. Such education could be targeted, timely, and, in the context of a possible development, relevant to potentially affected citizens.

Discussion:

In May 2023, Governor Walz signed the $1.065 billion housing omnibus bill, the largest single investment in housing in state history. Other legislation brought the total investment in housing to over $1.3 billion.
The housing bill is an increase of $950 million from the Agency's base budget of $115 million for 2022-2023. An estimated $625 million is allocated to existing programs and $440 million will go to over 15 new programs or activities. This budget responds to the range of housing needs felt by Minnesotans in all regions of the state, while focusing on addressing the barriers described above, along with closing disparities, assisting lowest-income Minnesotans and serving underserved geographies.
The use of approved legislative funds fits into the following categories:

• Capital Resources (50%)
• Housing Stability (25%)
• Homeownership Assistance (20%)
• Other (5%)

A summary of the 2023 housing funding allocations in the 2023 Minnesota One budget is attached in the Appendix to this Plan. Divisions and teams across the agency are working to deploy these resources.
The 2024 legislative session resulted in $10 million in supplemental budget funding for housing in Minnesota, with some adjustments in appropriations from the prior year to meet emerging needs across the state. New dollars were primarily directed to the Family Homelessness Prevention and Assistance Program (FHPAP), which serves some of the most vulnerable populations statewide.
The Agency also received $50 million in additional Housing Infrastructure Bond authority to fund construction and preservation of housing throughout the state.
Policy updates included:

• Simplifying program eligibility requirements
• Expanding program uses to include new energy efficiency and decarbonization uses
• Clarifying Tribal eligibility for funding
• Including cooperatively owned housing in eligibility for Housing Infrastructure funding

The Legislature created three working groups or task forces to study challenges facing the housing ecosystem: Simplifying Supportive Housing Resources, Long-Term Sustainability of Affordable Housing, and Common Interest Communities and Homeowners Association.
A full summary of the 2024 State Legislative Session can be found in the Appendix to this Plan.

AP-85 Other Actions – 91.320(j)

Introduction:

The following sections discuss other actions the state will undertake in FY 2023.

Actions planned to address obstacles to meeting underserved needs

The State has found that the largest obstacle in meeting underserved needs is a lack of funding. The State will continue to fund projects within its scope of funding to serve residents in need in Minnesota and will continue to seek other funding sources to address additional needs in the State.

Actions planned to foster and maintain affordable housing

Minnesota Housing will continue to give selection points in its RFPs to projects that include funding commitments from local units of government. However, Minnesota Housing does not require local consent.

The Low-Income Housing Tax Credit Program (LIHTC) and additional state deferred financing are available to owners and investors of affordable rental housing for low-income households to help finance development. Selection points are also awarded for projects for which development-specific assessments or infrastructure costs are donated or waived or that have been approved for reduced setbacks, reduced parking requirements, decreased road widths, flexibility in site development standards and zoning code and other requirements, preservation of affordable housing, water and sewer access charge reductions.

Actions planned to reduce lead-based paint hazards

Exposure to lead-based paint is one of the most significant environmental and public health threats posed to homeowners and renters. Housing units built before 1940 are most likely to contain lead-based paint or coatings. Units built between 1960 and 1978 have a lesser risk in comparison to homes built before 1960. Lead was banned for use in household paint in 1978. In some cases, older units may have few if any lead hazards depending on construction methods, past renovation work, and other factors (HUD grants). CDBG housing rehabilitation activities require conformance with the Lead Safe Housing Rule at 24 CFR 35.1330.

The Environmental Health Division of MDH oversees a comprehensive lead program that includes state-wide medical monitoring, health care, elevated blood investigations, compliance assistance, compliance assurance, and environmental remediation of identified lead hazards. The program is largely funded by federal dollars (HUD and EPA), with additional funding provided by the state’s general fund. For more information see: https://www.health.state.mn.us/communities/environment/lead/index.html

Actions planned to reduce the number of poverty-level families

In Minnesota, there is a statewide network of Community Action Agencies (CAAs) and Tribal governments with a common purpose: fighting poverty and its effects in Minnesota communities. The goals of these agencies are to better focus available local, state, private, and federal resources to assist low-income individuals and families to acquire useful skills and knowledge, gain access to new opportunities, and achieve economic self-sufficiency. Each agency assesses needs, establishes priorities, determines strategies to respond to local poverty issues, and delivers a broad range of services and activities to strengthen self-reliance.

The specific programs delivered by the CAAs and tribal governments include:

- Energy Assistance: Provides financial assistance toward energy bills for low-income households;
- Weatherization: Offers weatherization of homes of low-income households to reduce heat loss and increase heating efficiency;
- Financial Literacy programming: Includes Family Assets for Independence in Minnesota, a program which matches low-income households' income with state, federal, and private funding for the purpose of buying a home, furthering education, or starting a business. Other forms of financial literacy programming include tax preparation assistance, budget counseling, and general financial education;
- Food Shelves and various nutrition programs: Provides food for households experiencing emergencies through the network of locally run food shelves;
- Head Start: Assists low-income families break the cycle of poverty by improving the health and social competence of children up to age 5 and pregnant women and by promoting economic self-sufficiency for parents;
- Homeless Programs: Provides assistance to households or individuals who are at-risk of being homeless, who are currently homeless, or who were previously homeless and are receiving follow-up services;
- Housing Construction, Rehabilitation, and Assistance: Develops long-term low-income housing, including the rehabilitation of unoccupied housing and the provision of rental housing assistance.

Actions planned to develop institutional structure

The delivery of affordable housing programs authorized by the federal government and Minnesota state legislature is centralized in Minnesota Housing. DEED is the primary administrator and provider of CDBG funds in non-entitlement areas of the state. Minnesota Housing and DHS share the delivery of supportive housing programs for persons experiencing homelessness. DHS is primarily responsible for the delivery of supportive services for persons with special needs because many persons DHS serves are experiencing homelessness.

Affordable housing assistance in Minnesota depends upon a large network of local lenders, housing authorities, community action agencies, nonprofit and faith-based organizations, homeowner educators and counselors, and local governments throughout the state. The State relies on these entities to administer a number of affordable and supportive housing programs, to identify housing needs at the local level, and to encourage the development of affordable housing.

Recognizing the need to increase the accessibility and effectiveness of assistance programs for low- and very low-income people, Minnesota Housing has worked to increase the participation of local nonprofits and other nontraditional lenders in delivering its programs, including those led by Black, Indigenous, or people of color. These participants provide a greater opportunity to coordinate the delivery of assistance and to better target funds to people with the greatest need. Using state funds, Minnesota Housing runs a Capacity Building Grant Program, which builds the capacity of new and existing partners to address root causes of housing barriers within the housing systems. This grant prioritizes work by and for communities disproportionately experiencing housing challenges.

The State does not have any plans for developing new institutional structures but will continue to participate in the various structures currently in place, supporting the Minnesota Chapter of the National Association of Housing and Redevelopment Officials' conferences and the Working Together conference. Minnesota Housing coordinates its RFP selections with other funding partners, including DEED. CDBG grantees coordinate CDBG funding with Minnesota Housing, Greater Minnesota Housing Fund, DHS, Rural Development, Department of Health, and Weatherization funding. DHS will continue to participate in the various structures currently in place. The State hosts the Minnesota Interagency Council on Homelessness (MICH), through which all state agencies involved in the provision of services to homeless persons meets monthly. Members of the MICH are assigned to all Continuum of Care committees and Family Homeless Prevention and Assistance Program advisory committees to provide technical assistance and attend meetings of these groups. The State also hosts the Interagency Stabilization Group as well as the Greater Minnesota Preservation Work Group and the Stewardship Council to ensure coordination of funding resources.

The State participates in several standing meetings with representatives from local government, nonprofit, and private providers of housing and homelessness services. For economic development CDBG activities, the state does not have any plans to develop new institutional structures but will continue to utilize collaborations already in place. DEED partners with communities, counties, non-profit agencies, the Economic Development Association of Minnesota, Minnesota Bankers Association, and the Council of Development Finance Agencies to ensure that funds are accessible to businesses throughout the state. Working with these partner organizations enables the State of Minnesota to better access underserved communities and address financing needs for local companies throughout the region.

Actions planned to enhance coordination between public and private housing and social

service agencies

The delivery of affordable housing programs authorized by the federal government and Minnesota state legislature is centralized in Minnesota Housing. DEED is the primary administrator and provider of CDBG funds in non-entitlement areas of the state. Minnesota Housing and DHS share the delivery of supportive housing programs for persons experiencing homelessness. DHS is primarily responsible for the delivery of supportive services for persons with special needs because many persons DHS serves are experiencing homelessness. Coordination between public and private housing and social services primarily occurs at the local or regional level and is supported by the Continuum of Care committees and other regional planning bodies funded, in part, by the State of Minnesota.

Affordable housing assistance in Minnesota depends upon a large network of local lenders, housing authorities, community action agencies, nonprofit and faith-based organizations, homeowner educators and counselors, and local governments throughout the state. The State relies on these entities to administer several affordable and supportive housing programs, to identify housing needs at the local level, and to encourage the development of affordable housing.

Recognizing the need to increase both the accessibility and effectiveness of assistance programs for low- and very low-income people, Minnesota Housing has worked to increase the participation of local nonprofits and other diverse lenders in delivering its programs including those led by Black, Indigenous, or people of color. These diverse participants provide a greater opportunity to coordinate the delivery of assistance and to better target funds to people with the greatest need.

The State does not have any plans for developing new institutional structures but will continue to participate in the various structures currently in place, supporting the Minnesota Chapter of the National Association of Housing and Redevelopment Officials (NAHRO)'s conferences. Minnesota Housing coordinates its RFP selections with other funding partners, including DEED. DEED's CDBG grantees coordinate CDBG funding with Minnesota Housing, Greater Minnesota Housing Fund, DHS, Rural Development, Department of Health, and Weatherization funding. DHS will continue to participate in the structures currently in place. The State hosts the Minnesota Interagency Council on Homelessness (MICH), through which all state agencies involved in the provision of services to homeless persons meets monthly. Members of the MICH are assigned to all Continuum of Care committees and Family Homeless Prevention and Assistance Program advisory committees to provide technical assistance and attend meetings of these groups. The State hosts the Interagency Stabilization Group and the Greater Minnesota Preservation Work Group and the Stewardship Council to ensure coordination of funding resources. Finally, the State hosts the Olmstead Implementation Office, which is responsible for implementing the Olmstead Plan, a comprehensive plan to provide people with disabilities opportunities to live, learn, work and enjoy life in integrated settings.

The state participates in several standing meetings with representatives from local government, nonprofit, and private providers of housing and homelessness services.

The state does not have plans to provide financial assistance to troubled PHAs. Troubled and other PHAs are invited to participate in the NAHRO conference to receive training on topics relevant to their operations. Because the state is not a public housing owner, it does not have plans to encourage residents to become more involved in management of public housing or have a specific outreach plan to public housing residents to encourage homeownership. Public housing residents are eligible to apply for homeownership assistance and receive the same outreach as other potential first-time homebuyers.

Discussion:

Together with Greater Minnesota Housing Fund and Minnesota Housing Partnership, Minnesota Housing hosts Regional Housing Forums in different parts of the state to bring together a variety of housing and community partners to highlight available resources, provide examples of affordable housing development and listen and share information. These events support connection and collaboration between the public and Minnesota Housing and create a forum for connections to be made among partners within the region.

Program Specific Requirements

AP-90 Program Specific Requirements – 91.320(k)(1,2,3)

Introduction:

The following includes program specific details for CDBG, HOME, ESG, and HTF funding.

Community Development Block Grant Program (CDBG)
Reference 24 CFR 91.320(k)(1)

Projects planned with all CDBG funds expected to be available during the year are identified in the Projects Table. The following identifies program income that is available for use that is included in projects to be carried out.

1. The total amount of program income that will have been received before the start of the next program year and that has not yet been reprogrammed	80,447
2. The amount of proceeds from section 108 loan guarantees that will be used during the year to address the priority needs and specific objectives identified in the grantee's strategic plan.	0
3. The amount of surplus funds from urban renewal settlements	0
4. The amount of any grant funds returned to the line of credit for which the planned use has not been included in a prior statement or plan	0
5. The amount of income from float-funded activities	0
Total Program Income:	**80,447**

Other CDBG Requirements

1. The amount of urgent need activities	0
2. The estimated percentage of CDBG funds that will be used for activities that benefit persons of low and moderate income. Overall Benefit - A consecutive period of one, two or three years may be used to determine that a minimum overall benefit of 70% of CDBG funds is used to benefit persons of low and moderate income. Specify the years covered that include this Annual Action Plan.	70.00%

HOME Investment Partnership Program (HOME)
Reference 24 CFR 91.320(k)(2)

1. **A description of other forms of investment being used beyond those identified in Section 92.205 is**

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as follows:

None.

2. **A description of the guidelines that will be used for resale or recapture of HOME funds when used for homebuyer activities as required in 92.254, is as follows:**

   Not applicable because Minnesota will not use HOME for homebuyer assistance.

3. **A description of the guidelines for resale or recapture that ensures the affordability of units acquired with HOME funds? See 24 CFR 92.254(a)(4) are as follows:**

   Not applicable because Minnesota will not use HOME for homebuyer assistance.

4. **Plans for using HOME funds to refinance existing debt secured by multifamily housing that is rehabilitated with HOME funds along with a description of the refinancing guidelines required that will be used under 24 CFR 92.206(b), are as follows:**

   There are no plans for using HOME to refinance existing debt.

5. **If applicable to a planned HOME TBRA activity, a description of the preference for persons with special needs or disabilities. (See 24 CFR 92.209(c)(2)(i) and CFR 91.220(l)(2)(vii)).**

   Not applicable.

6. **If applicable to a planned HOME TBRA activity, a description of how the preference for a specific category of individuals with disabilities (e.g. persons with HIV/AIDS or chronic mental illness) will narrow the gap in benefits and the preference is needed to narrow the gap in benefits and services received by such persons. (See 24 CFR 92.209(c)(2)(ii) and 91.220(l)(2)(vii)).**

   Not applicable.

7. **If applicable, a description of any preference or limitation for rental housing projects. (See 24 CFR 92.253(d)(3) and CFR 91.220(l)(2)(vii)). Note: Preferences cannot be administered in a manner that limits the opportunities of persons on any basis prohibited by the laws listed under 24 CFR 5.105(a).**

   Minnesota Housing does not limit to segments of the HOME eligible population. Minnesota Housing makes an effort to integrate units targeted to households experiencing homelessness or those at risk of homelessness across a variety of developments. Minnesota Housing solicits projects in the annual Multifamily Consolidated RFP. Within the scoring and selection criteria additional points are given to projects that propose to serve identified populations with a demonstrated need, including individuals experiencing homelessness and seniors. Therefore, Minnesota Housing may utilize HOME funds in units that are targeted to High Priority Homeless households and senior households. Minnesota Housing may also utilize HOME funds in units that are targeted to Persons with Disabilities. In the interest of furthering economic integration, High Priority Homeless and Persons with Disabilities units typically make up a small number of units in each development.

Emergency Solutions Grant (ESG)
Reference 91.320(k)(3)

1. Include written standards for providing ESG assistance (may include as attachment)

All sub-recipients of ESG funding have been required by DHS to establish written standards for the provision of emergency shelter, homelessness prevention, and rapid rehousing assistance to persons experiencing homelessness. The State will not be developing statewide written standards due to the complex and varying needs and characteristics of the 87 counties in which ESG assistance is provided.

DHS has developed a monitoring tool based on the requirements found in 576.400(e)(3) and is conducting reviews of each sub-recipient's Written Standards during the annual monitoring cycle to ensure that they adequately include the elements broadly outlined in 576.400(e)(3).

DHS has provided guidance on required standards for prevention and rapid re-housing providers (evaluating eligibility, prioritizing assistance, determining type, amount and length of assistance) in completing their Written Standards in accordance with HUD’s requirements.

2. If the Continuum of Care has established centralized or coordinated assessment system that meets HUD requirements, describe that centralized or coordinated assessment system.

DHS funds ESG projects in seven of the ten Minnesota CoCs Each Continuum of Care region is in a different phase of implementation and evaluation of Coordinated Assessment. It is therefore impossible to summarize the characteristics or status of each CoC region of the state. However, DHS routinely reviews ESG sub-recipients' participation in their respective CoC region(s) Coordinated Entry system and seeks to address any potential barriers to active participation in that system.

In addition, the MN Interagency Council on Homelessness (MICH) has a working group to advise and assist in the on-going development and improvement of coordinated assessment systems throughout the State.

The State works to ensure that its ESG sub-recipients are involved in this coordinated assessment to the maximum extent practicable, and that such participation requirements do not unintentionally prevent or discourage the most vulnerable people experiencing homelessness from receiving the outreach and emergency shelter they urgently need.

3. **Identify the process for making sub-awards and describe how the ESG allocation available to private nonprofit organizations (including community and faith-based organizations).**

ESG funds are awarded as part of a funding allocation process that combined the grant with available money from four state-funded programs: the Emergency Services Program (ESP), the Homeless Youth Act (HYA), the Transitional Housing Program (THP), Shelter-Linked mental health, and Safe Harbor Shelter and Housing.

The application process for ESG funding is open to programs from all areas of the state. Priority will be given to shelter applications from the balance of State areas (non-entitlement areas), and funds for homelessness prevention and rapid re-housing activities will only be awarded to balance of state areas who do not receive their own ESG allocation.

The allocation of funding to specific programs is based on the overall quality of responses to the evaluation criteria and in accordance with regional and local priorities, as established by each Continuum of Care (CoC) committee. Eligible organizations include local government, nonprofit, community, and faith-based organizations such as shelters, transitional housing programs, and emergency service providers.

Requests For Proposals (RFPs) are sent to all current Homelessness, housing, and Support Services Administration (HHSSA) homeless programs grantees, all Continuum of Care Committees throughout the state, and all other interested parties who have contacted HHSSA during the year and expressed interest in the homeless program funding. DHS also publishes the RFP in the State Register and posts the RFP on the DHS website.

4. **If the jurisdiction is unable to meet the homeless participation requirement in 24 CFR 576.405(a), the jurisdiction must specify its plan for reaching out to and consulting with homeless or formerly homeless individuals in considering policies and funding decisions regarding facilities and services funded under ESG.**

The recipient is a State and therefore not required to meet the homeless participation requirement in 24 CFR 576.405. However, all sub-recipients are expected to actively work to consult and involve homeless or formerly homeless individuals in their policy development and program operations and are monitored regularly on this topic. In addition, State staff are incentivizing shelter providers to engage residents and former residents in an examination of shelter rules and policies by including questions related to this practice in its shelter funding Requests for Proposals (RFP) and monitoring tool ESG sub-recipients.

Over the past several years, the State has increased its consultation efforts with homeless and formerly homeless individuals. The State launched a Taskforce on Shelter to develop standards for shelter, and establish clearer oversight of the state's emergency shelters. Appointed representatives came from a wide range of backgrounds and groups and included significant representation from homeless and formerly homeless individuals.

Finally, the state's webinar series (begun to improve information and coordination during the COVID-19 pandemic) now features regular Speakers Bureau sessions for persons with lived experience to address policy makers and providers about their experiences of homelessness.

These and other contributions by persons with lived experience continue to increase DHS understanding of what homeless and formerly homeless individual experience when accessing the state's shelter and housing systems. DHS will continue to address these issues through its funding process, monitoring, and technical assistance for sub-recipients of ESG funding.

5. **Describe performance standards for evaluating ESG.**

The existing performance standards for ESG were developed in consultation with CoC representatives from around the state, and reflect the basic purpose of ESG shelter, prevention, and rapid re-housing funds to a) keep people safely sheltered, b) re-house persons who are homeless, and c) ensure persons are stably housed at program exit. ESG sub-recipient performance reports are available for each CoC Coordinator to review and include information on these goals and sub-recipient performance. This set of outcomes, as well as specific annual goals for these ESG-funded activities, are included in the Outcomes Measures and Performance Standards section of this Plan.

For the current Action Plan Year, the following performance standards will be used for evaluating each FY2024 ESG-funded activity:

Emergency Shelter:
# of individuals in households receiving safe, adequate emergency shelter.
Prevention (Re-housing)/Rapid Re-housing:
# of individuals in households who are stably re-housed.

In addition to these performance standards, on-going evaluation of ESG sub-recipient performance occurs through DHS Grantee Risk Assessment Tool and its bi-annual monitoring process. This monitoring process places a heavy emphasis on program performance and effectiveness as well as ensuring sub-recipients have the technical assistance, they need to be successful.

ESG Monitoring is described in more detail in the Unique Appendices, AP-90 ESG Monitoring Document. The State will continue to share the outcomes of its monitoring visits with Continuum of Care Coordinators when there are relevant performance issues identified and seek mutual problem-solving and assistance from CoC committees when appropriate.

Housing Trust Fund (HTF)
Reference 24 CFR 91.320(k)(5)

1. How will the grantee distribute its HTF funds? Select all that apply:

☑ Applications submitted by eligible recipients

2. If distributing HTF funds through grants to subgrantees, describe the method for distributing HTF funds through grants to subgrantees and how those funds will be made available to state agencies and/or units of general local government. If not distributing funds through grants to subgrantees, enter “N/A”.

N/A.

3. If distributing HTF funds by selecting applications submitted by eligible recipients,

a. Describe the eligibility requirements for recipients of HTF funds (as defined in 24 CFR § 93.2). If not distributing funds by selecting applications submitted by eligible recipients, enter “N/A”.

Eligible entities for NHTF include owners or developers that must satisfy the definition of recipient and be either:

- A for profit entity,
- A 501(C)(3) nonprofit entity
- A government unit (excluding the federal government), or
- A religious organization

The owner must provide evidence of a qualifying interest in the property. Such interest must be recorded and appear in county records. The minimum qualifying interest in 100 percent fee simple interest that may also be subject to a mortgage.

The owners and development team must not be debarred or excluded from receiving federal assistance prior to selection, entering into a Written Agreement, or closing the loan.

Applicants and their development team must undergo an evaluation by Minnesota Housing of their capacity and pass Minnesota Housing underwriting before the applicant qualifies as an eligible recipient. Applicants must have demonstrated experience and capacity to implement an eligible NHTF activity as evidenced by its ability to own, construct, or rehabilitate, and manage and operate an affordable multifamily rental housing development.

Minnesota Housing underwriting standards require that at least one sponsor must demonstrate acceptable performance (multifamily housing experience) and financial capacity for the scale for the proposed project regardless of guaranty provisions, if any. All loans require a full sponsor credit review for final approval.

Eligible recipients will certify that housing units assisted with the NHTF will comply with NHTF program requirements during the entire period that begins upon selection and ending upon the conclusion of all NHTF funded activities. Recipients must demonstrate the ability and financial capacity to undertake and manage the eligible activity. Recipients must also demonstrate familiarity with requirements of other Federal, State or local housing programs that may be used in conjunction with NHTF funds to ensure compliance with all applicable requirements and regulations of such programs.

b. Describe the grantee’s application requirements for eligible recipients to apply for HTF funds. If not distributing funds by selecting applications submitted by eligible recipients, enter “N/A”.

Minnesota Housing's annual Multifamily Consolidated RFP coordinates multiple housing funding resources, including NHTF and HOME, into one multifamily application process to maximize the number of projects that can be selected and to allocate funds as efficiently as possible. The process allows multifamily affordable development sponsors to apply for resources from Minnesota Housing and two other public entity funding partners using a common application and procedure. The Consolidated RFP application materials are generally issued in April, applicants are required to submit an intent to apply by May, and final applications are due in July.

Applications are evaluated for eligibility as detailed in the Multifamily RFP Standards. Multifamily staff review applications in two phases: 1. initial scoring; and 2. feasibility review. The initial scoring consists of reviewing individual applications to help ensure projects meet Low Income Housing Tax Credit (HTC) Qualified Allocation Plan (QAP), self-scoring worksheet, and scoring guide requirements. Once the initial scoring of applications in complete, applications are ranked per the QAP and Multifamily RFP standards. Projects are evaluated based on project type, scoring, geographic distribution, and funding resources available. Projects prioritized will move forward to feasibility review. This review consists of a detailed analysis of the application's project cost, funding structure, and financial capacity. The feasibility review is conducted by the internal development team, which consists of a program manager(s), underwriter, architect, housing management officer, and if applicable, a housing stability officer for the following:

- consistency with Minnesota Housing's mission and strategic priorities
- compliance with statutes and program rules, including geographic distribution of resources
- consistency with program requirement, eligible uses and priorities, and
- financial feasibility, market need, architectural quality and overall development team capacity

Once applications are considered feasible, they move on to a Selection Committee meeting, which includes underwriters, managers, and senior leadership. The Selection Committee deliberates on feasible applications compared with funding resources available, weighing appropriate uses of those funds and the agency's Strategic Priorities, feasibility, and organizational capacity and recommends a package of developments for selection. This recommendation is then brought before Minnesota Housing's Board of Directors for final review and approval.

c. Describe the selection criteria that the grantee will use to select applications submitted by eligible recipients. If not distributing funds by selecting applications submitted by eligible recipients, enter “N/A”.

There are three main components of the RFP review process that are captured in the attached RFP Application Instructions.

- Initial Eligibility and Feasibility: Applicants must satisfy project feasibility and financial and organizational capacity requirements to be considered for funding. Once applications are submitted to the agency, they undergo application and eligibility review to determine if they meet the basic eligibility requirements. The applications then undergo feasibility review by staff underwriters, including detailed analysis of applicant and organization capacity and priority housing need.
- Strategic Priorities: Seven strategic priorities reflect the Agency’s policy goals for funding priorities. Every proposal must satisfy at least one strategic priority to be eligible for funding through the RFP. Minnesota Housing gives priority to proposals that best meet the greatest number of strategic priorities.
- Selection Priorities: Among proposals that satisfy the Agency’s strategic priorities, the Agency gives priority in awarding funding to those proposals that best meet the greatest number of selection priorities.
- Deferred Loan Funding Priorities: For deferred funding, including NHTF, Minnesota Housing will evaluate proposals for best available funding source based on specific requirements for programs.

d. Describe the grantee's required priority for funding based on geographic diversity (as defined by the grantee in the consolidated plan). If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

Minnesota Housing will accept and consider proposals for NHTF from across the state consistent with the state's certification to affirmatively further fair housing. The needs of very low income and extremely low income tenants across Minnesota are a high priority in the Consolidated Plan; however, geographic location of a project may be considered in the context of the project's proximity to certain community features whose presence is a priority for Minnesota Housing.

Selection Priorities relate specifically to the geographic location of projects, including communities with a need for more affordable housing options, workforce housing communities, transit and walkability, metropolitan area, Greater Minnesota urbanized area, Greater Minnesota and small urban areas, and community revitalization areas such as rural and tribal areas, qualified census tracts, and opportunity zones. In sum, these geographic priority areas support a balanced and diverse distribution of resources across the state.

e. Describe the grantee's required priority for funding based on the applicant's ability to obligate HTF funds and undertake eligible activities in a timely manner. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

Applicants should be capable of undertaking and completing NHTF funded activities in a timely manner, consistent with regulatory requirements to meet the two-year commitment and five-year expenditure deadlines. Applicants' ability to secure all necessary project funds and within a reasonable time period is evaluated during the Consolidated RFP process. Capacity of the entire development team is evaluated, taking into consideration experience with similar projects, financial and staff capacity, status of other projects in the team's development pipeline, and other factors relevant to the role of the entity.

As described in the agency's Multifamily RFP Standards, the following factors will be considered in determining whether an organization has demonstrated sufficient organizational capacity:

- The applicant's related housing experience;
- Whether the applicant has successfully completed similar projects or is partnering with other organizations that have successfully completed similar projects;
- Whether the applicant has strong current and expected ongoing capacity to complete the proposed housing, and other proposals being developed by the organization including those previously selected by Minnesota Housing that have not yet been completed; and
- Whether the applicant has the capacity to operate and maintain the rental housing long term.

f. Describe the grantee's required priority for funding based on the extent to which the rental project has Federal, State, or local project-based rental assistance so that rents are affordable to extremely low-income families. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

Developments that provide fully executed commitments for project based rental assistance (standard or in conjunction with High Priority Homeless units) at the time of application are given selection priority.

g. Describe the grantee's required priority for funding based on the financial feasibility of the project beyond the required 30-year period. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

New Construction, rehabilitation, and rehabilitation and acquisition rental projects with NHTF have a required affordability period of thirty years. Additional preference will be given to projects that have commit to affordability for more than 30 years. Operating cost assistance reserves may be funded for the amount estimated to be necessary for up to fifteen years from the start of the affordability period.

h. Describe the grantee's required priority for funding based on the merits of the application in meeting the priority housing needs of the grantee (such as housing that is accessible to transit or employment centers, housing that includes green building and sustainable development features, or housing that serves special needs populations). If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

Minnesota's Consolidated Plan identifies priority housing needs among extremely low income renters for all renter household types. NHTF resources will be used exclusively to support units affordable to extremely low-income renters (at or below 30% of area median income), and will prioritize new construction activities to expand the housing stock for this population.

In addition to helping to meet the substantial unmet need of extremely low-income renters, Minnesota Housing has defined the following Strategic and Selection priorities. As described in the previous section, the Strategic Priority policies describe the main strategic focus and driving policy goals of Minnesota Housing in the current funding round and will be of primary importance in the evaluation of applications. The Selection Priorities capture other elements that are beneficial to a project. These priorities, described below, are communicated to potential applications through the “Strategic and Selections Priorities.”

- Access to Transit or Walkability
- Greater Minnesota Workforce Housing
- Rural or Tribal
- Planned Community Development
- Preservation (including federally assisted housing)
- Supportive Housing

Among proposals that best satisfy these Strategic Priorities, Minnesota Housing will give priority in awarding funding to the proposals that best meet the greatest number of selection priorities in effect at the time of the RFP.

Selection priorities include:

- Greatest Need Tenant Targeting
- Large Family Housing
- Senior Housing
    - Permanent Supportive Housing for High Priority Homeless (HPH), consistent with Local

Homelessness, consistent with Local Continuum of Care Priorities

- People with Disabilities
- Serves Lowest Income for Long Durations
- Preservation
- Rental Assistance
- Serves Lowest Income Tenants/Rent Reduction
- Long Term Affordability
- Increasing Geographic Housing Choice
- Access to More Affordable Housing
- Workforce Housing Communities
- Transit and Walkability
- Supporting Community and Economic Development
- Community Development Initiative
- Equitable Development
- Rural/Tribal
- QCT/Community Revitalization Tribal Equivalent Areas
- Black, Indigenous and People of Color-owned or Women-owned Business Enterprise
- Efficient Use of Scarce Resources and Leverage
- Other Contributions
- Intermediary Costs
- Building Characteristics
- Universal Design
- Enhanced Sustainability
- Innovative Construction Techniques

i. Describe the grantee's required priority for funding based on the extent to which the application makes use of non-federal funding sources. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

Minnesota Housing's NHTF funds will leverage other agency, private, and low-income housing tax credit investment. The NHTF funds will be made available through the agency's Consolidated RFP, which consolidates and coordinates multiple housing resources into one application process, including funding from the Metropolitan Council. Financing opportunities that could be leveraged with NHTF funds include several nonfederal sources through the State of Minnesota:

- Amortizing first mortgages through the State of Minnesota's Low- and Moderate-Income Rental Program
- Deferred loans through State of Minnesota funded Economic Development and Housing

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Challenge program

- Deferred loans through the State of Minnesota funded Preservation Affordable Rental Investment Fund
- Housing Investment Bonds through the State of Minnesota

Two of the agency's selection priorities incorporate a projects ability to leverage other resources. These include federal, local, philanthropic, and employer contributions; and financial readiness to proceed.

4. Does the grantee's application require the applicant to include a description of the eligible activities to be conducted with HTF funds? If not distributing funds by selecting applications submitted by eligible recipients, select "N/A".

Yes

5. Does the grantee's application require that each eligible recipient certify that housing units assisted with HTF funds will comply with HTF requirements? If not distributing funds by selecting applications submitted by eligible recipients, select "N/A".

Yes

6. Performance Goals and Benchmarks. The grantee has met the requirement to provide for performance goals and benchmarks against which the grantee will measure its progress, consistent with the grantee's goals established under 24 CFR 91.315(b)(2), by including HTF in its housing goals in the housing table on the SP-45 Goals and AP-20 Annual Goals and Objectives screens.

Yes

7. Maximum Per-unit Development Subsidy Amount for Housing Assisted with HTF Funds. Enter or attach the grantee's maximum per-unit development subsidy limits for housing assisted with HTF funds.

The limits must be adjusted for the number of bedrooms and the geographic location of the project. The limits must also be reasonable and based on actual costs of developing non-luxury housing in the area.

If the grantee will use existing limits developed for other federal programs such as the Low Income Housing Tax Credit (LIHTC) per unit cost limits, HOME's maximum per-unit subsidy

amounts, and/or Public Housing Development Cost Limits (TDCs), it must include a description of how the HTF maximum per-unit development subsidy limits were established or a description of how existing limits developed for another program and being adopted for HTF meet the HTF requirements specified above.

Minnesota Housing's Consolidated RFP (including HTF, HOME and Low-Income Housing Tax Credits) reviews project costs through the Predictive Cost Model. The Predictive Cost Model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the reasonable and actual costs of a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or to which it has awarded or allocated HTCs and is benchmarked against industry-wide construction data. The model predicts the reasonable and actual costs of a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or to which it has awarded or allocated HTCs and is benchmarked against industry-wide data. While the model is statistically robust, explaining 64% to 79% of the variation in historical costs, it cannot capture all the components of every proposed project. As a result, if a project's proposed total development cost (TDC) is more than a certain percentage (currently 25%) over the predicted cost model, staff must conduct additional due diligence to determine that the costs are still reasonable before seeking a cost waiver from the board. In addition, the QAP includes other criteria that appropriately incentives affordable housing development while managing costs and leveraging resources, including examining financial readiness to proceed/leveraged funds, other contributions, intermediary costs.

Previously, Minnesota Housing established a per-unit development subsidy at the same level as per unit cost thresholds established in the cost containment methodology associated with the QAP. In addition to the per-unit subsidy limits, subsidies were further limited on individual projects based on the result of subsidy layering reviews and the financing needs of the project. Additionally, per unit subsidy limits were subject to change whenever a new QAP was adopted or modified. Minnesota Housing received public feedback that the cost containment standards should consider those factors that result in increased, but necessary development costs, such as geography, larger family projects, and long-term cost savings. The Agency removed the cost containment selection criteria and projects will not complete for points against other projects if they are below a per unit threshold. In addition, adjustments are made in response to cost trends. Any changes will continue to be reasonable, based on actual costs, and adjusted for the number of bedrooms and geographic location of the program. With these QAP updates to cost containment methodology and Minnesota Housing's continued reliance on the predicative cost model tool, the NHTF maximum per-unit development subsidy limit will rely on the maximum per-unit development subsidy limits in effect for the HOME program.

8. Rehabilitation Standards. The grantee must establish rehabilitation standards for all HTF-assisted housing rehabilitation activities that set forth the requirements that the housing must meet upon project completion. The grantee's description of its standards must be in sufficient detail to determine the required rehabilitation work including methods and materials. The standards may refer to applicable codes or they may establish requirements that exceed the minimum requirements of the codes. The grantee must attach its rehabilitation standards below.

In addition, the rehabilitation standards must address each of the following: health and safety; major systems; lead-based paint; accessibility; disaster mitigation (where relevant); state and local codes, ordinances, and zoning requirements; Uniform Physical Condition Standards; Capital Needs Assessments (if applicable); and broadband infrastructure (if applicable).

All NHTF units must comply with Minnesota Housing's Multifamily Rental Housing Design/Construction Standards, including Chapter 9, Design, Construction, and Property Standards for Federally Funded Projects. These standards are attached and found on the agency's website. Chapter 7 provides federal program requirements, while projects must achieve all requirements detailed in the guide.

9. Resale or Recapture Guidelines. Below, the grantee must enter (or attach) a description of the guidelines that will be used for resale or recapture of HTF funds when used to assist first-time homebuyers. If the grantee will not use HTF funds to assist first-time homebuyers, enter "N/A".

N/A.

10. HTF Affordable Homeownership Limits. If the grantee intends to use HTF funds for homebuyer assistance and does not use the HTF affordable homeownership limits for the area provided by HUD, it must determine 95 percent of the median area purchase price and set forth the information in accordance with §93.305. If the grantee will not use HTF funds to assist first-time homebuyers, enter "N/A".

N/A

11. Grantee Limited Beneficiaries or Preferences. Describe how the grantee will limit the beneficiaries or give preferences to a particular segment of the extremely low- or very low-income population to serve unmet needs identified in its consolidated plan or annual action

plan. If the grantee will not limit the beneficiaries or give preferences to a particular segment of the extremely low- or very low-income population, enter "N/A".

Any limitation or preference must not violate nondiscrimination requirements in § 93.350, and the grantee must not limit or give preferences to students. The grantee may permit rental housing owners to limit tenants or give a preference in accordance with § 93.303(d)(3) only if such limitation or preference is described in the action plan.

Minnesota Housing does not limit to segments of the NHTF eligible population. Minnesota Housing makes an effort to integrate units targeted to households experiencing homelessness or those at risk of homelessness across a variety of developments. Minnesota Housing solicits projects in the annual Multifamily Consolidated RFP. Within the scoring and selection criteria additional points are given to projects that propose to serve identified populations with a demonstrated need, one of which is individuals experiencing homelessness. Therefore, Minnesota Housing may utilize NHTF funds in units that are targeted to High Priority Homeless households. In the interest of furthering economic integration, High Priority Homeless units typically make up a small number of units in each development.

12. Refinancing of Existing Debt. Enter or attach the grantee's refinancing guidelines below. The guidelines describe the conditions under which the grantee will refinance existing debt. The grantee's refinancing guidelines must, at minimum, demonstrate that rehabilitation is the primary eligible activity and ensure that this requirement is met by establishing a minimum level of rehabilitation per unit or a required ratio between rehabilitation and refinancing. If the grantee will not refinance existing debt, enter "N/A."

Minnesota Housing will not use NHTF to refinance existing debt.

Discussion:

UNIQUE APPENDICES

2025

MINNESOTA STATE REGISTER

MONDAY, MARCH 10, 2025
VOLUME 49, NUMBER 37
PAGES 1033 - 1048

Minnesota State Register

Judicial Notice Shall Be Taken of Material Published in the Minnesota State Register

The Minnesota State Register is the official publication of the State of Minnesota's Executive Branch of government, published weekly to fulfill the legislative mandate set forth in Minnesota Statutes, Chapter 14, and Minnesota Rules, Chapter 1400. It contains:

- **Proposed Rules**
- **Adopted Rules**
- **Exempt Rules**
- **Expedited Rules**
- **Withdrawn Rules**
- **Executive Orders of the Governor**
- **Appointments**
- **Proclamations**
- **Vetoed Rules**
- **Commissioners' Orders**
- **Revenue Notices**
- **Official Notices**
- **State Grants and Loans**
- **Contracts for Professional, Technical and Consulting Services**
- **Non-State Public Bids, Contracts and Grants**

Printing Schedule and Submission Deadlines

Vol. 49 Issue Number	Publish Date	Deadline for: all Short Rules, Executive and Commissioner's Orders, Revenue and Official Notices, State Grants, Professional-Technical- Consulting Contracts, Non-State Bids and Public Contracts	Deadline for LONG, Complicated Rules (contact the editor to negotiate a deadline)
#38	Monday 17 March	Noon Tuesday 11 March	Noon Thursday 6 March
#39	Monday 24 March	Noon Tuesday 18 March	Noon Thursday 13 March
#40	Monday 31 March	Noon Tuesday 25 March	Noon Thursday 20 March
#41	Monday 7 April	Noon Tuesday 1 April	Noon Thursday 27 March

PUBLISHING NOTICES: We need to receive your submission ELECTRONICALLY in Microsoft WORD format. Submit ONE COPY of your notice via e-mail to: sean.plemmons@state.mn.us. State agency submissions must include a "State Register Printing Order" form, and, with contracts, a "Contract Certification" form. Non-State Agencies should submit ELECTRONICALLY in Microsoft WORD, with a letter on your letterhead stationery requesting publication and date to be published. Costs are $13.50 per tenth of a page (columns are seven inches wide). One typewritten, double-spaced page = 6/10s of a page in the State Register, or $81. About 1.5 pages typed, double-spaced, on 8-1/2"x11" paper = one typeset page in the State Register. Contact editor with questions (651) 201-3204, or e-mail: sean.plemmons@state.mn.us.

SUBSCRIPTION SERVICES: E-mail subscriptions are available by contacting the editor at sean.plemmons@state.mn.us. Send address changes to the editor or at the Minnesota State Register, 50 Sherburne Avenue, Suite 309, Saint Paul, MN 55155.

SEE THE Minnesota State Register free at website: ***https://mn.gov/admin/government/data-info/register.jsp***

- Minnesota State Register: Online subscription – $180, includes links, index, special section "CONTRACTS & GRANTS," with Sidebar Table of Contents, Early View after 4:00 pm Friday (instead of waiting for early Monday), and it's sent to you via E-mail.
- Single issues are available electronically via PDF for free.
- "Affidavit of Publication" includes a notarized "Affidavit" and a copy of the issue: $15.00.

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Minnesota Legislative Information

Senate Public Information Office
(651) 296-0504
State Capitol, Room 231, St. Paul, MN 55155
https://www.senate.mn/

Minnesota State Court System
Court Information Office (651) 296-6043
MN Judicial Center, Rm. 135,
25 Rev. Dr. Martin Luther King Jr Blvd., St. Paul, MN 55155
http://www.mncourts.gov

House Public Information Services
(651) 296-2146
State Office Building, Room 175
100 Rev. Dr. Martin Luther King Jr Blvd., St. Paul, MN 55155
https://www.house.leg.state.mn.us/hinfo/hinfo.asp

Federal Register
Office of the Federal Register (202) 512-1530; or (888) 293-6498
U.S. Government Printing Office – Fax: (202) 512-1262
https://www.federalregister.gov/

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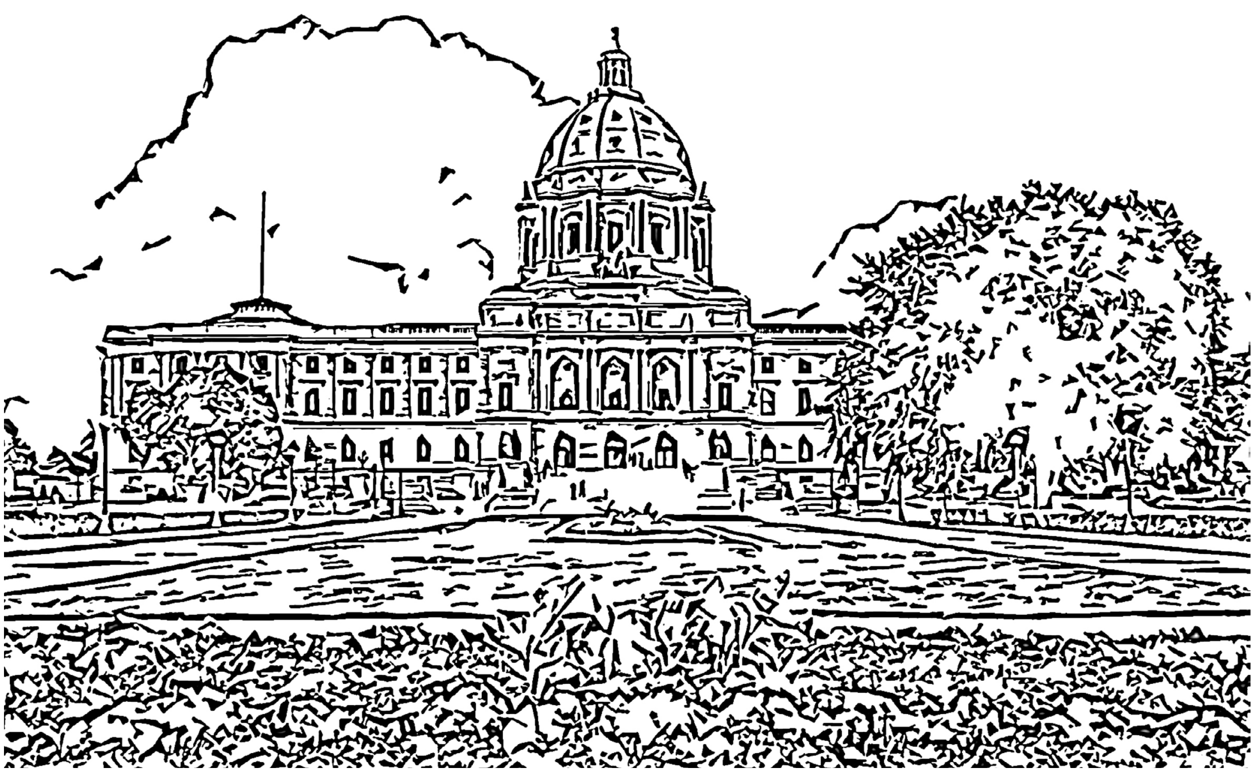
Front Cover Artwork: *A red pine shows its frost-covered needles during a cold snap in Northern Minnesota in February. Photo by Sean Plemmons*



Minnesota Rules: Amendments and Additions

NOTICE: How to Follow State Agency Rulemaking in the State Register

The State Register is the official source, and only complete listing, for all state agency rulemaking in its various stages. State agencies are required to publish notice of their rulemaking action in the State Register. Published every Monday, the State Register makes it easy to follow and participate in the important rulemaking process. Approximately 80 state agencies have the authority to issue rules. Each agency is assigned specific Minnesota Rule chapter numbers. Every odd-numbered year the Minnesota Rules are published. Supplements are published to update this set of rules. Generally speaking, proposed and adopted exempt rules do not appear in this set because of their short-term nature, but are published in the State Register.

An agency must first solicit Comments on Planned Rules or Comments on Planned Rule Amendments from the public on the subject matter of a possible rulemaking proposal under active consideration within the agency (Minnesota Statutes §§ 14.101). It does this by publishing a notice in the State Register at least 60 days before publication of a notice to adopt or a notice of hearing, or within 60 days of the effective date of any new statutory grant of required rulemaking.

When rules are first drafted, state agencies publish them as Proposed Rules, along with a notice of hearing, or a notice of intent to adopt rules without a hearing in the case of noncontroversial rules. This notice asks for comment on the rules as proposed. Proposed emergency rules, and withdrawn proposed rules, are also published in the State Register. After proposed rules have gone through the comment period, and have been rewritten into their final form, they again appear in the State Register as Adopted Rules. These final adopted rules are not printed in their entirety, but only the changes made since their publication as Proposed Rules. To see the full rule, as adopted and in effect, a person simply needs two issues of the State Register, the issue the rule appeared in as proposed, and later as adopted.

The State Register features partial and cumulative listings of rules in this section on the following schedule: issues #1-26 inclusive (issue #26 cumulative for issues #1-26); issues #27-52 inclusive (issue #52, cumulative for issues #27-52 or #53 in some years). A subject matter index is updated weekly and is available upon request from the editor. For copies or subscriptions to the State Register, contact the editor at 651-201-3204 or email at sean.plemmons@state.mn.us

Volume 49 - Minnesota Rules

(Rules Appearing in Vol. 49 Issues #1-27 are in Vol. 49, #27 - Monday 30 December 2024)

Volume 49, #37

Monday 6 January - Monday 10 March

Executive Orders

The governor has the authority to issue written statements or orders, called Executive Orders, as well as Emergency Executive Orders. The governor's authority is specified in the Constitution of the State of Minnesota, Article V, and in *Minnesota Statutes* § 4.035. Emergency Executive Orders, for protection from an imminent threat to health and safety, become effective immediately, are filed with the secretary of state, and published in the *State Register* as soon as possible after they are issued. Other Executive Orders become effective 15 days after publication in the *State Register* and filing with the secretary of state. Unless otherwise specified, an executive order expires 90 days after the date the governor who issued the order vacates office.

Office of the Governor

Emergency Executive Order 25-03: Declaring a Peacetime Emergency and Providing National Guard Assistance in Response to a Severe Winter Storm

I, Tim Walz, Governor of the State of Minnesota, by the authority vested in me by the Constitution and applicable statutes, issue the following executive order:

Starting late on March 4, 2025, a powerful winter storm with heavy snowfall and strong winds created blizzard conditions in Minnesota, closing roads and threatening public safety. These dangerous driving conditions resulted in stranded vehicles, placing lives and property at risk. The resources of affected local and county governments are inadequate to meet the demands caused by these severe winter weather conditions.

Late last night, the Freeborn County Sheriff's Office requested assistance from the Minnesota National Guard. Based on my verbal order, the Minnesota National Guard activated to provide assistance in response to the severe weather and to rescue stranded motorists.

For these reasons, I declare a peacetime emergency pursuant to Minnesota Statutes 2024, section 12.31, and order as follows:

1. The Adjutant General is authorized to order to state active duty the personnel, equipment, facilities, and resources needed to provide assistance throughout Minnesota.
2. The Adjutant General is authorized to procure the goods and services needed to accomplish the mission.
3. The costs of this assistance shall be paid from the general fund as allowed by Minnesota Statutes 2024, section 192.52.

This Executive Order and declaration of peacetime emergency are effective immediately under Minnesota Statutes 2024, section 4.035, subdivision 2. The peacetime emergency declared in this Executive Order expires in accordance with Minnesota Statutes 2024, section 12.31, subdivision 2. The remainder of this Executive Order, including the activation of the Minnesota National Guard, remains in effect until the emergency conditions caused by the winter storm subside or March 9, 2025, whichever occurs first.

A determination that any provision of this Executive Order is invalid will not affect the enforceability of any other provision of this Executive Order. Rather, the invalid provision will be modified to the extent necessary so that it is enforceable.

Signed on March 5, 2025.

Tim Walz, GOVERNOR

Filed According to Law:

Steve Simon, SECRETARY OF STATE

Commissioner's Orders

Various agency commissioners are authorized to issue "commissioner's orders" on specified activities governed by their agency's enabling laws. See the *Minnesota Statutes* governing each agency to determine the specific applicable statutes. Commissioners' orders are approved by assistant attorneys general as to form and execution and published in the *State Register*. These commissioners orders are compiled in the year-end subject matter index for each volume of the *State Register*.

Minnesota Department of Natural Resources

Commissioner's Order #1 ML 2025: Amend Lake Mille Lacs Yellow Perch Fishing Regulations

Date: March 10, 2025

Statutory authority: *Minnesota Statutes*, section 97C.005, subd. 3

Modifies the daily and possession restrictions for yellow perch on Lake Mille Lacs from the statewide regulations in Minn. R. 6262.0200, subp. 1.N. under authority in Minn. R. 6264.0400, subp. 4.D.

BACKGROUND

Each year a harvestable surplus is set for yellow perch in Lake Mille Lacs by a joint management process between the state and the eight Ojibwe Bands that are signatories to the Treaty of 1837. The harvestable surplus is the pounds of fish that can be taken safely from Lake Mille Lacs while ensuring enough remain in the lake to sustain a healthy population. The state's share of the harvestable surplus of yellow perch for the 2025 season was set at 36,500 pounds. The state has a daily and possession limit of 20 yellow perch for state-licensed anglers on Lake Mille Lacs under Minn. R. 6262.0200, subp. 1.N.

Harvest of yellow perch by state-licensed anglers has not exceeded 7,000 pounds per year since 2013 under the statewide limit of 20 yellow perch. However, the 2021 and 2022 year classes for yellow perch were strong and those fish have now grown to sizes that anglers seek to harvest. With quality perch fishing on Lake Mille Lacs in the winter of 2024-25, more anglers are traveling to the lake to fish for yellow perch. The results of the creel survey period that ended on February 23, 2025, revealed that the season-to-date harvest of yellow perch by state-licensed anglers was over 43,000 pounds, exceeding the state's agreed upon share of the yellow perch harvest.

The state is modifying the yellow perch angling regulation pursuant to Minn. Stat. § 97C.005, subd. 3. Beginning at 12:00 a.m. on March 11, 2025, the yellow perch daily and possession limit on Lake Mille Lacs will be five. This regulation will remain effective until 11:59 p.m. on November 30, 2025.

For all other species, the Expedited Emergency Rule adopted on May 6, 2024, remains the same.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to authority vested in me by law, including *Minnesota Statutes*, section 97C.005, subdivision 3, that, beginning at 12:00 a.m. on March 11, 2025, and continuing until 11:59 p.m. on November 30, 2025, while a person is on or fishing in Lake Mille Lacs or its associated tributaries to the posted boundaries, the daily and possession limit for yellow perch is five.

Fishing regulations for all other species on Lake Mille Lacs, including walleye, northern pike, largemouth and smallmouth bass, muskellunge, cisco, and panfish, are unaffected by this order.

Sarah Strommen, Commissioner Date: March 4, 2025

AGENCY CONTACT. For additional information or to receive this document in an alternative format please contact: Bethany Bethke, Division of Fish and Wildlife, Department of Natural Resources, 500 Lafayette Rd, St. Paul, MN 55155, Phone: 651-259-5266, Email: ***bethany.bethke@state.mn.us***.

Official Notices

Pursuant to *Minnesota Statutes* §§ 14.101, an agency must first solicit comments from the public on the subject matter of a possible rulemaking proposal under active consideration within the agency by publishing a notice in the *State Register* at least 60 days before publication of a notice to adopt or a notice of hearing, and within 60 days of the effective date of any new statutory grant of required rulemaking.

The *State Register* also publishes other official notices of state agencies and non-state agencies, including notices of meetings and matters of public interest.

Department of Employment and Economic Development, Minnesota Housing Finance Agency and Department of Human Services

NOTICE OF PUBLIC HEARINGS for State of Minnesota 2025 Housing and Community Development Annual Action Plan (Action Plan) & Citizen Participation Plan Availability Public Comment Period

Background:

The state of Minnesota (State) is developing its Annual Action Plan (Action Plan) for 2025 and Citizen Participation Plan and is encouraging citizen and community participation in their development.

The State annually submits an Action Plan to the United States Department of Housing and Urban Development (HUD) to receive federal housing and community development funding through the Community Development Block Grant, HOME Investment Partnerships, Emergency Solutions Grants, Housing Opportunities for Persons with acquired immunodeficiency syndrome (AIDS) programs, and the National Housing Trust Fund. This Action Plan reflects year four (4) of the State's 2022-2026 Consolidated Plan which examines the housing and community development needs of the State and sets priorities for allocating HUD funds.

The Citizen Participation Plan establishes the processes by which citizens and local governments may be involved in the development of the State's Consolidated Plan, and evaluating and commenting on the State's performance, as reported in its Consolidated Annual Performance and Evaluation Report.

Public Hearings:

The State will be holding two (2) public hearings to gather citizen input on the Action Plan and the Citizen Participation Plan. The first public hearing will be held on Wednesday, March 26, 2025, to gather citizen input on housing and community development needs, how federal funding should be allocated in the State, and on the current draft of the Citizen Participation Plan. This hearing will be held at 3:45 p.m., in-person at the Minnesota Department of Employment and Economic Development's Brainerd Conference room located on the 12th floor at the Great Northern Building, 180 E 5th Street, St. Paul, MN 55101, and also remotely via ***Microsoft Teams Meeting Link*** or via-phone at **1-651-395-7448**, with **Phone Conference ID: 545572532#**

A second public hearing will be held on Wednesday, May 28, 2025, for review and comment on the drafts of the Action Plan and the Citizen Participation Plan based off revisions from the previous input. This hearing will be held at 3:45 pm, in-person at the Minnesota Department of Employment and Economic Development's Brainerd Conference room located on the 12th floor at the Great Northern Building, 180 E 5th Street, St. Paul, MN 55101, and also remotely via ***Microsoft Teams Meeting Link*** or via-phone at **1-651-395-7448**, with **Phone Conference ID: 455908275#**

Plan Documents:

The draft Citizen Participation Plan is currently available for viewing at ***https://mn.gov/deed/government/financial-assistance/community-funding/small-cities.jsp***, ***https://www.mnhousing.gov/policy-and-research/agency-plans.html***, and ***https://mn.gov/dhs/partners-and-providers/news-initiatives-reports-workgroups/housing-and-homelessness/***. The draft Action Plan will be available for public review beginning April 28, 2025, at the same locations.

Contact Information:

Please contact Natasha Kukowski at the Minnesota Department of Employment and Economic Development; Great Northern Building; 180 E 5th Street, Suite 1200, St. Paul, MN 55101-1351; Attn: Small Cities Unit, via phone at (651)

259-7425 or (800) 657-3858, or by email to ***Natasha.Kukowski@state.mn.us*** for the following, if applicable:

1. A copy of the draft Citizen Participation Plan and draft Action Plan (once available);
2. Submission of written comments and/or input on the Action Plan and the Citizen Participation Plan available beginning April 28, 2025.
3. Accommodation(s) due to a disability, or required interpretation services at least three (3) business days prior to the public hearings.

Minnesota Department of Health

Notice of Revised List of Tests to Be Performed to Determine the Presence of a Heritable or Congenital Disorder in Newborn Infants in Minnesota – Addition of Duchenne Muscular Dystrophy (DMD) and Guanidinoacetate Methyltransferase (GAMT) Deficiency

Official notice of a revised list of tests to be performed for determining the presence of a heritable or congenital disorder in newborn infants in Minnesota.

This notice is given to meet requirements of Minnesota Statutes 144.125 "Test of infants for heritable and congenital disorders". The statutes describe the mechanism for revising the list of tests as follows:

> "The list of tests to be performed may be revised if the changes are recommended by the Advisory Committee stabilized under section 144.1255, approved by the Commissioner, and published in the State Register. The revision is exempt from the rulemaking requirements in chapter 14, and sections 14.385 and 14.386 do not apply."

Notice is hereby given that the addition of DMD and GAMT deficiency to the newborn screening panel was recommended by the Advisory Committee on Heritable and Congenital Disorders and approved by the Commissioner of Health.

<u>Minnesota Department of Health Newborn Screening Panel – listed alphabetically</u>
2-Methyl-3-hydroxybutyric acidemia (2M3HBA)
2-Methylbutyryl-CoA dehydrogenase deficiency (2MBG, SBCAD)
3-Hydroxy-3-methylglutaryl-CoA lyase deficiency (HMG)
3-Methylcrotonyl-CoA carboxylase deficiency (3-MCC)
3-Methylglutaconyl-CoA hydratase deficiency (3MGA)
Argininemia (ARG)
Argininosuccinate acidemia (ASA)
Beta ketothiolase deficiency (BKT)
Biopterin cofactor defects (BIOPT-BS and BIOPT-REG)
Biotinidase deficiency (BIOT)
Carnitine acylcarnitine translocase deficiency (CACT)
Carnitine palmitoyltransferase deficiency I (CPT-I)
Carnitine palmitoyltransferase deficiency II (CPT-II)
Carnitine uptake defect (CUD)
Citrullinemia type I and II (CIT and CIT-II)
Congenital adrenal hyperplasia (CAH)
Congenital cytomegalovirus (cCMV)
Congenital hypothyroidism (CH)
Critical congenital heart disease (CCHD)
Cystic fibrosis (CF)
Dienoyl-CoA reductase deficiency (DE-RED)
Duchenne muscular dystrophy (DMD)
Galactokinase deficiency (GALK)

Galactoepimerase deficiency (GALE)
Galactosemia (GALT)
Glutaric acidemia type I (GA-I)
Glutaric acidemia type II (GA-II)
Guanidinoacetate methyltransferase (GAMT)
Hearing loss
Homocystinuria (HCY)
Hypermethioninemia (MET)
Hyperphenylalaninemia (H-PHE)
Isobutyryl-CoA dehydrogenase deficiency (IBD, IBG)
Isovaleric acidemia (IVA)
Krabbe disease
Long-chain hydroxyacyl-CoA dehydrogenase deficiency (LCHAD)
Malonic acidemia (MAL)
Maple syrup urine disease (MSUD)
Medium-chain acyl-CoA dehydrogenase deficiency (MCAD)
Medium-chain hydroxy acyl-CoA dehydrogenase deficiency (MCHAD)
Medium-chain keto acyl-CoA thiolase deficiency (MCKAT)
Methylmalonic acidemia (methylmalonyl-CoA mutase deficiencies)
Methylmalonic acidemia (some adenosylcobalamin synthesis defects)
Methylmalonic acidemia (maternal vitamin B12 deficiency)
Mucopolysaccharidosis type I (MPS I)
Multiple CoA carboxylase deficiency (MCD)
Phenylketonuria (PKU)
Pompe disease
Primary T-cell lymphopenias
Propionic acidemia (PROP)
Severe combined immunodeficiency (SCID)
Short-chain acyl-CoA dehydrogenase deficiency (SCAD)
Short chain hydroxy acyl-CoA dehydrogenase deficiency (SCHAD)
Sickle-βeta thalassemia (Hb S/BTh)
Sickle-C disease (Hb S/C)
Sickle-S disease (Hb S/S)
Spinal muscular atrophy (SMA)
Trifunctional protein deficiency (TFP)
Tyrosinemia type I, II, and III (TYR-I, TYR-II, and TYR-III)
Variant hemoglobinopathies
Very long-chain acyl-CoA dehydrogenase deficiency (VLCAD)
X-Linked Adrenoleukodystrophy (X-ALD)

Information about Minnesota's Newborn Screening Program is posted on the website: ***www.health.state.mn.us/people/newbornscreening***.

For additional information, please contact:

Carrie Wolf
Newborn Screening Manager
Public Health Laboratory Division
Minnesota Department of Health
601 Robert St North
P.O. Box 64899
St. Paul, MN 55164-0899

Phone: (651) 201-5458
E-mail: ***carrie.wolf@state.mn.us***

State Grants & Loans

In addition to requests by state agencies for technical/professional services (published in the State Contracts Section), the *State Register* also publishes notices about grants and loans available through any agency or branch of state government. Although some grant and loan programs specifically require printing in a statewide publication such as the State Register, there is no requirement for publication in the *State Register* itself. Agencies are encouraged to publish grant and loan notices, and to provide financial estimates as well as sufficient time for interested parties to respond.

SEE ALSO: Office of Grants Management (OGM) at: *https://mn.gov/admin/citizen/grants/*

Minnesota Department of Children, Youth, and Families

Office of Economic Opportunity Division

Notice of Request for Proposals to Partner with State to Distribute Diapers and Wipes Statewide

The Minnesota Department of Children, Youth, and Families (DCYF or State) is requesting proposals to partner with the STATE to distribute diapers and wipes to the under-resourced families across the State of Minnesota.

DCYF is seeking proposals for the grant period July 1, 2025, through June 30, 2027.

For more information contact:

Amy Parker
Department of Children, Youth, and Families
Office of Economic Opportunity
Amy.Parker@state.mn.us

This is the only person designated to answer questions by potential responders regarding this request.

To obtain this information in a different format, please email Emily.Waymire@state.mn.us.

Proposals submitted in response to this Request for Proposals (RFP) must be received at the email address listed in the RFP on April 11, 2025no later than 4:00 p.m., Central Time. Late proposals will not be considered. Proposals received via other methods will **not** be considered.

The RFP can be viewed by visiting the Minnesota Department of Human Services Grants, Requests for Proposals (RFP) and Requests for Information (RFI) web site: ***https://mn.gov/dhs/partners-and-providers/grants-rfps/open-rfps/***.

This request does not obligate the State to complete the work contemplated in this notice. The State reserves the right to cancel this solicitation. All expenses incurred in responding to this notice are solely the responsibility of the responder.

Department of Commerce

Division of Energy Resources

Request for Proposals for Ultraefficient Vehicle Development Grant

The Minnesota Department of Commerce ("Commerce") seeks proposals to provide financial assistance to developers and producers of ultraefficient vehicles that use proprietary technology for the further development or increased production of ultraefficient vehicles. An ultraefficient vehicle is defined as a fully closed compartment vehicle that is designed to carry at least one adult passenger and that achieves at least 75 miles per gallon or equivalent while operating with gasoline, electricity, or as a hybrid.

A total of $232,500 will be available for a grant through this program. The grant can be awarded to Minnesota-based businesses and funding can cover costs that either allow further development of an ultraefficient vehicle or increase the production of ultraefficient vehicles. Production ready and electric ultraefficient vehicles will be prioritized.

Beginning on **Monday, March 10, 2025, until Thursday, April 17, 2025, at 5pm CST,** a Request for Proposals (RFP) will be available for download on Commerce's RFP website at ***Request for Proposals (RFP) / Minnesota Department of Commerce - Business (mn.gov)***.

All responses to this RFP need to be submitted through a single responder user account via the grant portal. Applications must be submitted by the deadline of each respective round. **Late proposals will not be considered.** Instructions and links for submitting bids are detailed in the RFP and attachments.

This request does not obligate the State to complete the work contemplated in this notice. The State reserves the right to cancel this solicitation. All expenses incurred in responding to this notice are solely the responsibility of the responder.

Department of Employment and Economic Development (DEED)

Notice of Grant Opportunity

NOTICE IS HEREBY GIVEN that the Minnesota Department of Employment and Economic Development (DEED) places notice of any available grant opportunities online at ***https://mn.gov/deed/about/contracts/open-rfp.jsp***

Minnesota Department of Human Services

Notice of Grant Opportunities

NOTICE IS HEREBY GIVEN that the Minnesota Department of Human Services (DHS) places notice of any available grant opportunities on the DHS Grant Requests for Proposals website: ***https://mn.gov/dhs/partners-and-providers/grants-rfps/open-rfps/***.

State Contracts

Informal Solicitations: Informal solicitations for professional/technical (consultant) contracts valued at over $5,000 through $50,000, may either be published in the *State Register* or posted on the Department of Administration, Office of State Procurement (OSP) Website. Interested vendors are encouraged to monitor the P/T Contract Section of the OSP Website at *https://mn.gov/admin/osp* for informal solicitation announcements.

Formal Solicitations: Department of Administration procedures require that formal solicitations (announcements for contracts with an estimated value over $50,000) for professional/technical contracts must be published in the *State Register*. Certain quasi-state agency and Minnesota State College and University institutions are exempt from these requirements.

Requirements: There are no statutes or rules requiring contracts to be advertised for any specific length of time, but the Office of State Procurement strongly recommends meeting the following requirements: $0 - $5000 does not need to be advertised; $5,000 - $25,000 should be advertised in the *State Register* for a period of at least seven calendar days; $25,000 - $50,000 should be advertised in the *State Register* for a period of at least 14 calendar days; and anything above $50,000 should be advertised in the *State Register* for a minimum of at least 21 calendar days.

Contact the Office of State Procurement at: (651) 296-2600

Minnesota State Colleges and Universities (Minnesota State)

Notice of Bid and Contracting Opportunities

Minnesota State is now placing additional public notices for contract opportunities for goods and services on its Vendor and Supplier Opportunities website (***https://www.minnstate.edu/vendors/index.html***). Minnesota State may add new public notices to the website daily and post for the time indicated within the public notice.

If you have any questions regarding this notice or are having problems viewing the information on the Vendor and Supplier Opportunities website, please email the Minnesota State Procurement Unit at ***Sourcing@MinnState.edu***.

Department of Commerce

Division of Energy Resources

Request for Proposals for Consultant to Evaluate Xcel Energy's Proposed Peak-Time Rebate Program

The Department of Commerce, Division of Energy Resources seeks requests proposals for a consultant to evaluate and respond to Xcel Energy's Proposed Peak-Time Rebate (PTR) Program. Specifically, consultant shall consider how Xcel's PTR proposal complies with Minnesota Rules and Statutes, impacts Minnesota State Greenhouse and Carbon Free Goals, and furthers the Commission's Advances Rate Design efforts in Docket No. E002/GR-320. The consultant shall compare the PTR proposal against alternative demand response and load flex programs. The Consultant shall also evaluate avenues for cost recovery of the PTR program, including possible incorporation into the current rate case proceeding before a final Order is issued.

On December 20, 2024, the Public Utilities Commission (The Commission) issued its Notice of and Order for Hearing in Docket No. E002/GR-24-320. The Commission delegated authority to the Executive Secretary to open a docket to evaluate a proposal for a peak-time rebate (PTR) program for Xcel Energy, which Xcel shall file by March 17, 2025. The docket shall also evaluate avenues for cost recovery of the PTR program, including possible incorporation into the current rate case proceeding before a final Order is issued.

On January 8, 2025, the Commission issued a Notice of Docket Opening *In the Matter of a Peak Time Rebate Program for Northern States Power Co. d/b/a Xcel Energy to Further the Commission's Advanced Rate Design efforts in Docket No. E002/GR-24-320*. The Commission gave notice to interested individuals that it opened docket E002/M-24-432 in accordance with Order Point 4 of the Commission's December 30, 2024 Order in Xcel Energy's current rate case filing, Docket No. E002/GR-24-320, and to further the efforts of the Commission's inquiry into Xcel Energy's Advanced Rate Design for Load Management, Docket No. E002/CI-24-115.

A Request for Proposals (RFP) is available for download on the Department's RFP website at ***Request for Proposals (RFP) / Minnesota Department of Commerce - Business (mn.gov).***

All responses to this RFP need to be submitted as directed in Section 1 of the RFP. Applications must be submitted by the deadline. **Late proposals will not be considered.**

This request does not obligate the State to complete the work contemplated in this notice. The State reserves the right to cancel this solicitation. All expenses incurred in responding to this notice are solely the responsibility of the responder.

Department of Employment and Economic Development

Request for Proposals for Learning and Development Services

PROJECT NAME: Learning and Development Services

DETAILS: The Minnesota Department of Employment and Economic Development is requesting proposals for the purpose of providing learning and development services to support the implementation and continued development of the Paid Leave division Operations unit. The selected vendor will be responsible for designing, developing, and implementing a cohesive curriculum that aligns with DEED's organizational goals and objectives. The Request for Proposals (RFP) is available at: ***https://mn.gov/deed/about/contracts/***

Work is anticipated to start after May 1, 2025.

All requirements and information, as well as proposal delivery instructions are contained in the RFP. Inquiries regarding the RFP may be directed by email to Kate Redden, Solicitation Administrator, at kate.reddent@state.mn.us. Deadline for inquiries is Wednesday, March 12, 2025, at 4:30 p.m. Other department personnel are NOT allowed to discuss the RFP with anyone, including responders, before the proposal submission deadline.

Proposals must be emailed to: Kate Redden, Solicitation Administrator, Minnesota Department of Employment and Economic Development at ***kate.redden@state.mn.us***. Proposals must be received NO later than **4:30 PM, Monday, March 24, 2025. Late responses will not be considered.** Fax and mailed proposals will not be considered.

This request does not obligate the State of Minnesota to award a contract or complete the proposed program, and the State reserves the right to cancel this solicitation if it is considered in its best interest. All costs incurred in responding to this solicitation will be borne by the responder.

Minnesota Housing Finance Agency

Request for Proposals for Homebuying Partnership Program Lender-Servicer

PROJECT NAME: Homebuying Partnership Program Lender-Servicer

DETAILS: Minnesota Housing Finance Agency ("Minnesota Housing") is requesting proposals for the purpose of engaging a lender/servicer partner who is an existing Freddie Mac Seller/Servicer experienced in the making and servicing of non-interest-bearing first mortgages to originate, fund, pool, sell and service first mortgages and associated Minnesota Housing junior mortgages for downpayment and closing cost assistance under a new program with the working title "Homebuying Partnership Program."

Work is anticipated to start no earlier than January 2026.

COPY REQUEST: To get a copy of the Request for Proposals, please send a written request, by email, to:

Elsa Hildebrandt
Project and Program Manager
Elsa.Hildebrandt@state.mn.us

PROPOSAL DEADLINE: Proposals submitted in response to the Request for Proposals in this advertisement must be received using Minnesota Housing's Single Family Secure File Exchange (LeapFILE™), accessible on Minnesota Housing's Partner Login page at ***www.mnhousing.gov***, to ***homeownership@state.mn.us*** **no later than 12:00 p.m. Noon Central Time, May 20, 2025. Late proposals will not be considered.** Faxed and/or mailed proposals will not be considered.

This request does not obligate Minnesota Housing to complete the work contemplated in this notice. Minnesota Housing reserves the right to cancel this solicitation. All expenses incurred in responding to this notice are solely the responsibility of the responder.

Department of Military Affairs

Facilities Management Office, Camp Ripley, Little Falls, MN

Request for Proposals for Consultant Services for Mechanical, Electrical, Fire Suppression and Fire Alarm Upgrade at Army Aviation Support Facility (AASF) #1, St. Paul, Minnesota (Project No. 25125)

The State of Minnesota, Department of Military Affairs, is soliciting proposals from interested, qualified providers for Consultant Services for Mechanical, Electrical, Fire Suppression and Fire Alarm Upgrade at Army Aviation Support Facility (AASF) #1, St. Paul, Minnesota (Project No. 25125). Work is anticipated to start May 2025.

COPY REQUEST: A full Request for Proposals is available on the Minnesota Department of Military Affair's website at ***https://ngmnpublic.azurewebsites.us/requests-for-proposal/***.

A **MANDATORY** project site tour is scheduled for March 11, 2025 at 10:00 A.M. at Holman Field, 206 Airport Road, St. Paul, MN 55107.

Any questions should be directed to Mr. Russ Ekholm at ***russell.a.ekholm.nfg@army.mil***. Project questions will be taken by this individual only. Questions regarding this RFP must be received by March 18, 2025, no later than 2:00 PM Central Time.

RFP responses must be received by Email to the Department of Military Affairs, Attn: Ms. Sara Seelen, Email: ***sara.l.seelen.nfg@army.mil***, no later than **2:00 P.M. Central Time on March 25, 2025. Late responses will not be considered.**

The Department of Military Affairs is not obligated to complete the work contemplated in this notice and reserves the right to cancel the solicitation if it is considered to be in its best interest. All expenses incurred in responding to this notice are solely the responsibility of the responder.

Minnesota Department of Transportation (MnDOT)

Engineering Services Division

Notices Regarding Professional/Technical (P/T) Contracting

P/T Contracting Opportunities: MnDOT is now placing additional public notices for P/T contract opportunities on the MnDOT's Consultant Services website. New public notices may be added to the website on a daily basis and be available for the time period as indicated within the public notice.

Taxpayers' Transportation Accountability Act (TTAA) Notices: MnDOT is posting notices as required by the TTAA on the MnDOT Consultant Services website.

MnDOT's Prequalification Program: MnDOT maintains a Pre-Qualification Program in order to streamline the process of contracting for highway related P/T services. Program information, application requirements, application forms and contact information can be found on MnDOT's Consultant Services website. Applications may be submitted at any time for this Program.

MnDOT Consultant Services website: ***www.dot.state.mn.us/consult***

If you have any questions regarding this notice, or are having problems viewing the information on the Consultant Services website, please all the Consultant Services Help Line at 651-366-4611, Monday – Friday, 9:00am – 4:00pm.

Non-State Public Bids, Contracts & Grants

The State Register also serves as a central marketplace for contracts let out on bid by the public sector. The *State Register* meets state and federal guidelines for statewide circulation of public notices. Any tax-supported institution or government jurisdiction may advertise contracts and requests for proposals from the private sector. It is recommended that contracts and RFPs include the following: 1) name of contact person; 2) institution name, address, and telephone number; 3) brief description of commodity, project or tasks; 4) cost estimate; and 5) final submission date of completed contract proposal. Allow at least three weeks from publication date (four weeks from the date article is submitted for publication). Surveys show that subscribers are interested in hearing about contracts for estimates as low as $1,000. Contact editor for further details.

Besides the following listing, readers are advised to check: *https://mn.gov/admin/osp* as well as the Office of Grants Management (OGM) at: *https://mn.gov/admin/citizen/grants/*.

Metropolitan Airports Commission (MAC)

Notice of Call for Bids for 2025 Tenant Parking Lot Reconstruction

Airport Location:	**Minneapolis-St. Paul International Airport**
Project Name:	**2025 Tenant Parking Lot Reconstruction**
MAC Contract No.:	**106-3-699**
Bids Close At:	**2:00 PM on March 19, 2025**
Bid Opening Conference Call:	**3:00 PM on March 19, 2025**
Teleconference Dial In #:	**1-612-405-6798**
Conference ID #:	**897 927 742#**

Notice to Contractors: Electronic Bid Submission for the project listed above will be received by the MAC, a public corporation, via ***QuestCDN's website*** until the official time and date as displayed in QuestCDN Online.

Note: You can sign up on our web site (***https://metroairports.org/doing-business/solicitations***) to receive email notifications of new business opportunities.

Targeted Group Businesses (TGB): The goal of the MAC for the utilization of Targeted Group Businesses on this project is *14%*.

Bid Security: Each bid shall be accompanied by a "Bid Security" in the form of a certified check made payable to the MAC in the amount of not less than five percent (5%) of the total bid, or a surety bond in the same amount, running to the MAC, with the surety company thereon duly authorized to do business in the State of Minnesota.

Availability of Bidding Documents: Bidding documents are on file for inspection at the office of Kimley-Horn and Associates, Inc.; at the QuestCDN Online indicated below and at the Minnesota Builders Exchange; Rochester Builders Exchange; Dodge Data and Analytics; and NAMC-UM Plan Room. Bidders desiring drawings and specifications for personal use may secure a complete digital set at the ***QuestCDN website***. Bidders may download the complete set of digital documents for $22.00, or other fee as determined by QuestCDN, by entering eBidDoc™ #9400400 in the "Search Projects" page. Contact Quest Construction Data Network at (952) 233-1632 or info@questcdn.com for assistance. Hard copy drawings and specifications will not be made available to Bidders. Bid documents for this project may be viewed for no cost at QuestCDN Online. For this project, bids will **ONLY** be received electronically. Contractors submitting an electronic bid will be charged an additional $42.00, or other fee as determined by QuestCDN, at the time of bid submission via the online electronic bid service QuestCDN Online.

MAC Internet Access of Additional Information: A comprehensive Notice of Call for Bids for this project will be available on March 3, 2025, at MAC's web address of ***https://metroairports.org/doing-business/solicitations*** (construction bids).

Non-State Public Bids, Contracts & Grants

Metropolitan Airports Commission (MAC)

Notice of Call for Bids for 2025 Air Handling Unit Replacement

Airport Location:	**Minneapolis-St. Paul International Airport**
Project Name:	**2025 Air Handling Unit Replacement**
MAC Contract No.:	**106-2-1085**
Bids Close At:	**2:00 PM on April 15, 2025**
Bid Opening Conference Call:	**3:00 PM on April 15, 2025**
Teleconference Dial In #:	**1-612-405-6798**
Conference ID #:	**897 927 742#**

Notice to Contractors: Electronic Bid Submission for the project listed above will be received by the MAC, a public corporation, via ***QuestCDN's website***, until the official time and date as displayed in QuestCDN Online.

Note: You can sign up on our web site (***https://metroairports.org/doing-business/solicitations***) to receive email notifications of new business opportunities.

Disadvantaged Business Enterprises (DBE): The goal of the MAC for the utilization of Disadvantaged Business Enterprises on this project is *5%*.

Bid Security: Each bid shall be accompanied by a "Bid Security" in the form of a certified check made payable to the MAC in the amount of not less than five percent (5%) of the total bid, or a surety bond in the same amount, running to the MAC, with the surety company thereon duly authorized to do business in the State of Minnesota.

Project Labor Agreement: This project is subject to the MAC's Project Labor Agreement requirements. A copy of the Project Labor Agreement and Contract Riders are included in Appendix B.

Availability of Construction Documents: Plans and specifications are available at QuestCDN Online as indicated below and at the Minnesota Builders Exchange; Rochester Builders Exchange; Dodge Data and Analytics; and NAMC-UM Plan Room. Bidders desiring drawings and specifications for personal use may secure a complete digital set at the ***QuestCDN website***. Bidders may download the complete set of digital documents for $22.00, or other fee as determined by QuestCDN, by entering eBidDoc™ #9565464 in the "Search Projects" page. Contact Quest Construction Data Network at (952) 233-1632 or info@questcdn.com for assistance. Hard copy drawings and specifications will not be made available to Bidders. Bid documents for this project may be viewed for no cost at QuestCDN Online. For this project, bids will ONLY be received electronically. Contractors submitting an electronic bid will be charged an additional $42.00, or other fee as determined by QuestCDN, at the time of bid submission via the online electronic bid service QuestCDN Online.

MAC Internet Access of Additional Information: A comprehensive Notice of Call for Bids for this project will be available on March 10, 2025, at MAC's web address of ***https://metroairports.org/doing-business/solicitations*** (construction bids).

State of Minnesota Citizen Participation Plan (DRAFT)
Consolidated Plan for Housing and Community Development

Introduction

Under guidelines established by the U.S. Department of Housing and Urban Development (HUD), the Minnesota Department of Employment and Economic Development, Minnesota Housing Finance Agency and Minnesota Department of Human Services, hereinafter referred to as the "State", must prepare a Consolidated Plan that addresses the housing, community development, and economic development activities that the State will undertake to assist its citizens through HUD's formula grant programs.

DEED is the lead agency responsible for the Consolidated Planning process and the administration of the: Community Development Block Grant funds (CDBG). Minnesota Housing is the lead agency responsible for the Home Investment Partnerships (HOME), Housing Opportunities for Persons with AIDS (HOPWA), and the National Housing Trust Fund (NHTF). DHS is the lead agency responsible for the Emergency Shelter Grants (ESG).

The Consolidated Planning process is intended to more comprehensively fulfill three basic goals: to provide decent housing, to provide a suitable living environment and to expand economic opportunities.

Provision of decent housing may involve assisting homeless persons in obtaining appropriate housing, retaining the affordable housing stock, increasing the availability of permanent affordable housing for low-income households without discrimination or increasing supportive housing to assist persons with special needs. Providing a suitable living environment might entail improving the safety and livability of neighborhoods, including the provision of adequate public facilities; deconcentrating housing opportunities and revitalizing neighborhoods; restoring and preserving natural and physical features with historic, architectural, and aesthetic value; and conserving energy resources. Expanding economic opportunities can involve creation of accessible jobs, providing access resources for community development, and assisting low- income persons in achieving self-sufficiency.

The Consolidated Plan is a three-part planning process required by HUD. It comprises developing a five-year strategic plan, preparing annual action plans and submitting annual performance reports. These three parts are intended to furnish the framework whereby

Minnesota can identify its housing, homeless, community, and economic development needs, identify resources that will be tapped and actions to be taken that will address the needs, as well as look back and evaluate the State's progress toward achieving its strategic goals. Completing these documents on time and in a manner that is acceptable to HUD ensures program funding.

The precursor to the Consolidated Plan is the Citizen Participation Plan (CPP). The objectives of the CPP are to ensure that the citizens of Minnesota, particularly persons of low and moderate income, persons living in slum and blight areas, units of local government, housing agencies and other interested parties, are provided with the opportunity to participate in the planning and preparation of the Consolidated Plan, including amendments to the Consolidated Plan and the Annual Performance Report. In doing so, the CPP sets forth general policies and procedures for implementing and carrying out the Consolidated Planning Process, such as how the Consolidated Plan will be developed, dates and milestones along which the process will proceed, and methods for citizens to offer the State assistance and guidance in the formulation of the Plan. Furthermore, the provisions of the CPP fulfill statutory and regulatory requirements for citizen participation specified in the U.S. Department of Housing and Urban Development's rules for the Consolidated Plan, the HOME, CDBG, ESG, NHTF and HOPWA programs and the Analysis of Impediments to Fair Housing[1]. In Minnesota, the participation process will be developed and monitored by a Consolidated Plan Coordinating Committee consisting of representatives from the Department of Employment and Economic Development (DEED), the Minnesota Housing Finance Agency (Minnesota Housing), and the Minnesota Department of Human Services (DHS).

Purpose of the Citizen Participation Plan

In order to ensure maximum participation in the Consolidated Plan process among all populations and needs groups, and in order to ensure that their issues and concerns are adequately addressed, the State of Minnesota will follow the standards set forth in this Citizen Participation Plan during development of its Consolidated Plan.

The Citizen Participation Plan also provides citizens an opportunity to evaluate and comment on the State's performance, as reported in the Consolidated Annual Performance and Evaluation Report (CAPER).

Relevant Areas

The term "entitlement areas" refers to cities and counties that qualify to receive one or more formula grants. These areas must complete a Consolidated Plan separately from the State's to receive funding. For purposes of this Citizen Participation Plan, "non-entitlement" refers to cities

[1] See 24 CFR § 91.115

and towns that do not file Consolidated Plans individually or as part of a consortium and are not eligible to receive formula funding from HUD directly.

Entitlement areas for the CDBG program include: the cities of Bloomington, Coon Rapids, Duluth, Eden Prairie, Mankato, Minneapolis, Minnetonka, Fargo/Moorhead, North Mankato, Plymouth, Rochester, St. Cloud, St. Paul, Woodbury, and the counties of Hennepin, Anoka, Dakota, Ramsey, Washington, and St. Louis.

Entitlement areas for the HOME program include: the cities of Duluth, Minneapolis, and St. Paul, and the counties of Hennepin, Dakota, and St. Louis.

Entitlement areas for the ESG program include: the cities of Duluth, Minneapolis, St. Paul, and the counties of Hennepin, Dakota, Ramsey, and St. Louis.

Individuals wishing to contribute to the Consolidated Planning process in these areas should contact housing and community development specialists in these cities/counties.

Encouraging Citizen Involvement

Public Notice and Outreach

An informed citizenry is critical to effective and responsive housing and community development programs. Efforts to educate residents and empower participation are an ongoing element of the Consolidated Planning process.

As the fundamental means of notifying interested citizens about the Consolidated Plan and related activities, such as the Annual Action Plan or the Consolidated Annual Performance and Evaluation Report, the State will utilize multiple advertisement notices, which include but are not limited to social media, mass emailings, and/or website postings. Written notices will be published at least 14 calendar days prior to public hearings. All notices will be written in plain, simple language and direct efforts will be undertaken to publish and/or post information at locations that will elicit maximum low- and moderate-income and minority participation.

Public education and outreach will be facilitated through the use of public advertisements that describe the Consolidated Planning process, opportunities for citizen participation and available funding through the CDBG, ESG, HOME and HOPWA programs. The State's Consolidated Plan contact list will likely include social service organizations, local jurisdictions, low-income housing consumers, neighborhood groups, previous participants and commentators, and others expected to desire input on the Plan.

The Consolidated Plan will offer many other opportunities for citizen participation. The State will particularly encourage participation of persons with special needs and/or persons who are often underrepresented in public process (low-income, persons of color, non-English speaking persons, persons with disabilities, persons who are homeless). The State will also encourage the participation of statewide and regional institutions and organizations that are involved or affected by the formula grants in the process of developing and implementing the Consolidated Plan. Participation will be solicited and encouraged through the activities discussed below.

Communications sent and posted by the state will encourage input from these parties so they can provide input about priorities and strategies they wish to see as a result of the plan.

Public Hearings and Input Meetings

At least two public input meetings will be held before the publication of the final Consolidated Plan. The primary purpose of the first public hearing is to gather citizen input on housing and community development needs and the proposed Consolidated Plan before it is published for comment. The second public hearing will be held during the Consolidated Plan 30-day public comment period and will be for review and comment on the Consolidated Plan draft. The public hearings will be announced at least two weeks prior to being held. Announcements may be made through the DEED and Minnesota Housing websites and at least one additional method which may include social media or mass emails.

The public hearings will take place in locations identified in the announcement of the public hearings that are accessible to persons with disabilities. The dates, times and locations for public hearings will be convenient to potential and actual beneficiaries. Non-English speaking persons and those with disabilities will be encouraged to attend. Where a significant number of non- English speaking residents are expected to participate, the State will provide translators when notified of this need prior to the public meetings. Contact information will be provided in all public announcements.

Regional and Interest Area Forums and Focus Groups

In addition to the public hearings, DEED, Minnesota Housing, and DHS may solicit input on housing and community development issues and needs of the homeless population at regional or interest area forums, focus groups, or web-based meetings.

If these types of meetings are conducted, agencies, advocates, statewide and regional institution and organizations and community residents will be informed of the meetings through state agency websites, personal contact, mass emails, media releases, and other methods that the state believes may be productive. All sites selected for the forums or focus groups will be accessible to the physically disabled. The State will work with advocacy groups to determine the need for special accommodations (beyond physical accessibility) of special needs groups and non-English speaking attendees.

The forums will be conducted with the intention of providing Minnesota residents the opportunity to voice their opinions and provide insight into the issues prevalent in their communities. The forums will also provide an opportunity for citizens and interested parties to obtain information about state housing and community development programs, the administering agencies, and funding requirements.

Publication of Consolidated Plan Documents

The State will publish its draft Consolidated Plan documents for public review in a manner that affords residents, units of general local governments, public agencies, and other interested parties a reasonable opportunity to examine document's contents and to submit comments.

The draft Consolidated Plan documents will be available for viewing on Minnesota Housing's website http://www.mnhousing.gov and DEED's website http://www.mn.gov/deed, DHS' website http://www.mn.gov/dhs, or a centralized website or webpage dedicated to the State of Minnesota's Five-Year Consolidated Plan. Hard copies of the proposed Consolidated Plan will also be available upon request from DEED and Minnesota Housing during the public comment period.

Citizens or groups that have attended any of the forums or public hearings will be notified by mail or e-mail of the Consolidated Plan's availability for comment.

The draft Consolidated Plan will describe the amount of assistance the State expects to receive and the range of activities that may be undertaken, including the estimated amount that will benefit persons of low- and moderate-income and the plans to minimize displacement of persons and to assist any persons displaced.

The State will openly consider any comments of individuals or groups received verbally or in writing, including e-mail, during the Consolidated Planning process or at public hearings. A summary of the written and public hearing comments will be included in the final Consolidated Plan, along with the state's response to the comments.

Public Comment on the Consolidated Plan Documents

Prior to the adoption of the Consolidated Plan, the State will make available to interested parties the draft Consolidated Plan and Executive Summary for a comment period of no less than 30 days. Notification of the availability of the proposed Consolidated Plan will be provided in at least one media source which may include websites, social media, mass emailings, or postings.

Before the State submits a Consolidated Annual Performance and Evaluation Report (CAPER) to HUD, the State will make available to interested parties the proposed CAPER for a comment period of no less than 15 days. Citizens will be notified of the CAPER's availability through newspaper notification, website postings, and/or social media.

The CAPER will be available on Minnesota Housing's and DEED's websites for the full public comment period. Hard copies of the CAPER will be available upon request from DEED and Minnesota Housing during the public comment period. The State will consider any comments of individuals or groups received verbally at public hearings or in writing, including e-mails. A summary of the written and public hearing comments and the State's responses will be included in the final CAPER.

<u>Public Access to Records</u>

The State will provide all interested parties with access to information and records related to the State's Consolidated Plan and the State's use of assistance under all programs covered by the Consolidated Plan during the preceding five years. The public will be provided with reasonable access to housing assistance records, subject to laws regarding privacy and obligations of confidentiality.

Consultation with Organizations and State Agencies

When preparing the Consolidated Plan, the State will actively consult with public and private agencies that provide housing, health and social services in order to ensure that the interests and needs of all groups are being adequately addressed. This consultation may occur through regional and interest area forums, interviews conducted with such organizations (especially those that provide services to special needs populations), surveys, and incorporation of data and reports produced by such organizations into the Consolidated Plan.

Amendments to the Consolidated Plan

Pursuant to HUD regulations, an amendment to the Consolidated Plan is required whenever the jurisdiction determines to:

- Substantially change the allocation priorities or its method of distributing HUD formula grant funds;
- Utilize formula grant funds (including program income) to carry out an activity not previously described in the action plan; or
- Change the purpose, scope, location or beneficiaries of an activity.

Such changes, prior to their implementation, are reviewed under various federal or State requirements. Substantial amendments to the Consolidated Plan are, in addition, subject to a formal citizen participation process. Notice and the opportunity to comment will be given to citizens through public notices or other appropriate means, such as public meetings, social media, or website postings. A public comment period of not less than 30 days will be provided prior to implementing any substantial amendment to the Consolidated Plan. State staff will prepare a summary of all comments received in writing and, in cases where any citizens' views are not accepted, provide reasons for the decision. This documentation will be attached to the substantial amendment, which will be available to the public and submitted to HUD.

Substantial Amendments

Occasionally, public comments or events warrant an amendment to the Consolidated Plan. The criteria for whether to amend are referred to by HUD as Substantial Amendment Criteria. The following is the State's Substantial Amendment Criterion.

A change in the described method of distributing funds to local governments or nonprofit organization subrecipients to carry out activities. Elements of a "method of distribution" are:

A. Application process for subrecipients;
B. Criteria for selecting subrecipients.
C. Change in the current method of distributing funds; for example, a significant increase or a decrease in HUD allocation.
D. Change in the allocation priorities - a new need is identified as being urgent or crucial, necessitating a major allocation and displacing a previously identified need for which funding would be made available.
E. a change in the State's priorities as identified in the 5-year Consolidated Plan
F. substantial change in federal program rules or regulations for existing programs which add additional federal requirements, for example, an allocation of disaster funding or an economic stimulus package.

Citizen Participation in the Event of a Substantial Amendment

In the event of a substantial amendment to the Consolidated Plan, the State will comply with the following citizen participation process:

1. The State will notify citizens of the availability of the draft substantial amendments, a minimum 30-day comment period, and, if in the State's judgment a public hearing is desirable, the time and location of the public hearing through website, social media, or mass emailings.
2. Depending on which of the formula grant programs is affected, the substantially amended sections of the Consolidated Plan will be made available on either Minnesota Housing's website http://www.mnhousing.gov, DEED's website, http://www.mn.gov/deed or DHS's website, http://www.mn.gov/dhs and hard copies will also be available from the affected state department upon request for the full duration of the public comment period.

Consideration of Public Comments on the Substantially Amended Plan.

In the event of substantial amendments to the Consolidated Plan, the State will openly consider any comments on the substantially amended Consolidated Plan from individuals or groups. Comments must be received in writing, including e-mail, or at public hearings if hearings are conducted. A summary of the comments received on the substantial amendments will be included in the final substantially amended Consolidated Plan. Also included in the final substantially amended Consolidated Plan will be a summary of all comments not accepted and their reasons for dismissal.

Changes in Federal Funding Level

Any changes in federal funding level after the Consolidated Plan's draft comment period has expired and the resulting effect on the distribution of funds will not be considered an amendment or a substantial amendment.

Standard Amendments

"Standard amendments" are those that are not considered substantial in nature and pertain chiefly to minor administrative modifications of the programs. Thus, they do not require in- depth citizen participation. Minor increase or decreases from HUD will be appropriated proportionally to Annual Action Plan activities or retained for future funding round.

Complaints and Grievances

Citizens, administering agencies and other interested parties may submit complaints regarding violations of this Citizen Participation Plan or federal regulations regarding the preparation of the consolidated plan, amendments to the consolidated plan, or performance reports.

Citizens may also present complaints and grievances orally or in writing at the community meetings and/or public hearing. All public comments, including complaints and grievances, made either orally or in writing within the 30-day public comment period, will be included in the final Consolidated Plan, subject to such limitations of the Minnesota Government Data Practices Act that may apply. Such complaints or grievances shall be directed to the Consolidated Plan representative, Ms. Natasha Kukowski of DEED at 180 East Fifth Street, 12th Floor, St. Paul, MN 55101, or her successor.

Timely Response to Complaints or Grievances

Within 15 calendar days of receiving the complaint, the program manager shall discuss the matter with the department manager, respond to the complainant in writing, and maintain a copy of all related correspondence, which will be subject to State review. A copy of the State's response from the Consolidated Plan representative will be transmitted, concurrently, to the complainant and to the DEED Director. If, due to unusual circumstances, the Consolidated Plan representative finds that it is unable to meet the prescribed time limit, the limit may be extended by written notice to the complainant. The Consolidated Plan representative's notice must include the reason for the extension and the date on which a response is expected to be generated, which may be based on the nature and complexity of the complaint.

Public review materials and performance reports will include data, as appropriate under confidentiality regulations, on any written complaints received and how each was resolved.

Citizen Participation Requirements for Local Governments Receiving CDBG (Small Cities Development Program) Funds from the State

Units of general local government must provide for and encourage citizen participation as prescribed at 24 CFR 570.486. All Small Cities Program applicants for CDBG funds are required to provide citizen notification and involvement in planning and implementation of the proposed projects through one or more public hearings and other informational efforts. Public hearings must be held at times and in places that are convenient to all community residents, particularly those who will be affected by implementation of the project(s). The needs of persons with disabilities and non-English speaking persons should be considered for the dissemination of information and the location of public hearings and meetings must be accessible to persons with disabilities. In addition, applicants are required to conduct a community development survey to allow for citizen input on the housing and community needs of the jurisdiction.

Availability of the Citizen Participation Plan

Copies of the CPP may be obtained at the Minnesota Housing website (http://www.mnhousing.gov), the DEED website at http://www.mn.gov/deed., or DHS website, http://www.mn.gov/dhs. The State will provide the Plan in a hard copy or an alternative format accessible to individuals with disabilities upon request.

State of Minnesota 2025 Annual Action Plan Sign-in Sheet

First Public Hearing | March 26, 2025 | 3:45 – 4:45pm | Brainerd Conference Room

Please Print

Name	Organization (if applicable)	Email (if you'd like plan updates)
TJ Hammerstrom	Hopewell 360	Thammerstrom@hopewell360.com
Jeru Gobeze	Habitat for Humanity of MN	Jeru.gobeze@habitatminnesota.org

Hybrid 2025 Annual Action Plan 1st Public Hearing

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Zachary Klehr	DEED	Zachary.Klehr@state.mn.us
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DEPARTMENT OF HUMAN SERVICES

MINNESOTA HOUSING

EMPLOYMENT AND ECONOMIC DEVELOPMENT

The State of Minnesota’s 2025 Annual Action Plan and Draft Citizen Participation Plan to the US Department of Housing and Urban Development

March 26, 2025

1st Public Hearing

MINNESOTA

Public hearing information

- This public hearing is being recorded.
- All attendees' video are disabled.
- All attendees' microphones will be disabled.
- Chat and "Raise Your Hand" feature (for call-in – Press *5)
- Closed captions can be accessed by clicking the ellipses (…) button, Language and Speech then clicking "Turn on Live Captions."

Agenda

- Introductions
- US Department of Housing and Urban Development (HUD) anticipated resources
- Location program funds can be used
- Anticipated activities
- Public hearing

Introductions

- Minnesota Department of Employment and Economic Development
  - Natasha Kukowski
  - Zachary Klehr
  - Christian Nordeng
- Minnesota Housing and Finance Agency
  - Nellie Siers
  - Joshua Kirk
- Minnesota Department of Human Services
  - Annie Wells

HUD anticipated resources in the 2025 Action Plan

Program	Summary	Funding
Community Development Block Grant (CDBG)	DEED provides funding to small cities and counties through the Small Cities Development Program for housing, public infrastructure and commercial rehabilitation projects.	Estimated $18.8 million
Emergency Solutions Grant (ESG)	DHS provides operating costs and essential services to shelter, and funding for rapid rehousing and prevention programs, through a competitive application process.	Estimated $2.2 million
HOME Investment Partnerships Program (HOME)	Minnesota Housing makes funds available statewide through annual Request for Proposals. It provides deferred financing for affordable rental housing.	To Be Announced
National Housing Trust Funds (NHTF)	Minnesota Housing makes funds available through a Request for Proposals same as HOME but limited to support Extremely Low-Income households.	To Be Announced
Housing Opportunities for Persons with AIDS (HOPWA)	Minnesota Housing administers through a nonprofit in Greater Minnesota to provide short term rental and mortgage assistance.	To Be Announced

Location program funds can be used

Program	Locations within the state that use each program
Community Development Block Grant (CDBG)	Cities with a population of less than 50,000 people or counties with a population less than 200,000 people. Funds cannot be used in the counties of Anoka, Dakota, Hennepin, Ramsey, St. Louis, or Washington; or the cities of Bloomington, Duluth, Eden Prairie, Mankato, Minneapolis, Minnetonka, Moorhead, Plymouth, Rochester, St. Cloud, St. Paul, or Woodbury.
Emergency Solutions Grant (ESG)	"Balance of State" – all areas of the state *except* Dakota County, Duluth, Hennepin County, Minneapolis, St. Louis County, and St. Paul.
HOME Investment Partnerships (HOME)	Statewide
National Housing Trust Funds (NHTF)	Statewide
Housing Opportunities for Persons with AIDS (HOPWA)	Statewide outside the 13-county metro area

Anticipated activities in the 2025 Annual Action Plan

Program	Anticipated activities
Community Development Block Grant (CDBG)	Owner-occupied and residential rental rehabilitation for low-to-moderate income households, commercial building rehabilitation, public facility improvements/rehabilitation, and streetscape
Emergency Solutions Grant (ESG)	Emergency shelter, Rapid Rehousing and homelessness prevention
HOME Investment Partnerships Program (HOME)	Renovation and new construction of housing units for low-to-moderate income rental households
National Housing Trust Fund (NHTF)	Renovation and new construction of housing units for extremely low-income renters; prioritize new construction to expand the housing stock for this population
Housing Opportunities for Persons with AIDS (HOPWA)	Provide short term rental, mortgage or utility assistance, and services to people with HIV/AIDs

Public hearing

- We will now begin accepting input for the 2025 Annual Action Plan and the draft Citizen Participation Plan.
  - Joining via computer - You may enter your comment in the chat or use the “Raise Your Hand” feature. Host will enable your microphone so you can unmute yourself to verbally state the comment.
  - Joining via phone - Press *5 to use the “Raise Your Hand” feature. Host will enable your microphone and you can press *6 to unmute to verbally state the comment.
- Questions may be asked; however, please clearly state when you are providing an input.
- If you are representing an agency or group, please state the name of the agency or group.

Thank You!

The draft 2025 Annual Action Plan will be available online on April 24, 2025.

The draft Citizen Participation Plan is available online.

State of Minnesota 2025 Annual Action Plan
First Public Hearing Comments

March 26, 2025 at 3:45 PM
Great Northern Building
Brainerd Room

Comments received at the hearing:

- HUD's many restrictions limits the ability to assist chronically homeless individuals or others who do not meet their criteria in accessing housing.
- Suggestions to expand ownership opportunities and broaden the allowable uses of CDBG for homeownership programs.
- Affordable housing units in new development are not fully addressing the needs of individuals earning 30% or less of the area's median income.
- New approaches or innovative ways to share and communicate RFPs.

State and Local Tax Policies

Minnesota's previous Consolidated Plan conceded that the state's rental property tax rate is often mentioned as a barrier to affordable rental housing, both for developers and for landlords who provide affordable rental units. The tax reportedly has adverse impacts on the maintenance of existing rental housing, the development of new housing, and the efficient use of the existing housing stock. Property tax rebates for lower-income households help to mitigate some of the taxes that are passed on to renters. While the State wishes to support policies that make affordable housing development more achievable, the difficulties of implementing these strategies may limit their viability for Minnesota in the near future.

However, the State has been able to begin to address this issue with its 4d affordable rental housing property tax, a special class tax rate for affordable housing developments that represents a class rate reduction of 75 percent for rent-restricted properties. Eligible properties are subject to rent and income restrictions of the section 8 program; the Low Income Housing Tax Credit (LIHTC) program; rural housing service rent assistance programs; or a financing program of the federal, state, or local government.

Structure and Delivery of Services

Over the program year, the State will continue its collaborative funding process of a consolidated request for proposals (RFP). Included in the RFP are the federal HOME Investment Partnerships and Housing Trust Fund programs alongside state resources, and project-based section 8 vouchers through the Metropolitan Council/Metro HRA.

Challenges

Lack of Sufficient Resources

Funding shortages create a challenge for Minnesota; however, there are steps its agencies can take to maximize available resources in the most efficient way. Over the program year, Minnesota Housing will continue to focus its efforts and major resources on preservation and new construction of affordable rental housing. Minnesota Housing attempts to reduce barriers that add costs to projects, including prioritizing developments that use land efficiently and minimizing loss of agricultural and green space, or reducing barriers of local application and permit processes by prioritizing development for which costs are reduced or avoided by regulatory changes, incentives, or waivers by the governing body. In addition, Minnesota Housing employs a cost containment strategy to incentivize lower development costs while balancing quality.

DEED will continue to focus efforts on rehabilitation of all housing, creation of jobs related to economic development, and improvement of public facility access to low- to moderate-income areas. The State supports all efforts to use resources most efficiently.

First-Time Homebuyers

While Minnesota Housing's HOME program does not currently include homebuyer activities, the agency remains strong in providing mortgage and down payment assistance to first time homebuyers through state resources. Minnesota Housing has a strategic priority to reduce Minnesota's racial and ethnicity homeownership disparity. Minnesota ranks among the top three states consistently of having the highest disparities in homeownership rate between white/non-Hispanic households and households of color. We emphasize homebuyer and financial counseling and coaching and continue to design and offer mortgage programs that support homeownership fore households of color and Hispanic Ethnicity.

Over the program year, the State will continue to alleviate the challenges of first-time homebuyers by providing funding for homebuyer training and education, down payment assistance, and post purchase counseling for first time homebuyers.

Other Obstacles

NIMBYism

Community attitudes, often referred to as "Not in My Backyard," or NIMBYism, are frequently identified as an obstacle to increasing the availability of affordable housing. However, local government policies can also be described as creating a NIMBY atmosphere for affordable housing.

The State fully supports efforts to reduce NIMBYism, prejudice, and negative attitudes toward affordable and multifamily housing, and will encourage planning decisions by CDBG and HOME sub-recipient communities that work to decrease segregation and increase integration of populations. The State will also fully support civic leaders and developers who undertake education in communities statewide. Such education could be targeted, timely, and, in the context of a possible development, relevant to potentially affected citizens.

Sustainable housing

The Multifamily Division of Minnesota Housing encourages practices that promote sustainable housing in the development and rehabilitation of affordable rental housing The agency policy states" Minnesota Housing encourages sustainable, healthy housing that optimizes the use of cost effective durable building materials and systems that minimizes the consumption of natural resources both during construction or rehabilitation and in the long term maintenance and operation. We encourage optimizing the use of renewable resources and energy, minimizing damages and impact to the environment, and maximizing the use of natural amenities such as solar, wind, climate, and orientation of the development.

All federal funds, and the majority of other capital improvement funding from Minnesota Housing must meet all requirements of the 2015 Enterprise Green Communities Criteria (EGCC) as amended by the agency's Overlay and Guide.

In its 2018 Multifamily common application, Minnesota Housing is asking for funding applicants to apply for energy efficiency incentives from utilities and other sources. The purpose of this requirement is to leverage utility funds in order to increase energy efficiency in Minnesota’s affordable housing.

For example, applicants to the Housing Tax Credit (HTC) program are awarded additional points for implementing green design criteria. Further, the Publicly Owned Housing Program (POHP) references sustainable building design standards in its manual, stating that "Minnesota Statutes Section 168.325 requires promulgation of & Sustainable Building Design Goals for new buildings. These goals are design standards that:

- Exceed the existing energy code standards,
- Achieve the lowest possible lifetime costs for new buildings,
- Ensure good indoor air quality,
- Create and maintain a healthy environment,
- Facilitate productivity improvements,
- Specify ways to reduce material costs, and
- Consider the long-term operating costs. of the building including the use of renewable and distributed electric energy generation that uses a renewable source of natural gas or a fuel that is as clean as or cleaner than natural gas."

For any SCDP rehabilitation project, DEED conducts an inspection that includes energy improvements to homes and commercial businesses with items such as windows, doors, insulation, and energy-efficient heating units.

Contingency Provision Language

The estimated amount available this year is based on the FY 2024 allocated awards. We anticipate the final amount to not be substantially different than what is estimated. However, if the annual allocation differs (either higher or lower) during the Minnesota's citizen participation process of this plan, the agencies will proceed with their programs as outlined, making adjustments as needed to maximize outcomes in response to any changes.

DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT (DEED)

AP-15: Expected Resources

The State of Minnesota DEED receives Community Development Block Grant (CDBG) funds annually from HUD with 85% of its annual allocation and award grants to local units of government for general community development projects such as housing and commercial rehabilitation and public facility activities. The remaining 15%, administered by the Office of Business Finance, is designated specifically for economic development projects known as the Minnesota Investment Fund (MIF) Revolving Loan Fund (RLF).

Upon submittal of an application by an eligible applicant, DEED awards the MIF grant to a local unit of government in an amount up to $1,000,000 to assist with the start up or expansion of a qualified business. When repayment of the loan occurs, DEED allows the local government to retain the funds. All loan repayments are considered “Program Income” (PI) and since the local government is permitted to retain the PI, the loan payments must be placed in a separate Revolving Loan Fund (RLF) to fund thesame activities that generated the PI. Therefore, the RLF must be used specifically for future economic development activities.

Whereas, the Small Cities Development Program (SCDP), Program Income (PI) is defined as income of $35,000 or more generated in a federal fiscal year (October 1 – September 30) by SCDP funds from past and open grants. These should be accounted for and reported separately. Reporting is due October 15th each year.

If a grantee receives less than $35,000 in a fiscal year, it is not considered Program Income but referred to as Local Income.

Program Income and Local Income funds generated could include:

- Loan repayments (with interest, if applicable).
- Proceeds from the sale of property in which SCDP funds were used.
- Interest earned on the Program Income itself.

Program Income from previous grants must be used before newly awarded grant funds can be disbursed. Program Income must be listed as leverage on applications and is expected to be drawn prior to drawing awarded funds.

Program Income and Local Income must be reused in a manner consistent with what was stated in the funding application, grant agreement, SCDP program requirements (national objective, environmental, labor standards and etc.) and their respective Program Income Reuse Plan. After closeout, if grantees wish to use Program Income or Local income generated for something other than the activities that generated the income, SCDP staff should be consulted. Additional details on Program Income can be found under “Program Specific CDBG”.

As of September 30, 2024, in the recent report, the Small Cities Development Program, Program Income has a balance of **$592,556.10**

Please refer to the table below:

Local Government	Balance as of 9/30/2024	Contact Information
Clay County	$ 7,422.75	(218) 299-5011
Elbow Lake	$ 36,585.00	(218) 731-7463
Foley	$ 88,420.00	(320) 968-7260
Grand Rapids	$ 51,649.00	(218) 326-7600
Hutchinson	$ 51,874.00	(320) 587-5151
Ivanhoe	$ 47,032.00	(507) 694-1552
Lafayette	$ 51,832.00	(507) 228-8241
Lake Benton	$ 88,359.00	(507) 368-4641
Marshall	$ 37,978.00	(507) 537-6764
Pierz	$ 1,900.00	(320) 468-6471
St. Joseph	$ 43,812.00	(320) 363-7201
Sherburn	$ 18,128.00	(507) 764-4491
Willmar	$ 12,212.00	(320) 235-4913
Winona	$ 15,352.35	(507) 457-8234
New London	$ 40,000.00	(320) 235-4913
TOTAL	**$ 592,556.10**	

As of September 30, 2024, in the recent report, UGLGs in the Greater MN have initiated a Revolving Loan Program with a balance of **$777,147.00**

Please refer to the table below:

Local Government	Balance as of 9/30/2024	Contact Information
Foley	$ 88,420.00	(320) 968-7260
Hutchinson	$ 51,874.00	(320) 587-5151
Madelia	$ 55,935.00	(507) 642-3245
New Prague	$ 580,918.00	(952) 758-4401
TOTAL	**$ 777,147.00**	

As of September 30, 2024, in the recent report, the Minnesota Investment Fund Revolving Loan has a balance of **$7,145,226.82**

Please refer to the table below:

Local Government	Balance as of 9/30/2024	Contact Information
Backus	$ 77,200.88	(218) 299-5011
Bagley	$ 36,762.25	(218) 731-7463
Bemidji	$ 238,402.25	(320) 968-7260
Cold Spring	$ 432,084.86	(218) 326-7600
Deerwood	$ 24,749.50	(320) 587-5151
Faribault	$ 650,760.21	(507) 694-1552
Fosston	$ 81,091.84	(507) 228-8241
Heron Lake	$ 253,010.87	(507) 368-4641
Hutchinson	$ 7,253.16	(507) 537-6764
Lake Crystal	$ 219,291.49	(320) 468-6471
Marshall	$ 50,401.55	(320) 363-7201
Meeker County	$ 840,997.29	(507) 764-4491
Mountain Lake	$ 514,330.90	(320) 235-4913
Murray County	$ 393,657.72	(507) 457-8234
NCEDA (Motley)	$ 105,896.25	(320) 968-7260
New Ulm	$ 491,562.25	(218) 326-7600
North Branch	$ 327,499.70	(320) 587-5151
Pine Island	$ 296,556.60	(507) 694-1552
Pipestone	$ 19,331.26	(507) 228-8241
Plato	$ 220,715.81	(507) 368-4641
Prior Lake	$ 143,522.12	(507) 537-6764
Rockford	$ 313,433.35	(320) 468-6471
Sauk Rapids	$ 3,648.00	(320) 363-7201
Stevens County EIC	$ 217,556.30	(507) 764-4491
Swift County	$ 674,606.93	(320) 235-4913
Winona	$ 510,903.48	(507) 457-8234
TOTAL	**$ 7,145,226.82**	

AP-30 Method of Distribution – 91.320(d)&(k) DEED Funding

DEED funding covered by this Action Plan is distributed in a competitive funding opportunity. The results of this funding process are reflected in the priorities and specific objectives outlined in the State's 2025 Annual Action Plan Table of Objectives and Outcomes.

Following are the criteria used for distributing DEED funding:

1. Funding allocation by percentages
   A. DEED funding will be allocated on the following percentages and criteria:
      i. 30% for Single Purpose
      ii. 55% for Comprehensive Applications
      iii. The remaining 15% allocation is designated for DEED's federal economic development set-aside.
      iv. If there is not a need from the unit administering federal economic set-aside funds, these funds will go towards SCDP projects, which would be approved by the Commissioner of DEED.
      v. Allocation percentages may be modified by the Commissioner of DEED if it is determined that there is a shortage of fundable applications in any category, as allowed in State Rules.
      vi. DEED does not distribute funds based on specific geographic area.

2. Required statements review and Method of Distribution calculation
   A. The Request for Proposal (RFP) include the electronic and hard copy versions of the application, fully completed and submitted by the deadline. The required documents will be evaluated on a competitive basis and criteria:
      i. Grants are typically 39-month projects but may be longer depending on various factors including, but not limited to timing of HUD release of funds and disasters affecting the project area.
      ii. 20% of funds are allocated towards administration with a maximum of 15% of project cots to grantees and 5% for state staff.
   B. Method of Distribution calculation is based on the following criteria
      i. The State subtracts from the CDBG award the amount it sets aside for State administration:
         a. $100,000 + 3% = Dollar amount of CDBG award
         b. 2% = match (Administration)
         c. 1% = no match (Administration for Technical Assistance)

3. Availability and determination of funds
   A. The amount of available funds will include reverted funds, funds from grantees who did not spend their total grant awards in previous fiscal years, added to the current CDBG allocation.
   B. In addition, grantees must bring forward any Program Income funds they have and spend it first before any new CDBG awarded funds will be released from DEED.

    i. Awarded applicants who have Program Income must expended those funds before any new CDBG funds will be disbursed as per the grantee's approved Program Income Reuse Plan.

C. In the event of a disaster, the State of Minnesota reserves the right to use funds for any eligible CDBG activity available to an eligible grantee.
D. Once the State has determined a total CDBG allocation to award, the State will allocate the total to Single Purpose and Comprehensive grants based on the funding allocation percentages noted earlier, unless modified by the Commissioner of DEED.

State of Minnesota DEED Method of Distribution 2025

Estimated Allocation of Federal CDBG Funds based on FY2024 funding

Amount	Description
$18,836,467.00	**Estimated CDBG Allocation FY 2025**
$476,729.34	State Admin ($100,000 + 2% of $18,836,467)
$188,364.67	Technical Assistance (1% of $18,836,467)
$18,171,372.99	**Available for Grants**
$18,171,372.99	**Available for Grants**
$2,725,705.95	Economic Development (15%)
$9,994,255.14	SCDP Comprehensive (55%)
$5,451,411.90	SCDP Single Purpose (30%)
$0.00	**Balance**
$9,994,255.14	SCDP Comprehensive
$5,451,411.90	SCDP Single Purpose
$15,445,667.04	**2025 SCDP Funds Available for Competitive Grants**
$80,447.00	Estimated Program Income in 2025 Preliminary Proposals.
$3,137,947.98	Reverted SCDP- 2022 and prior
$251,021.37	2024 Remaining funds
$2,725,705.95	2024 Reverted Economic Development
$6,195,122.30	**NON 2025 Funds Available for Competitive Grants**
$15,445,667.04	2025 Anticipated Funds Available for SCDP Competitive Grants
$6,195,122.30	NON 2025 Funds Available for Competitive Grants
$21,640,789.34	**ANTICIPATED FUNDS AVAILABLE TO FUND 2025 COMPETITIVE GRANTS**
$21,992,397.00	**PRELIMINARY PROPOSALS RECEIVED**
$21,640,789.34	**ANTICIPATED FUNDS ENCUMBERED FOR 2025 ROUND**
($351,607.66)	**ANTICIPATED FUNDING DEFICIT**

Program Specific-CDBG

SCDP Special Needs Activities

SCDP funds may be used for affordable housing development that assists special needs populations. The SCDP is flexible and can assist special needs populations in a variety of ways, including rehabilitation of homes, shelters, or community centers that serve these populations. These ·applicants will follow the regular SCDP process that is currently in place.

SCDP Disaster Response Activities

DEED may allocate reverted dollars from previous or current SCDP funds for use in a federal- and/or state-declared disaster response. The type of response will be determined based on the needs in the disaster area and the other resources that may be available. All other available resources must be accessed prior to the use of SCDP funds. All recipients of assistance will need to meet SCDP requirements. These applicants will follow the regular SCDP process that is currently in place.

Program Income

Program income is defined as any gross income of $35,000 or more received by a unit of general local government (UGLG) in the federal fiscal year (October 1 to September 31) generated from the use of the Small Cities Development Program (SCDP) through the Community Development Block Grant (CDBG) funds, regardless of when the CDBG funds were awarded or whether the activity has been closed out.

Typical sources of program income may include:

- loan repayments (with interest, if applicable).
- proceeds from the sale of property in which SCDP funds were used.
- interest earned on the Program Income itself.
- Refer to HUD regulation 24 CFR 570.489 (e) for a full list of potential Program Income sources.

All communities that currently have PI on hand and intend on applying for a new SCDP grant must bring the current PI as leverage funds unless repayment agreements are already in place for use of these funds. All awarded grants with PI on hand will reduce draws based on distribution plans of those funds to the awarded projects.

Program Income (PI) – Idle Accounts

PI held in a Reuse Account cannot be held in perpetuity. If PI within these accounts is stagnant, it will meet the definition of an Idle Account. An Idle Account occurs when the UGLGs:

- did not identify an eligible project during a 12-month period or more.
- did not have any accomplishments during a 12-month period or more.

- funds have been awarded but not disbursed within 12 months of the award date. For example - a failed project.

Funds held in an Idle Account must be returned in a timely manner within 60 days after the federal fiscal year end. UGLGs are encouraged to consult with the SCDP Representative in regard to reasonable balances or the UGLG will not be considered in "good standing", including ineligible to apply for future SCDP grants

If income received is more than $35,000 in a federal fiscal year, the full amount received is considered PI and can be retained by the UGLG or returned to DEED.

Amending Reuse Plan

If UGLG determines a need to amend their PI Reuse plan, the SCDP Representative should be contacted with the proposed changes. The UGLG must submit an amendment request with the following items to DEED:

- Reason for the change of the PI Reuse plan,
- Certification of approval by the local governing body (meeting minutes)
- Copy of the proposed PI Reuse plan
- Expanded activities must include eligible CDBG activities and a national objective
- Subject to all cross-cutting federal requirements.

DEED will notify the UGLG of the results of the PI Reuse Plan amended request. Amended PI Reuse Plan must receive approval prior to implementation.

Options For Recaptured PI

UGLG has the following options for utilizing accumulated SCDP PI.

1. Retaining PI for SCDP eligible activities or
2. Establishing a revolving loan fund or
3. Returning PI funds to DEED

Internal SCDP Monitoring Procedures (2024)

All grants will be monitored to determine if the grant activities meet the following: national objective, eligible activities, grant and financial management, activity progress and compliance with CDBG and other federal requirements. It is the SCDP policy to conduct all monitoring activities in a positive, and helpful manner.

There are two types of monitoring conducted:

A. On-site and Remote Monitoring
B. On-going Desk Monitoring

A. Onsite and Remote Monitoring

Each grant will be monitored at least once during the term of the grant agreement for compliance with national objectives, eligibility and to review grantee performance and progress. The timing of this monitoring will depend largely on the complexity of each grant, as well as the initial time required by individual grantees to implement grant activities. The monitoring for each activity may be completed during one monitoring or addressed separately. The goal is to monitor each grantee early enough to prevent problems with objectives and eligibility, but late enough to review grantee performance and progress. SCDP Representatives will review grantee files for compliance with conditions in the grant agreement.

On-site monitoring is highly encouraged. When time permits, site visits are to be conducted.

Remote monitoring was introduced during the pandemic and is conducted on a case-by-case basis. The SCDP Representative will inform the SCDP Director the need to conduct a remote monitoring. Reasons may include but not limited to the need to complete a monitoring during the winter months or the need of sufficient time to review numerous certified payrolls reports. Personally Identifiable Information (PII) must be included as an internal control for managing federal funds. PII is information that can be used to distinguish or trace an individual's identity, either alone or when combined with other information that is linked or linkable to a specific individual. All e-mail correspondence with SCDP Representatives which includes PII must be encrypted. To accommodate grantees that do not possess up-to-date technology, grantees are given the option to use alternative communication means such as telephone calls, and US mail to deliver the pertinent documents necessary for a successful monitoring.

i) Intensive Monitoring

At least 3 projects must be monitored for each owner occupied, rental and commercial rehabilitation activities. Anything less would be classified as spot monitoring.

Monitoring will include the following areas, as applicable to each grant selected.

General Administration

- Applications
- Grant Agreements

- Approved Revisions, if applicable
- Procurement
- Administrative Contracts
- Plans/policies
    - Residential Anti-Displacement and Relocation
    - Drug Free Workplace
    - Excessive Force
    - Program Income Reuse
    - Section 3
    - Fair Housing

Financial Management

- Expenditure Review
- Administrative Cost
- Annual Reports and Program Income

Fair Housing and Equal Opportunity

Environmental Review

Owner Occupied Housing Rehabilitation

- Activity Eligibility and National Objective

Rental Rehabilitation

- Activity Eligibility and National Objective

Commercial Rehabilitation

- Activity Eligibility and National Objective

Public Facility

- Activity Eligibility and National Objective

Build America Buy America

Lead Hazard Reduction

Federal Labor Standards

A monitoring checklist which consists of a main compliance checklist and specific activity checklist will be completed for each project activity selected for the monitoring. Any previous compliance spot monitoring performed within a 12-month period will become part of the intensive monitoring.

ii) <u>High Risk Monitoring</u>

Activities which have been determined to be particularly susceptible to fraud, waste, or mismanagement including housing rehabilitation, commercial rehabilitation, or any other activity which is expected to generate a substantial amount of Program Income, should receive priority for monitoring. High risk activities may be monitored as part of an intensive monitoring visit, or on a spot basis.

iii) Spot Monitoring

The preliminary selection of Grantees for spot monitoring will be based upon several factors. These include:

- Annual and Quarterly Progress Report reviews,
- number of projects being implemented by a single entity,
- whether the Grantee has been monitored before,
- number of compliance and activity areas,
- change in administrative arrangement,
- previous experience in implementing SCDP,
- whether a single audit has been received and reviewed.

B. On-going Desk Monitoring

Desk monitoring consists of SCDP Representatives reviewing the items listed below at any time during the grant period:

- Environmental Review
- Annual and Quarterly Reports/Performance Measurements
- Disbursement Requests
- Labor Standards-Notice of Contract Awards, Additional Classification Request Restitutions and Final Reports
- Requested information and project status updates

Review of weekly disbursement requests, submitted during the year may be less formal.

i) Quarterly Progress Report

Grantees must complete and submit Quarterly Progress Reports to DEED Small Cities via SmallCities@state.mn.us as per the deadline listed below:

- 1st Quarter (Jan – Mar) Report due on April 5
- 2nd Quarter (Apr – June) Report due on July 5
- 3rd Quarter (July – Sept) Covered by the Annual Report
- 4th Quarter (Oct – Dec) Report due on January 5

A Quarterly Report will not be needed the quarter after the grant end date.

Grantees are to report on only completed projects each quarter and maintain the same report for the entire calendar year.

Quarterly Progress Reports are saved to DEED's OnBase database system.

ii) Annual/Final Report

Grantees must complete and submit Annual Report or Final Report to DEED Small Cities and submitted to DEED electronically.

The report covers the period October 1st through September 30th each year the grant is active and is due by October 15th of each year.

If the grant end date is December 31st, the closeout report should cover the period of October 1st through December 31st.

Program Income and Audit information must be updated in the respective program income and audit tracking sheets.

Internal Monitoring Process

Listed below are the monitoring steps:

1. Notification of visit: The grantee and grant administrator will be contacted a month in advance to schedule the monitoring appointment. A reminder will be sent out to the grantee along with the monitoring checklist ((main compliance and activity specific) in preparation of the monitoring.
2. Entrance Meeting: This meeting will describe the monitoring process will occur between the state, grantee, and grant administrator.
3. SCDP Representative will conduct the monitoring using the applicable monitoring checklists.
4. Exit Meeting: Provide positive feedback and discuss findings/concerns.
5. Prepare cover letter and monitoring report. SCDP Representative will create a cover letter and report on what was determined during the monitoring. A report with findings must be reviewed by the SCDP Director prior to release.
6. Notification of results to the grantee and grant administrator: The cover letter and monitoring report will be sent to the grantee within 30 days of the Exit Meeting.
7. Follow up to clear findings: The grantee will have 30 days or more if deemed necessary, from the monitoring report release date to adequately address any findings.

During the Exit Meeting, the SCDP Representative will discuss the conclusions such as Findings, Concerns or Discussion/Recommendations of the monitoring.

Finding – a specific noncompliance with federal or state regulatory requirements or SCDP policies and procedures. Findings must be addressed within 30 days, or more if deemed necessary, of receipt of the monitoring report. If a response is not received, the SCDP Unit will begin the process of suspending funds for all open grants. Consideration of funding of future applications may be impacted if these issues are not resolved in a timely manner.

Concerns - a potential problem that, if not addressed and corrected, may later result in a "finding." The first violation of an SCDP policy or procedure will be considered a concern. If a concern was identified in a prior monitoring visits and the issue persists, it will result in a finding.

Discussion/Recommendations - a discussion point or recommendation made by an SCDP Representative to assist in the implementation of the program. Grantees may choose whether to follow the discussion point or recommendation.

If no corrective actions are required, the SCDP Representative will release the monitoring report to the grantee.

A monitoring cover letter and report is to be sent to the grantee within 30 days after the Exit Meeting. The grantee response time would be 30 days after receipt of the report unless otherwise specified. SCDP Representative must issue a letter to the grantee within 30 days of receipt of acceptable response, clearing deficiencies and findings.

If findings cannot be cleared after the grantee's response, a letter must be sent within 15 days which outlines the necessary action required, along with a new required grantee response date.

The monitoring cover letter, report, checklists, grantee's response, and any supporting documentation will be uploaded to DEED's OnBase database system. The monitoring checklists may be used as a basis for recommending compliance spot monitoring.

Staff will complete the monitoring matrix spreadsheet for each grant. The matrix spreadsheet will serve as the monitoring plan and will indicate the number of occurrences for each area of compliance, assisting in highlighting opportunities for spot monitoring.

Follow-up Monitoring

A compliance area may be counted as monitored if sufficient grantee progress has been made to allow SCDP Representatives to complete the applicable monitoring checklists. If staff cannot complete the applicable monitoring checklists due to insufficient progress, the activity should not be identified on the monitoring matrix spreadsheet as having been monitored. However, follow-up monitoring may be scheduled in the future to allow staff to visit the Grantee and finish monitoring the compliance areas.

Follow-up monitoring of grantees may be necessary to assure that applicable legal and regulatory responsibilities are met. Reasons for follow-up monitoring include:

1. insufficient grantee progress which resulted in incomplete monitoring.
2. insufficient progress since the monitoring visit.
3. suspected grantee compliance or management problems.
4. grantee failure to clear findings or concerns identified in the monitoring visit.

Additional Responsibilities

SCDP Representatives are responsible for maintaining the grant monitoring matrix spreadsheet. The matrix spreadsheet serves as a recordkeeping system to track compliances areas for each grant, finding occurrences and clearances.

In addition to the grant monitoring matrix spreadsheet, a spreadsheet has been established to list all findings with the respective Code of Federal Regulation (CFR) to assist SCDP Representatives when developing monitoring reports.

2025 Annual Action Plan Input Results

Agency	Agency type (city or admin)	Housing priorities	Community development priorities	Agree most funds to housing/CD	If no, other eligible activities to be funded	Additional comments
Development Services Inc. (DSI)	Admin	LMI housing, affordable housing and commercial	Additional housing or townhomes	Yes	N/A	Some new construction of town homes would be nice.
Minnesota Valley Action Council (MVAC)	Admin	Affordable housing, ownership and not rental, homeless shelters & housing with supportive services	Better public transportation and food closets	Yes	N/A	N/A
Development Services Inc. (DSI)	Admin	Workforce housing & senior transitional housing	Obsolete and failing infrastructure, workforce availability and childcare provider deficits	Yes	N/A	N/A
Headwaters Regional Development Commission (HRDC)	Admin	Low income workforce housing	Transportation	Yes	N/A	N/A
Leech Lake Financial Services/ City of Cass Lake	Admin/City	Lack of housing and affordable housing	Empowerment, social justice and environmental justice	Yes	N/A	Great economic development in rural areas/small cities
Engineering Firm	Admin	Refer to city's need	Refer to city's need	No	Public facility impacts LMI population in a big way and should be prioritized also	N/A
Northwest Community Action	Admin	New construction (single family), owner occupied housing rehab & rental rehab	Housing rehab/development, commercial rehab and public facilities	Yes	N/A	N/A
Headwaters Regional Development Commission (HRDC)	Admin	More housing units	Updating small towns utilities without meter requirement	Yes	N/A	N/A
Headwaters Regional Development Commission (HRDC)	Admin	Workforce, supportive & single family affordability	N/A	Yes	N/A	N/A
Northwest Community Action	Admin	County wide housing rehab - rural	New housing - owner occupied rehab and commercial rehab	Yes	N/A	N/A
Central Minnesota Housing Partnership	Admin	Single family home rehab, both owner occupied & rental. As well as multi-family rentals in some communities and commercial in select communities	Home and rental properties. Commercial is alos a focus, however our first application cycle did not request commerical funds and preliinary talks with new communicties are not interestd due to size.	Yes	N/A	N/A
Minnesota Valley Action Council (MVAC)	Admin	Affordable housing	Affordable housing and blight remediation	Yes	N/A	N/A
Minnesota Valley Action Council (MVAC)	Admin	Safe afforadable housing - whether rental or owner occupied	N/A	N/A	N/A	N/A
Clay County HRA	Admin	Rental rehab - for smaller developments and maintaining affordable rentals	Assisting small businesses through covid times, developing new affordable housing and maintaining existing affordable housing	Yes	Demolition of dilapitated properties	N/A
Various small cities	Admin	Rehab and new construction	Infrastructure	Yes	N/A	N/A
City of Ivanhoe	City	Need all types of housing - city has not yet prioriized needs	Developing a project for additional lots (5-6) at this time	Yes	N/A	N/A
Southwest Minnesota Housing Partnership (SWMHP)	Admin	Single family , SCDP, Multifamily rehab and broadband projects	Mutifamily, single and duplex, new homes and rehab	Yes	N/A	N/A
Kandiyohi County HRA	Admin	Single family new construction for 1st time buyers, single family rehab, affordable rental new construction in small communities and rental rehab	Infrastructure replacement and community center rehab	Yes	N/A	N/A
City of Winona	City	Preserve existing affordable housing and help 62+ age in place, increase middle housing options, encourage mixed use and mixed income neighbohoods & increase workforce affordable housing supply	N/A	Yes	N/A	N/A
City of Winona	City	Owner occupied and rental rehab & new construction for owner occupied and rental; both market rate and subsidized	Housing rehab and multi-use commercial	Yes	N/A	N/A
Heartland Lakes Development Commissions	Admin	Affordable housing for the workforce - not low income or income based	Housing - new and rehabilitation, multi-family & single family homes, daycare. Purchase land for additional industrial park lots	Yes	N/A	N/A
CEDA	Admin	Owner occupied and single family rehab	Single family housing and commercial rehab	Yes	N/A	N/A

Agency	Agency type (city or admin)	Housing priorities	Community development priorities	Agree most funds to housing/CD	If no, other eligible activities to be funded	Additional comments
City of LaCrescent	City	Need more affordable housing units	Need cityhall/library and new public safety building for police department	Yes	N/A	N/A
City of LaCrescent	City	More affordable housing	Affordable housing	Yes	N/A	N/A

SCDP Allowable Pre-Agreement Costs

200.458 Pre-award costs.

Pre-award costs are those incurred prior to the effective date of the Federal award directly pursuant to the negotiation and in anticipation of the Federal award where such costs are necessary for efficient and timely performance of the scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency.

To minimize additional workload on grantees and the state, as established in 2 CFR 200.485 requirements, this plan includes implementation and incurring of pre-award costs if and when the grantees complete the following documentation in its local files.

The purpose of this communication is to advise grantees about eligible SCDP expenditures and allowable pre-agreement costs. The following expenses may be incurred prior to the executed grant agreement:

- Costs incurred to attend the Small Cities Development Program (SCDP) Implementation Workshop.
- Costs incurred to complete an environmental review.
- Grant start-up activities (i.e., Policies and Procedures).
- Costs incurred to accept applications and determine scope of work.

Grantee must document in file:

- The grantee documents that the costs incurred prior to grant award are necessary for efficient and timely performance of the activity in question.
- The grantee documents that the costs are for eligible activities under the regulations for the applicable funding program.
- The grantee documents that the grantee has complied with all other requirements for pre-award costs under the regulations for the applicable funding program.

We cannot reimburse you for allowable pre-agreement costs until you have the following:

- An executed grant agreement with us.
- Cleared the SCDP environmental review process.
- Cleared any special conditions necessary.
- Citizen participation process is complete.

MINNESOTA DEPARTMENT OF HUMAN SERVICES (DHS)

AP-30 Method of Distribution - 91.320(d)&(k)

ESG Funding

ESG Funding for emergency shelter, prevention, and rapid re-housing activities covered by this Action Plan is distributed in a competitive funding opportunity. The results of this funding process are reflected in the priorities and objectives outlined in State's 2024 Annual Action Plan Table of Objectives and Outcomes.

Taken together, the ESG Shelter, Prevention and Rapid Re-Housing funding address three of the State's priority objectives for ESG funding:

SL-1.1 Provide safe, adequate emergency shelter for those not yet re-housed or diverted from shelter.
SL-1.1 Stably rehouse homeless persons and those at-risk of homelessness
SL-1.1 Ensure homeless families and individuals transition to stable, long-term housing situations.

Following are the criteria used for distributing FFY2025 ESG funding eligible activities:

Scoring Components: All Activities

Organization-Wide Equity and Accessibility (15 points)

- Staff demographics to reflect population served and hiring practices
- Action taken to offer culturally responsive program/services
- Incorporation of participants in decision making and program evaluation
- Steps taken for continuous improvement to provide affirming services to LGBTQIAP2+ population
- Steps taken to make program/services accessible

Organization-wide Approach (5 points)

- Participation in local and regional homeless response system
- Experience providing services, or if new provider, preparation to provide services
- Best practice approaches
- Partnerships with local child welfare providers *(youth programs only)*

Emergency Shelter Program Services and Activities (20 points per activity. Applications with multiple activities scored separately.)

- Clear description of policies and procedures around eligibility, program access/admission, length of stay, involuntary discharge, etc.
- Detailed information about Emergency Shelter model (Congregate Site, Host Home, Rotating Site, Hotel/Motel, and Emergency Apartments)
- Description of services provided
- Strategies for implementing low barrier shelter
- Implementation of harm reduction approaches

Emergency Shelter Program Revenue and Budget (10 points, per activity)

- Cost effectiveness of program

- Detailed information on revenue sources
- Diverse and sustainable funding
- Descriptive/complete budget narrative and reasonableness of budget

Scattered-Site Transitional Housing & Rapid Re-Housing Program Services and Activities (20 points per activity. Applications with multiple activities scored separately.)

- Detailed information about housing model
- Clear description of policies and procedures around eligibility, program access/admission, length of stay, involuntary discharge, and rent/utility payments
- Description of services provided
- Implementation of follow-up and after-care services
- Clear plan to serve parents with their children, if applicable
- Implementation of harm reduction approaches

Scattered-Site Transitional Housing & Rapid Re-Housing Program Revenue and Budget (10 points per activity.)

- Cost effectiveness of program
- Detailed information on revenue sources
- Diverse and sustainable funding
  Descriptive/complete budget narrative and reasonableness of budget

AP-90 PROGRAM SPECIFIC REQUIREMENTS: ESG MONITORING

Bi-annually, the DHS Homelessness, Housing, and Support Services (HHSSA) staff reviews all ESG grantees using a Grantee Risk Assessment Tool based on a HUD risk analysis tool. The tool has three broad areas of analysis:

General agency information, including such factors as Executive/Fiscal Director turnover, unresolved monitoring findings, agency systems and board function.

Program Operations, including compliance and reporting issues, partnerships and linkages and the quality ofprogramming based on monitoring; and

Fiscal operations, including audit findings, unresolved fiscal problems, fiscal systems and procedures, program deficits, and accurate reporting.

The Grantee Risk Assessment Tool allows DHS to determine if a grantee needs immediate attention or can receive on-site monitoring as a part of the regular bi-annual rotation. In either case, the focus of the monitoring will include any risk areas highlighted by the risk analysis tool. The regular monitoring rotation ensures that grantees are monitored at least once during every grant cycle.

Grantee concerns, whether identified through the risk assessment process, risk analysis, or via a monitoring visit, are addressed in a timely manner. Some issues must be addressed immediately, while others are dealt with over time.

The on-site monitoring tool looks at the overall agency capacity and systems in place to deliver services determined through a guided discussion with program managers and direct service staff. This includes an overview of the strengths and challenges facing the community and participants, coordination and collaboration efforts, major staff or board changes, information systems, outcomes, fiscal systems, supportive service referral, and board function. A random selection of participant files is reviewed for specific documentation on homelessness, data privacy, case management, follow-up, and supportive services. There is a verification of timeliness of grant expenditures, homeless participation in policies and project development, and that the expected number of participants is being served.

Desk monitoring, including monthly fiscal reporting, is provided throughout the grant period and consists of open communication and joint problem solving with grantees, analysis of monthly fiscal reports, annual audits, and required program reports.

Grantees receive a written monitoring report after the visit. Issues such as late reporting must be corrected immediately. Capacity building occurs as the field representative provides assistance to the grantee during the year. Program staff work collaboratively with monitoring staff to develop the new monitoring instrument, which is reviewed and updated regularly.

DHS conducts a customer satisfaction survey to secure input for program improvement and development. Training and grantee meetings are held periodically as needed. The work plan, customer satisfaction survey, on-going open communication, and training events provide grantees with a variety of opportunities throughout the grant period to ask questions and provide feedback.

MINNESOTA HOUSING

2024 State Legislative Summary

(updated as of 5/22/2024)

Background

At the State Capitol, the second year of the biennium typically focuses on policy initiatives, a capital investment bill and supplemental budget initiatives. The session landscape this year included a $3.7 billion budget surplus for the FY 2024-25 budget, with the DFL in the majority in both the House and Senate. Both bodies had finance committees exclusively focused on housing finance, policy and homelessness prevention issues. The legislative session started on February 12.

Proposals

Governor Walz and Lt. Gov. Flanagan released their 2024 Capital Investment proposal in January that included $50 million in new Housing Infrastructure Bonds and $7.5 million in state General Obligation bonds to support the rehabilitation of public housing. The Governor did not have supplemental budget recommendations for the agency. In March, the Legislature agreed to joint budget targets for housing that included a $10 million one-time increase in FY 2024-25 and $1 million in FY 2026-27 to support state debt service appropriations on a $50 million new authorization for Housing Infrastructure Bonds.

Outcomes

On May 19, the Legislature passed the housing bill as part of a larger tax bill. For housing, the bill included new one-time spending of $10 million and $50 million in additional Housing Infrastructure Bond authority. The Legislature was unable to pass a capital investment bill (which requires a supermajority vote), so there were no new resources for public housing rehabilitation.

In addition to the $10 million in one-time spending, the Legislature reallocated $25 million from three programs to increase the total available in the Community Stabilization program from $90 million to $115 million for FY 2024-25. The reallocations came from the Strengthening Supportive Housing program ($15 million), Challenge Program ($7 million) and Workforce Homeownership Program ($3 million).

Budget Changes

Of the $10 million in new spending, just over $8 million was appropriated to the Family Homeless Prevention and Assistance Program. The remaining $2 million was directed to implementing recommendations from the Workgroup on Expediting Rental Assistance, legislatively directed grants and initiatives at other state agencies.

With the reallocations, the Legislature set aside the entire $115 million of the Community Stabilization program for the following uses:

- $50 million for recapitalization of distressed multifamily properties (new eligible properties and funding uses) with up to $15 million set aside for supportive housing properties
- $41.750 million for multifamily naturally occurring affordable housing (NOAH)
- $10 million for Aeon's Huntington Place (set aside in 2023 legislation)
- $10 million for single-family housing NOAH
- $3.250 million for Wilder Park Senior Housing rehab

Table 1: 2024 Legislative Session Budget Changes ($ in thousands), FY 2024-25

Minnesota Housing Changes	
Increases to Community Stabilization	25,000
Set-asides within $115M Community Stabilization Program	
Wilder Park Senior Housing Rehab	[3,250]
Multifamily Naturally Occurring Affordable Housing (NOAH)	[41,750]
Single-Family Housing (NOAH)	[10,000]
Recapitalization of Multifamily Distressed Properties	[50,000]
Set-aside for Supportive Housing properties	[[15,000]]
Family Homeless Prevention and Assistance Program	8,109
Wilder Homeless Study	100
Expediting Rental Assistance (WERA) Administration	471
Other State Agency Changes	
Supreme Court - Eviction expungement costs	545
Dept. of Labor and Industry Study	225
Legislative Coordinating Commission Workgroups	400
Dept. of Human Services – Grant to Propel Shelter Study	150
Total Spending Changes	**35,000**
FY 25 Supportive Housing	(15,000)
FY 25 Challenge Program	(7,000)
FY 24 Workforce Homeownership	(3,000)
Total Reallocations to Community Stabilization	**(25,000)**
Net General Fund Impact	**10,000**

Policy Changes

The bill also included numerous policy provisions to advance the work of the agency's programs in the community to meet the ongoing challenges faced by people and property owners across the state. Below are the policy changes impacting the agency's activities, as well as changes to programs and legislative set-asides established in last year's budget. Some of the changes are effective as of July 1, 2024, and others take effect next year.

Agencywide Policy Changes

- Increased the agency's outstanding debt limit from $5 billion to $9 billion and renamed in statute to "Agency Debt Capacity."
- Multiple changes to Housing Infrastructure Bond statute including:
  - Clarified allowing developments that have 50% of units set aside for permanent supportive housing to be eligible.
  - Created a new eligible use related to cooperatively owned housing and
  - Modified accessibility requirements.
- Expanded authority related to making Tribal Nations eligible for all agency funding.
- Added new energy uses and efficiency-related terms to various agency programs to maximize opportunities to leverage federal funds.
- Established legislative reporting requirements related to competitive funding process outcomes, administrative expenses of legislative set-asides, and senior rental housing.

Policy Changes Impacting Multifamily

- Applied state prevailing wage to new multifamily construction in federal low-income housing tax credit (LIHTC) developments over 10 units.
- Required wage theft prevention activities, use of responsible contractors and disclosures for multifamily developments applying for and receiving agency funding.
- Added agency authority to align rent and income limit definitions across rental programs to help simplify compliance processes for both staff and property managers.
- Eliminated the minimum population threshold for Greater Minnesota Workforce Housing program to increase access for rural communities.
- Removed the set-asides for the State Housing Tax Credit Program and made technical changes to eligible recipients.

Policy Changes Impacting Single Family

- Modified the Workforce Homeownership program uses to allow for affordability gap.

Policy Changes Impacting Housing Stability

- Enacted provisions related to last year's Workgroup on Expediting Rental Assistance including:
    - Reporting on emergency rental housing assistance needs.
    - Requirements around the work being culturally responsive and trauma-informed.
    - Requiring data collection to measure timeliness of rental assistance.
    - Developing e-signature options for emergency rental assistance.
    - Direction to adopt verification procedures to simply the application process.
- Changes that allow a household who is income-qualified and enrolled in a state assistance program to be automatically eligible for specific Minnesota Housing assistance programs.

Policy Changes Impacting Local Government Housing Programs

- Modified the Greater Minnesota Infrastructure Grant program to allow counties to apply, increased the per unit maximum funding amounts, and allowed manufactured home community infrastructure as an eligible use.
- Several changes were made to reporting requirements, qualifying projects and need to supplement, not supplant, existing local housing resources related to Local and Statewide Affordable Housing Aid.

Changes to 2023 Session Programs and Initiatives

- Changed Community Stabilization language to add recapitalization of distressed multifamily properties as an eligible use with several eligible activities ranging from debt modification and operating cost support.
- The $10 million Manufactured Home Lending Grants program was changed from a competitive grant program to a legislative set-aside for NeighborWorks Home Partners.
- Language modifications to 2023 legislatively named grants for Urban Homeworks, Northland Foundation, NeighborWorks Home Partners initiatives.

Working Groups and Task Forces

The Legislature created working groups for:

1. Common Interest Communities & Homeowners Associations,
2. Simplifying Supportive Housing Resources, and
3. Long-term (financial) Sustainability of Affordable Housing (a task force).

One Minnesota Budget

On May 15, Governor Walz signed the **$1.065 billion housing omnibus bill**, the **largest single investment in housing in state history.** Other legislation will provide nearly $250 million more to the agency for a total of $1.313 billion. Overall, the Legislature delivered on the priorities laid out in the Governor's $1.152 billion January budget and bonding recommendations. The housing bill is an increase of $950 million from base budget ($115 million) with an estimated $625 million to existing programs and $440 million to over 15 new programs or activities. This budget responds to the range of housing needs felt by Minnesotans in all regions of the state, while focusing on closing disparities, assisting lowest-income Minnesotans and serving underserved geographies. The bill addresses critical housing needs facing the state:

- Rental <u>and</u> homeownership
- New construction <u>and</u> preservation
- Deeply affordable housing <u>and</u> market-rate housing in Greater Minnesota
- Homelessness prevention <u>and</u> homeownership development
- Rental assistance <u>and</u> downpayment assistance

Housing Budget Bill Summary	
	FY 2024-2025
Preserve and Create New Homes	$548.8 million *+$495 million*
Increase Housing Stability	$176 million *+$120 million*
Support and Strengthen Homeownership	$271.5 million *+$267 million*
Other Housing Investments	$69.3 million *+$68 million*
Total FY 2024-25	**$1.065 billion**

The Legislature previously passed $50 million in Family Homelessness Prevention and Assistance program and several other bills provide additional resources to the agency, including:

- **State Infrastructure/Bonding Bills:** $72 million for Public Housing Preservation (POHP) including $30.1 million cash and $41.9 from state general obligation bonds ($87 million total for POHP), and $3 million for the new Greater Minnesota Housing Infrastructure program.
- **Tax Bill:** $40 million in funding for the Workforce and Affordable Homeownership Development and $4.5 million for the grant program to small cities in Greater Minnesota as part of a new Statewide Local Housing Aid Program ($40.5 million).
- **Metro-wide Sales Tax in Housing Bill:** The housing omnibus bill also included a new .25% metro area sales to fund rental assistance administered by the Agency ($77 million), as well as new Local Affordable Housing Aid ($231 million).

HOUSING BUDGET HIGHLIGHTS

This historic investment will build new housing, improve existing housing, reduce homeownership disparities and promote housing stability through expanding access to rental assistance and additional resources for homelessness prevention. The budget increases funding for many existing programs and creates over 15 additional programs or activities.

Significant resources for preservation and construction of homes:

- $200 million in Housing Infrastructure appropriations
- $121 million for the Challenge Program
  - $6.4 million per year is set-aside for housing projects for American Indians
- $90 million for the Community Stabilization program to address naturally occurring affordable housing
- $87 million for Public Housing Rehabilitation
- $60.5 million for the Workforce Homeownership Program
- $40 million for a new Homeownership Investment Grant program
- $39 million for Greater Minnesota Workforce Housing development

Investments to increase housing stability:

- $120.5 million for Family Homeless Prevention (FHPAP) (including the $50 million passed earlier in session)
  - $10 million direct allocation to Tribal Nations
- A new statewide rental assistance program funded by appropriations ($46 million) and a new metro area sales tax (estimated to collect $77 million)
- $25 million to strengthen supportive housing developments that support individuals or families who are at-risk of or are facing homelessness

Supporting and strengthening homeownership:

- $101.8 million to support Agency downpayment assistance programs, including $50 million for first-generation homebuyers
- $100 million to Community Development Financial Institutions for first-generation homebuyer grants
- $10 million for manufactured home lending grants in cooperatives
- $3.7 million for homebuyer education, counseling, and training (HECAT)

Additional investments in housing:

- $50 million for Stable Housing Organizational Relief Program for non-profit housing owners
- $5.8 to fund Local Housing Trust Funds matching grants
- $4 million for Lead Safe Homes
- $3 million for Housing Mediation Grants

AGENCY POLICY HIGHLIGHTS

- Authority for Agency to create special purpose credit programs to reach communities most impacted by disparities in homeownership
- Expands eligibility for Housing Infrastructure funding to include new construction at or below 50% Area Median Income (AMI) and allows grants for homeownership development
- Clarifies that Tribes and Tribal entities may be eligible for all Minnesota Housing programs
- Prioritizes use of appropriations to serve households most impacted by housing disparities
- Modifies the Agency's $5 billion outstanding bonds and notes statute to exclude limited obligations, which includes Housing Infrastructure Bond debt
- Allows adding or rehabilitating detached accessory dwelling units as an eligible use for the Agency's Fix Up Fund program

HOUSING POLICY PROVISIONS IN OTHER BILLS

Judiciary and Public Safety Bill: Renter Protections

The Governor's policy recommendations included a number of protections targeted at creating stability for renter households. Provisions adopted include:

- 14-day notice required prior to filing eviction
- Limit eviction reporting until a judgment is rendered and expand expungement requirements
- Ability to terminate a lease due to tenant infirmity
- Disclosure of non-optional fees and whether utilities are included in rent
- Right to counsel for residents of public housing in breach of lease proceedings
- Minimum temperature of 68 degrees required October 1 through April 30
- Clarification of emergency/required repairs

Tax Bill: Property Tax Changes

- Lowers the 4(d), Low Income Rental Classification, property tax rate to .25 for qualifying units and creates a new local approval process for new units
- Creates a lower property tax rate (.75) for homes in community land trusts

Energy and Environment Bill: "Green Bank" Established

- Minnesota Housing is included on the Board of Directors for the Minnesota Climate Innovation Finance Authority ("Green Bank") which will oversee an initial $45 million for projects related to clean energy, greenhouse gas emission reduction, and other projects

Labor Policy: Prevailing Wage Provisions

- Establishes that state prevailing wages do not apply to single-family detached home developments of 10 or fewer homes
- Establishes that Minnesota Housing is a contracting authority under state prevailing wage law

FY 2024-25 Housing Budget

Program	Description	FY 2024-2025
PRESERVE AND CREATE NEW HOMES – EXISTING PROGRAMS		
Economic Development and Housing Challenge (Challenge)	Funds both multifamily rental and single-family homeownership new construction and redevelopment. Leverages federal, private and local government funds.	$120.9 million *+$95 million*
Workforce Homeownership Program	Provides development resources to increase the supply of homeownership opportunities.	$60.5 million* *+$60 million*
Greater Minnesota Workforce Housing Program	Provides competitive financial assistance to build market-rate and mixed-income residential rental properties in Greater Minnesota.	$39 million *+$35 million*
Housing Infrastructure	Provides loans and grants for rental housing development, manufactured housing community infrastructure and homeownership development.	$200 million *+$200 million*
Public Housing Rehab	Provides resources to improve public housing with a priority on health and safety improvements, including fire suppression systems.	$87 million** *+$87 million*
Manufactured Home Park Infrastructure Grants	Provides grants for manufactured home park acquisition, improvements and infrastructure.	$17 million *+$15 million*
Rental Rehabilitation Loans	Rehabs naturally occurring affordable and federally subsidized rental housing in Greater Minnesota.	$7.5 million
Preservation (PARIF)	Assists with repair, rehabilitation and stabilization of federally assisted rental housing that is at risk of aging out of federal assistance programs.	$8.4 million
Rehab Loans (Single Family)	Helps low-income homeowners make basic health and safety improvements to their homes.	$5.5 million
PRESERVE AND CREATE NEW HOMES – NEW PROGRAMS		
Community Stabilization	Provides resources to preserve and improve existing housing commonly referred to as Naturally Occurring Affordable Housing.	$90 million
Homeownership Investment Grants	Development, financing, and rehab/resale of homes for affordable owner-occupancy, via CDFIs.	$40 million
Manufactured Home Park Acquisition	Available to Northcountry Cooperative Foundation for conversion of parks to cooperative ownership.	$10 million
High-Rise Sprinkler Grants	Install sprinkler systems in existing properties currently unprotected; survey to identify other buildings in need.	$10 million
Greater Minnesota Housing Infrastructure	Grants to provide up to 50% of the cost of public infrastructure for housing development.	$8 million**
*includes appropriation from tax bill		
**includes any cash or state general obligation bond proceeds from capital improvement bills		

Program	Description	FY 2024-2025
INCREASE HOUSING STABILITY – EXISTING PROGRAMS		
Family Homeless Prevention	Provides short-term assistance to families at risk of homelessness. Types of assistance may include one-time rental payments, assistance with first or last month's rent, or one-time mortgage payments.	$120.5 million *+$100 million*
Housing Trust Fund	Provides rental assistance for individuals and families, many of whom have previously experienced homelessness.	$23.3 million
Homework Starts with Home	Provides rent and other housing assistance to families with children that lack housing stability.	$5.5 million *+$2 million*
Bridges	Provides rental assistance for families in which at least one adult member has a serious mental illness.	$10.7 million *+$2 million*
INCREASE HOUSING STABILITY – NEW PROGRAMS		
Strengthen Supportive Housing	Provides resources to strengthen supportive housing for individuals or families who are at-risk of or are experiencing homelessness.	$25 million
Rent Assistance	"Bring It Home" statewide rental assistance, funded via ongoing appropriation and in the metro area via a. 25% metro-wide sales tax.	$124 million** *$46 m - budget* *$77 m - sales tax*
		**funded with new dedicated sales tax revenue

SUPPORT AND STRENGTHEN HOMEOWNERSHIP – EXISTING PROGRAMS		
Homeownership Assistance Fund/Downpayment Assistance	Provides funding for the Agency's downpayment and closing cost assistance program. Serves low- to moderate-income first-time homebuyers across the state, including First Generation Homebuyers.	$51.8 million *+$50 million*
Homeownership Education, Counseling and Training (HECAT)	Provides both pre-purchase homebuyer counseling and foreclosure prevention counseling services.	$3.7 million *+$2 million*
Build Wealth MN	Direct appropriation to support capacity and provide resources to Build Wealth MN's 9000 Equities Fund.	$6 million *+$5 million*

Program	Description	FY 2024-2025
SUPPORT AND STRENGTHEN HOMEOWNERSHIP – NEW PROGRAMS		
Agency First Generation Downpayment Assistance	Resources to provide enhanced downpayment assistance to buyers whose parents did not own a home or who lost a home to foreclosure. Funds can be paired with agency mortgage products, and will also be available to buyers who are not served by agency options.	$50.0 million
CDFI First Generation Downpayment Assistance	Resources for downpayment assistance to first-generation homebuyers, as administered via CDFI organizations.	$100 million
Fee-based HomePurchasing	Downpayment capital to incentivize development of homepurchasing products for interest-averse buyers, administered by NeighborWorks Home Partners.	$10 million
Manufactured Home Lending Grant	Resources to nonprofits to provide manufactured home financing, downpayment assistance, or repair, removal, or site preparation.	$10 million

OTHER HOUSING INVESTMENTS – EXISTING PROGRAMS		
Capacity Building	Provides grants to organizations for regional coordination, housing planning and to build capacity.	$6.3 million *+$5 million*
OTHER HOUSING INVESTMENTS – NEW PROGRAMS		
Lead Safe Homes	Identify and/or remediate lead health hazards in properties serving residents at or below 60% AMI.	$4 million
Housing Mediation Grant Program	Statewide housing mediation program to provide support to renters and residential rental property owners.	$3 million
Local Housing Trust Funds (LHTF)	Matching grants to incentivize local housing trust funds including $1 million to Northland Initiative Foundation.	$5.8 million
Stable Housing Organizational Relief Program	Financial assistance to nonprofits rental properties that are experiencing significant detrimental financial impacts due to recent economic and social conditions.	$50 million

Home Investment Partnerships (HOME) and National Housing Trust Fund (NHTF) Combined Program Guide

August 2023

Table of Contents

Regulations

Program specific federal statutes and rules referenced in this guide can be found at the links below:

- HOME Investment Partnerships Program
- National Housing Trust Fund Program
- Minnesota Statutes and Rules – Office of the Revisor of Statutes

Federal Cross-Cutting Requirements

HOME and NHTF are federal funds that require compliance with various cross-cutting requirements, which impact the entire project. The Initiation of Negotiations (ION) for the cross-cutting requirements is triggered differently for each of the funding sources and type.

- NHTF Operating Cost Assistance
    - Completing the NHTF Funding Application Certification and submitting an application as part of Minnesota Housing's annual Multifamily Consolidated Request for Proposals (RFP) / Housing Tax Credits (HTC) funding round (Consolidated RFP) triggers the ION for all applicable cross-cutting requirements.
- The pool of deferred funds (HOME and NHTF)
    - The signing of the NHTF and/or HOME Funding Acceptance Agreement triggers the ION for all applicable cross-cutting requirements. The certification form is signed after the project launch meeting.

The owner/developer is required to comply with all applicable cross-cutting requirements. No choice limiting actions can be taken after the ION has been triggered for these specific funds. In order to be compliant, an owner/developer is prohibited from expending funds or taking any action that would preclude the selection of alternative choices until the environmental review process is complete.

The following chart helps identify some, but not all, of the major federal cross-cutting requirements, their trigger points and the term of compliance with the requirement. More detailed explanations of these requirements can be found throughout relevant guides required as part of Minnesota Housing's Consolidated RFP and in the Code of Federal Regulations (CFR). Violating the choice limiting actions prohibition could cause the federal funds to be withdrawn from the project. If you have questions about choice limiting actions, contact Minnesota Housing's Federal Programs Manager. Contact information can be found on Minnesota Housing's website.

Requirement	Trigger Point	Term of Requirement
Environmental Reviews regarding choice limiting actions – HOME	ION (Initiation of Negotiations)	ION until clearance or release of funds
Environmental Reviews regarding choice limiting actions – NHTF	None	None
Uniform Relocation Act (URA)	ION	ION until project construction closeout
Section 3	ION	ION until project construction closeout
Black, Indigenous and People of Color-owned Business Enterprise/Women-owned Business Enterprise[1]	ION	ION until project construction closeout
Davis Bacon and Related Acts – HOME	ION	ION until project construction closeout
Davis Bacon and Related Acts – NHTF	None	None
Lead-based Paint	ION (pre-1978 construction date)	ION and ongoing
Fair Housing – Accessibility	ION	ION and ongoing
Fair Housing – Marketing	ION	ION and ongoing
EEO – Included in Contracts	ION	ION until project construction closeout
Debarment/Suspension	ION	ION until project construction closeout
Physical Condition Standards	ION	ION until term of the loan

[1] Minnesota Housing has adopted Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise (BIPOCBE/WBE), which is also known as Minority-owned and Women-owned Business Enterprise (MBE/WBE) when in reference to certain state and federal programs as well as statutory language.

Chapter 1 – Introduction

1.01 Background

Minnesota Housing has administered the HOME Investment Partnerships Program (HOME) since 1992. The National Housing Trust Fund Program (NHTF) funds first became available in Minnesota Housing's 2016 Consolidated RFP. HOME and NHTF are federal programs and are dependent on the continued availability of federal funds.

1.02 HOME and NHTF Program Purpose and Descriptions

The information presented in this guide is not intended to be a complete description of the owner/developer's responsibilities under the U.S. Department of Housing and Urban Development's (HUD) HOME and NHTF programs.

Unless a provision is noted as "HOME Only" or "NHTF Only," all provisions of this guide apply to both programs. Noncompliance by the owner/developer with certain HOME and NHTF Program requirements may have serious financial consequences.

HOME

The HOME Program can either preserve or increase the supply of decent, safe and sanitary affordable housing for low-income individuals and families. For preservation projects, Minnesota Housing gives priority in its Consolidated RFP to projects faced with risk of opt-out from federal subsidy programs (e.g., Section 8). The HOME Program provides financing for any of the following activity types:

- New construction (with or without acquisition)
- Acquisition with rehabilitation
- Rehabilitation without acquisition

NHTF

The NHTF Program provides opportunities to increase or preserve the supply of multifamily rental housing for extremely low- and very low-income families, including homeless families. This program provides funding to add a supply of affordable housing to markets where there is strong evidence of an inadequate supply. The primary benefit of the NHTF Program will be the reduction of the number of homeless families and individuals as well as a reduction in the number of families paying a disproportionate share of their income for housing. The NHTF Program provides financing for any of the following activity types:

- New construction (with or without acquisition)
- Acquisition with rehabilitation
- Rehabilitation without acquisition
- Operating Cost Assistance with one of the above activity types

1.03 Highlights of the HOME Final Rule

The 2013 HOME Final Rule contains many provisions that impact how Minnesota Housing administers HOME activities. It also codifies existing policy guidance that has been previously issued by HUD and addresses a number of technical and non-substantive "housekeeping" items within the HOME regulation. This guide specifies areas where Minnesota Housing has implemented more restrictive requirements.

The provisions of the HOME Final Rule listed below are of particular importance as they relate to changes in how the HOME Program is administered. Details can be found in subsequent chapters specific to the change.

- Revised commitment and completion deadlines
- Occupancy deadlines
- Regulatory guidance to strengthen performance in the production and preservation of HOME assisted projects
- Long-term financial viability of the HOME project over its affordability period
- HOME projects are required to maintain property conditions throughout the affordability period
- Capital needs will be evaluated during underwriting to plan for major systems repairs
- Reserves deposits must be sufficient to ensure the useful life of essential building components throughout the period of affordability
- Community Housing Development Organization (CHDO) qualification and capacity requirements increased

1.04 Highlights of the NHTF Interim Rule

In January 2015, HUD published an Interim Rule (FR-5246-I-03) that provides guidelines for states to implement the NHTF Program. The provisions of the NHTF Interim Rule listed below are of particular importance as they relate to how NHTF will be administered. Details can be found in subsequent chapters specific to the change.

As HUD releases additional guidance for NHTF, Minnesota Housing will continue to update program policies and protocols to align with the NHTF Interim Rule. Where possible, the NHTF Program will align with the HOME Program.

Unique components of NHTF:

- Labor standards – not required
- Operating Cost Assistance and Operating Cost Assistance Reserves (OCAR)
- All NHTF assisted rental housing must meet a minimum affordability period of 30 years
- Choice limiting actions prohibitions not required for environmental requirements

NOTE: The terms affordability period and compliance period both mean the length of time that the property must be in compliance with the program requirements. These two terms are interchangeable.

1.05 Program Comparison Chart

<table>
<tr><th>Categories</th><th>NHTF Program</th><th>HOME Program</th></tr>
<tr><td>Statutory Authority</td><td>Title I of the Housing and Economic Recovery Act of 2008</td><td>Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, as amended</td></tr>
<tr><td>Regulatory Authority</td><td>24 CFR Part 93</td><td>24 CFR Part 92</td></tr>
<tr><td>Purpose</td><td>Production or preservation, primarily of rental housing, affordable and available to extremely low-income households
State determines:
Priority housing need throughout the state</td><td>Preserve the supply of decent, safe, and sanitary affordable housing for low-income individuals and families
Meet identified priority housing needs through development or rehabilitation of rental housing
State determines:
Priority housing need throughout the state</td></tr>
<tr><td>Allocation</td><td>Formula</td><td>Formula</td></tr>
<tr><td>Formula Factors</td><td>Shortage of standard housing:
Overcrowding, having incomplete kitchen facilities, having incomplete plumbing, or a high rent to income ratio
Affordable to very low- and extremely low-income (below 50% of area median income (AMI) and 30% of AMI) households; weighted toward extremely low-income households
High rent to income ratio ≥ 50% of income for rent
Cost of producing housing relative to national average</td><td>Shortage of standard housing:
Overcrowding, having incomplete kitchen facilities, having incomplete plumbing, or a high rent to income ratio
Rental households in poverty:
Poverty relative to national average
Inadequate housing – low vacancy, poor renters
Pre-1950 housing stock occupied by poor households
Fiscal incapacity
Cost of producing housing relative to national average</td></tr>
</table>

Categories	NHTF Program	HOME Program
Minimum Income Targeting	When total NHTF funds available nationally are less than $1 billion: • 100% of NHTF assisted units must be occupied by extremely low-income households (≤ 30% of AMI) or families with incomes at or below the poverty line (whichever is greater)) When NHTF funds are greater than $1 billion nationally: At least 75% of NHTF assisted units must be occupied by extremely low-income households (≤30% of AMI) or families with incomes at or below the poverty line (whichever is greater)) • Up to 25% for very low-income households (≤ 50% of AMI)	Regardless of the amount of the award to Minnesota Housing: • 100% for low-income households (≤ 80% of AMI) • 90% (of HOME rental units) for households at ≤ 60% of AMI • 20% of HOME assisted units in projects with five or more HOME units for households at ≤ 50% of AMI
Eligible Activities	• New construction • Acquisition and rehabilitation • Operating Cost Assistance (up to one third of annual grant)	• New construction • Acquisition • Acquisition and rehabilitation
Limits on Eligible Activities	Minnesota Housing will be using NHTF funds for the construction or rehabilitation of multifamily rental properties	Minnesota Housing will be using HOME funds for the construction or rehabilitation of multifamily rental properties
Rents	Rents plus utilities in units for extremely low-income households are capped at 30% of the income of a household whose income is 30% of AMI	• High HOME rents (including utilities) are capped at the lesser of the Fair Market Rent (FMR) for the area or 30% of the income of a household whose income is 65% of AMI. • Low HOME rents (including utilities) are capped at 30% of the income of a household whose income is 50% of AMI, or, if there is federal or state project-based rental assistance, 30% of the tenant’s adjusted income

Categories	NHTF Program	HOME Program
Maximum Per-Unit Subsidy Limits	Limits are set by Minnesota Housing: • Currently using 240% of the Section 234 basic mortgage limit, for elevator-type projects	Interim Policy – CPD-15-003 Section 234 – Condominium Housing, elevator-type. Section 234 basic mortgage limits will be used in place of the Section 221(d)(3) limits until further HUD guidance. • Cannot exceed 240% of the Section 234 basic mortgage limit
Affordability Periods	Rental Projects – New Construction, Rehabilitation, Rehabilitation and Acquisition: • 30 years	Rental Projects – Rehabilitation, Rehabilitation and Acquisition: • 5, 10, 15 years depending upon the amount of the HOME investment Rental Projects – New Construction: • 20 years
Funding Commitment Deadline	24 months from date of HUD Grant Agreement execution	Currently suspended
Project Completion Deadline	Four (4) years from commitment date (execution of a project's Written Agreement)	Four (4) years from commitment date (execution of a project's Written Agreement)

Chapter 2 – Eligible Uses and Eligibility Criteria

2.01 Eligible Projects

- HOME and NHTF programs allow for the funding of new construction, rehabilitation and acquisition.
- A property may contain one or more buildings on a single site. Properties may also be located on more than one site if it meets all of the following:
  - The properties are under common ownership
  - The properties are under common management and financing
  - The housing units are being rehabilitated in each building as part of a single undertaking
- A property must also meet all of the following:
  - Conform to all applicable zoning ordinances
  - Possess all appropriate use permits
  - Be used primarily for residential purposes (51% or more of the gross floor area of each structure must be residential space)
  - Provide permanent housing (e.g., no emergency shelters or other facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, halfway houses, housing for students, dormitories [including farmworker dormitories])

2.02 Ineligible Projects

- A property under the Emergency Low-Income Housing Preservation (ELIHPA) Act of 1987
- A property under the Low-Income Housing Preservation and Resident Homeownership (LIHPRA) Act of 1990
- Minnesota Housing financed projects actively participating in its Redefined Equity program
- Public housing property, unless otherwise specified by HUD
- A property owned by a trust
- A property owned by a borrower who previously received funds from Minnesota Housing and who did not maintain compliance with affordability, property standards or otherwise defaulted under its loan
- A property where there are encumbrances, judgments or outstanding liens that are not acceptable to Minnesota Housing
- A property with a history of negative cash flow that will not be corrected during the acquisition and rehabilitation of the property

- **NHTF:** Prohibits the use of NHTF funds in conjunction with property taken by eminent domain unless eminent domain is employed only for a public use.
- **HOME:** A property previously funded under the HOME Program (by Minnesota Housing or any other Participating Jurisdiction) that is still within its affordability period unless a waiver has been granted by Minnesota Housing and HUD.

2.03 Eligible Costs and Activities

Hard Costs

- Eligible hard costs include the actual cost of constructing or rehabilitating housing, including the activities in 24 CFR Part 93.201(a) for NHTF and 24 CFR Part 92.206(a) for HOME. Minnesota Housing can help determine what types of costs can be included in a specific project. Eligible hard costs that are incurred prior to execution of the Written Agreement will become ineligible project costs for the purposes of cost allocation.
- Permanent improvements that bring the property into compliance with applicable state and local codes, zoning ordinances and lead-safe housing as stated in HOME regulations under Part 92.251 and NHTF regulations under Part 93.301, Minnesota Housing Rental Housing Design/Construction Standards, and Uniform Physical Condition Standards (UPCS) specified in 24 CFR Part 5.705. Note that effective 10/1/2023, UPCS will be replaced by the National Standards for the Physical Inspection of Real Estate (NSPIRE).
- Acquisition costs for properties to be rehabilitated.

NOTE: HOME and NHTF funds are restricted in their use for public housing units. Applications for public housing units must meet the eligibility requirements of 24 CFR Part 92.213 for HOME or 24 CFR Part 93.203 for NHTF.

Soft Costs

- Architectural, engineering or related professional services required to prepare plans, drawings, specifications or work write-ups if they are incurred no more than 24 months prior to the execution of the HOME or NHTF Written Agreement that commits the funds to the property or during the construction phase
- Costs for environmental testing (Phase 1), Lead-based Paint (LBP) assessment, radon, asbestos-containing materials (ACM) assessment
- Developer fees up to 5% of the loan
- Finance-related costs
- Affirmative marketing and fair housing information to prospective tenants or owners of an assisted project
- Temporary relocation costs
- Other soft costs eligible under 24 CFR Part 92 for HOME, and 24 CFR Part 93 for NHTF and are approved by Minnesota Housing in advance of incurring the soft costs

Eligible Operating Costs (NHTF)
The NHTF Program allows grantees to set aside up to one third of their grant for operating cost assistance for NHTF assisted units for which project-based rental assistance is not available. Minnesota Housing will make available operating cost assistance in the form of a grant to provide operating reserves to eligible projects.

Owners that accept OCAR as a component of the funding for their project will be required to enter into a Written Agreement as well as an Operating Cost Assistance Written Agreement with Minnesota Housing. These documents will identify the obligations of the owner in regard to holding and drawing the reserve funds.

Ongoing monitoring of the reserves will occur as part of asset management oversight and will be integrated into the underwriting of the project. On an annual basis, reserve amounts may be reconciled with the amount originally committed and projected with actual costs incurred. Adjustments to the reserves would be made as directed by HUD. HUD guidance on this specific requirement is still pending. Minnesota Housing reserves the right to modify any portion of this guide to respond to federal guidance.

2.04 Ineligible Costs and Activities

Additional detail for ineligible activities and fees can be found under 24 CFR Part 92.214 for HOME and Part 93.204 for NHTF. Owners are encouraged to review this section of the regulation (refer to Section 1.05 above for links).

NOTE: Ineligible improvements and expenses may be completed at the expense of the owner.

Ineligible Improvements and Expenses

- Recreational or luxury improvements
- Installation of fireplaces or wood burning stoves
- Materials purchased prior to the commitment of federal funds
- Acquisition that is not in conjunction with rehabilitation of the project
- Improvements that started prior to loan closing
- Equipment and furnishings not considered part of the real estate
- Materials, fixtures or landscaping of a type or quality exceeding those customarily used in similar neighborhood properties
- Improvements not included in the scope of work and the loan amount

Ineligible Soft Costs

Ineligible soft costs can include items such as:

- (HOME) Operating or replacement reserves
- (HOME and NHTF)
  - Application fees
  - Management agent fees
  - Monitoring fees
  - Displacement of tenants
  - Other soft costs incurred prior to loan closing that have not been approved by Minnesota Housing

2.05 Eligible Owners, Sponsors, Developers and Capacity

Eligible Entities for HOME and NHTF must be either:

- A for-profit entity
- A 501(c)(3) nonprofit entity
- A government unit (excluding the federal government)
- A religious organization

NOTE: For a project funded with HOME to be eligible to receive Community Housing Development Organization (CHDO) set-aside funds, the owner must be certified by Minnesota Housing as a CHDO.

The owner must provide evidence of a qualifying interest in the property. Such interest must be recorded and appear in the county records. The minimum qualifying interest is 100% fee simple interest that may also be subject to a mortgage.

Owner and Development Team Debarment Review

Minnesota Housing will confirm that no members of the project team, including the owner, are debarred or excluded from receiving federal assistance prior to selection, entering into a Written Agreement or closing the loan.

- If the owner(s) are listed on HUD's Limited Denial of Participation (LDP) list or they are in the System for Award Management (SAM) and listed as debarred, they will not be eligible to receive HOME or NHTF funds.
- If anyone on the owner's development team is listed on either HUD's LDP or the SAM debarment list, they must be replaced by someone who does not appear on HUD's debarment lists.

Contractor Debarment

Before issuing a contract to a general contractor, the owner must verify with Minnesota Housing that the general contractor is not debarred or excluded from working on federally assisted projects.

- If the general contractor is listed on HUD's LDP list or in the SAM, they are not eligible to work on the project and will have to be replaced by another contractor who does not appear on HUD's debarment lists.
- It is the general contractor's responsibility to provide documentation to Minnesota Housing that verifies all subcontractors working on the project are not on the LDP list or in the SAM.

Developer Capacity

Developer's capacity, including but not limited to prior experience and financial capabilities, will be assessed by Minnesota Housing prior to selection for funding.

Community Housing Development Organization (CHDO) Capacity (HOME Program)

- To receive the HOME CHDO set-aside funds, the developer must complete and submit a CHDO Qualification Form and supporting documentation to Minnesota Housing for review and approval.
- CHDO certification must be completed for every project.
- If CHDO set-aside funds are awarded to a project, the CHDO must recertify every year throughout the term of affordability.
- If a project is receiving CHDO set-aside funding, the CHDO can only be replaced as the general partner for just cause, and the CHDO must be replaced with another certified CHDO.
- A nonprofit must have paid staff whose experience qualifies them to undertake CHDO set-aside activities.

2.06 Design and Property Standards

HOME and NHTF Property Standards

- Properties served with HOME and NHTF funds must comply with all applicable state and local codes, standards, and ordinances by project completion. In cases where standards differ, the most restrictive standard will apply. In the absence of a state or local building code, the International Residential Code or International Building Code of the International Code Council will apply.
- Properties must meet local housing habitability or quality standards throughout the affordability period. If no such standards exist, HUD's UPCS, as set forth in 24 CFR Part 5.705, will apply. Note that effective 10/1/2023, UPCS will be replaced by NSPIRE.
- It is the owner's responsibility to determine if there is a local housing habitability code required for their property and to provide to Minnesota Housing with either a copy of the code or an internet URL to the code.

Minnesota Housing Rental Housing Design/Construction Standards

- All projects funded through the HOME and NHTF programs must follow Minnesota

Housing's Rental Housing Design/Construction Standards. These guidelines are available on Minnesota Housing's website at www.mnhousing.gov: Rental Housing Design/Construction Standards.

- All rehabilitation projects with 26 or more units are required to have the useful remaining life of the major systems determined. Major systems include structural support; roofing; cladding and weatherproofing (e.g., windows, doors, siding, gutters); plumbing; electrical; and heating, ventilation, and air conditioning.
- For rehabilitation projects, if the useful remaining life of one or more major system(s) is less than the applicable affordability period, the system(s) must be either included in the scope of work or a replacement reserve must be established and monthly deposits made to the reserve account to adequately repair or replace the systems as needed.

2.07 Environmental Reviews

HOME and NHTF both require an environmental review prior to execution of the Written Agreement.

HOME Program

The environmental review requirements for HOME are found under 24 CFR Part 92.352. This section's regulations align with the environmental review requirements found under 24 CFR Part 58. After the ION, no choice limiting actions can be taken until the environmental review has been completed. It is important for developers to consult with the underwriter to review the noted regulations to ensure the relevant protocols are followed. Written Agreements will not be entered into until an environmental review is completed.

NHTF Program

The environmental review requirements for NHTF are found under 24 CFR Part 93.301(f). It is important for developers to consult with the underwriter to review the noted regulations to ensure the relevant protocols are followed. Written Agreements will not be entered into until an environmental review is completed.

2.08 Lead Hazard Evaluation and Reduction

All projects funded through the HOME or NHTF Program must follow HUD 24 CFR Part 35 subparts A, B, J, K, M and R, Minnesota Housing's Rental Housing Design/Construction Standards and Minnesota Housing's Lead-based Paint policy. Owners are required to follow disclosure requirements for Lead- based Paint (LBP), including:

- Complete Minnesota Housing's Lead-based Paint Pre-Construction Certification form and submit to Minnesota Housing via the Multifamily Customer Portal as part of pre-construction due diligence.
- Provide the EPA-approved lead hazard pamphlet "Protect Your Family from Lead in Your Home" to all tenant households in a property built prior to 1978. The pamphlet must be given upon execution of the HOME and/or NHTF Funding Acceptance Agreement to existing tenants and new tenants at move-in.

- Distribute to all tenants residing at the property during rehabilitation the "Renovate Right: Important Lead Hazard Information for Families, Child Care Providers, and Schools" pamphlet. This must be distributed no less than seven days and no more than 60 days prior to commencement of rehabilitation.
- Retain on file a Lead-based Paint Acknowledgment of Disclosure form signed by the tenant. The signed Lead-based Paint Acknowledgement of Disclosure must be retained for three years from the beginning date of the leasing period.
- Post an assessment or notice of lead-based paint hazards present, whether determined by a risk assessment or presumption of lead. The owner must post the notice in a conspicuous location or deliver a copy of the assessment to each household within 15 days.

2.09 Obtaining Bids

All projects must be awarded to a single general contractor except if the project includes asbestos work. If asbestos work is included, it is acceptable to have a general contractor for the asbestos work and a general contractor for the remaining scope of work. The selected single prime general contractor will be responsible for their scope of work.

The contractor selection process can be through competitive or negotiated bids. If the bid for a general contractor is negotiated, all subcontractors must be competitively solicited. Refer to Section 2.05 for important information on eligible contractors and subcontractors and Minnesota Housing's Contractor Guide for more information on soliciting bids.

2.10 Funds for Final Draw

Minnesota Housing will withhold a minimum of $50,000 or 5% of the HOME or NHTF loan proceeds, whichever is greater, until the final draw, in addition to any construction retainage, pending satisfactory evidence that all HOME or NHTF program and compliance responsibilities have been met and that all associated documentation needed for the project closeout is complete.

For projects using HOME/NHTF for new construction, Minnesota Housing will withhold the final draw until all federally assisted units are occupied by income-eligible tenants and all federal due diligence has been reviewed and approved.

2.11 Construction Process Monitoring

The owner's contracts with the architect and general contractor must include language that requires the architect and general contractor to provide regular construction administration and site observations pursuant to Minnesota Housing's Architect's Guide and Contractor's Guide (which are linked below in Section 2.13 – Change Orders).

2.12 Construction Draws

Minnesota Housing reviews and approves all monthly draws for HOME and NHTF prior to disbursement of any funds. Minnesota Housing cannot approve a draw or disburse HOME or

NHTF funds if a property is out of compliance with program obligations during the construction period. This may include, but is not limited to, failure to provide labor information and reports, Uniform Relocation Act (URA) reports and Section 3 documentation.

Draws may be withheld until compliance with program obligations, loan terms and the Written Agreement is met, and in cases where compliance cannot be achieved, Minnesota Housing may pursue all available remedies as outlined in the loan documents.

2.13 Change Orders

All change orders and other contract modifications will be in accordance with Minnesota Housing's Architect's Guide and Contractor's Guide.

2.14 Inspections – Initial and Construction

- All projects funded through HOME and NHTF must have a scope of work and bid specifications prepared by an architect licensed to practice in Minnesota. Initial property inspections performed by the project team must be in accordance with Minnesota Housing's Rental Housing Design/Construction Standards.
- In addition, both programs require an initial property inspection for rehabilitation projects to identify any UPCS deficiencies (effective 10/1/2023, UPCS will be replaced by NSPIRE). This inspection is completed by Minnesota Housing staff or by an entity or person contracted by Minnesota Housing.
- Violations discovered during the initial inspection deemed an emergency will be required to be remedied within 24 hours. The remaining violations and findings, including those categorized as routine maintenance, will then need to be integrated into the scope of work.
- Improvements that are identified as routine maintenance may, at Minnesota Housing's discretion, be included in the scope of work or completed separately by the owner. If the owner chooses to complete the maintenance work separate from the project's scope of work, the maintenance must be completed prior to the final project closeout inspection and must meet all applicable Minnesota Housing Rental Housing Design/Construction Standards.
- Minnesota Housing will attend the draw meetings and perform property inspections during construction.
- A final project closeout inspection must be completed by Minnesota Housing staff or by an entity or person contracted by Minnesota Housing after project construction is complete. All violations, including those categorized as routine maintenance, from all earlier inspections must be corrected prior to the project closeout inspection.

2.15 Project Completion

Project completion for projects funded with HOME or NHTF is defined to mean that:

- All necessary title transfer requirements and construction work have been performed
- The project complies with the requirements of program regulations, including property standards
- The final drawdown of funds has been disbursed for the project
- The project completion information has been entered into HUD's Integrated Disbursement and Information System (IDIS)

HOME
HOME assisted rental units must be occupied by income-eligible households within 18 months of project completion; for units that remain vacant six months following completion, an enhanced marketing plan and report will be required to be submitted to HUD [24 CFR Part 92.252].

NHTF
The project completion date must ensure timely occupancy of NHTF units.

The NHTF Program requires the completion of a final cost certification performed by a certified public accountant for each assisted project. This final cost certification must be completed and submitted as part of NHTF project closeout.

NOTE: To help ensure that new construction properties fully comply with HUD's HOME and/or NHTF project completion requirements, Minnesota Housing will withhold the final HOME and/or NHTF draw until all federally assisted units are occupied by income-eligible households and all federal project close-out due diligence has been reviewed and approved. Reference 24 CFR Parts 92.251 and 92.502(d) for HOME and 24 CFR Parts 93.2, 93.301, and 93.402(d) for NHTF.

While project completion in the HOME (24 CFR Part 92.2) and NHTF (24 CFR Part 93.2) regulations occurs upon completion of construction and before occupancy, Minnesota Housing requires that all federally assisted units be initially occupied prior to project completion to avoid any issues with the lease-up requirements for the HOME and NHTF programs.

Chapter 3 – Underwriting Considerations

All projects funded through the HOME and NHTF programs must follow Minnesota Housing's Multifamily Underwriting Standards. These standards include requirements for debt coverage ratio and loan to value.

Minnesota Housing will provide technical assistance to facilitate commitment of HOME and NHTF funds and will assist owners with understanding their compliance obligations.

3.01 Underwriting for New Construction

Projects undergoing new construction have unique differences that include, but are not limited to, site and neighborhood standards, occupancy and marketing approaches, operating costs, energy efficiency and fair housing and accessibility. These requirements are outlined throughout this guide, the Multifamily Underwriting Standards, the Architect's Guide and the Minnesota Housing Rental Housing Design/Construction Standards.

3.02 Underwriting for Rehabilitation

Projects undergoing acquisition and rehabilitation have unique differences that include, but are not limited to, market demand, occupancy and marketing approaches, operating costs, energy efficiency, relocation and fair housing and accessibility. These requirements are outlined throughout the Multifamily Underwriting Standards, the Architect's Guide, and the Minnesota Housing Rental Housing Design/Construction Standards.

3.03 Written Agreement – Commitment of Funds to a Project

Written Agreements are required for:

- HOME capital funds
- HOME CHDO set-aside funds
- NHTF capital funds
- NHTF OCAR funds

The owner and Minnesota Housing must sign and date the applicable Written Agreement in order to receive federal funds. For capital funds, the Written Agreement must be signed prior to construction activities. The Written Agreement may be signed in advance of, or concurrent with, loan closing as long as all HOME Program and NHTF Program and Written Agreement requirements have been satisfied.

Each Written Agreement outlines the minimum responsibilities and expectations that must be met prior to signing the Written Agreement and throughout the term of the affordability period. Minnesota Housing reserves the right to include additional requirements.

All projects using these federal sources for capital expenses must demonstrate the ability to begin construction within 12 months from the date of the signed Written Agreement.

The commitment deadline for HOME funds is currently suspended. NHTF funds have a commitment deadline of 24 months from the date the HUD Grant Agreement is executed.

NOTE: If funds are not committed via execution of the Written Agreement by their commitment deadline, HUD will recapture the federal funds from a project.

Even if the Written Agreement is signed in advance of loan closing, absolutely no site work can begin until after loan closing. Any costs associated with site work done prior to loan closing cannot be reimbursed.

3.04 Loan Terms

HOME and NHTF funding can be provided in the form of a construction loan or an end loan.

- 0% interest rate
- Payment is due in full the earlier of 30 years from the date of the signed mortgage or the occurrence of one or more of the following:
  - Failure of the owner to accept a renewal or extension of federal rental assistance
  - Failure of the federal government to offer to renew or extend federal rental assistance due to actions of the owner or condition of the property
  - An event of default occurrence described in the mortgage and related loan documents
- The minimum amount of HOME and NHTF program assistance is $1,000 per unit or $100,000 per project
- The interest rate may be adjusted in order to allow these funds to be utilized with other sources of funding, such as federal Low-Income Housing Tax Credits
- The loan term may be adjusted based on requirements and conditions of other federal assistance or funding sources
- Loans will generally be full recourse; however, Minnesota Housing, at its sole discretion, may allow non-recourse debt to single asset entities
- Principal and interest, if any, will generally be due and payable at the end of the loan term, which is typically 30 years; however, Minnesota Housing may, at its sole discretion, require provisions necessitating 20% of cash flow in excess of $50,000 be repaid annually

3.05 Reserves

If the useful remaining life of one or more major system(s) is less than the applicable affordability period, the system(s) must be either included in the scope of work, or a replacement reserve must be established and monthly deposits to the reserve account must be made to adequately repair or replace the systems as needed.

NHTF

Operating Cost Assistance Reserves (OCAR)

- Operating cost assistance reserves may be funded for the amount estimated to be necessary for 15 years from the start of the affordability period.
- Minnesota Housing will determine funding levels and underwrite for these reserves based on the needs of the project and eligible uses.
- The reserve will be held by Minnesota Housing. The owner must annually submit an audit along with the payment request for the eligible expenses incurred during the previous year.
- If the property fails to meet the affordability requirements or is terminated or in default for any reason, all funds must be repaid and any balance in a reserve account will be applied to the balance owed.

3.06 Limit on Governmental Assistance – Subsidy Layering Review

As part of the underwriting process, Minnesota Housing is required to conduct a subsidy layering review to ensure that the sources and uses of funds (including OCAR for NHTF) for the project are reasonable and only the necessary amount of program funds are invested in the housing project.

Minnesota Housing will refer to its Underwriting Standards as a guide for conducting the subsidy layering review analysis of reasonable project costs.

For the purposes of the subsidy layering review, governmental assistance includes any loan, grants (including a Community Development Block Grant), guarantee, insurance, payment, rebate, subsidy, tax credit benefit, OCAR (NHTF), or any other form of direct or indirect assistance from the federal, state or local government for use in, or in connection with, a specific housing project.

To complete the analysis, Minnesota Housing will review all sources and uses of funds. Minnesota Housing will confirm that all costs are reasonable. The reasonableness of the project's costs is determined by reviewing the project's quality, construction costs, architectural and engineering fees and consulting fees.

Minnesota Housing's staff architect and underwriter review the cost estimates, costs of comparable projects in the same geographic area, qualifications of the cost estimates for various budget line items, comparable costs published by recognized industry cost index services, and the comparable bids obtained.

The reasonableness of the rate of return on the applicant's equity investment is assessed through a review of the pro forma during the underwriting process.

3.07 Market Analysis

The programs require an assessment of market demand. The purpose of this requirement is to help ensure that there will be adequate market demand for a project before committing federal funds. To comply with the regulatory obligations, Minnesota Housing requires a developer to follow the protocols outlined in its RFP guide and Underwriting Standards. Because HUD has indicated that additional guidance will be provided in the future, this requirement may be updated to reflect changes.

An assessment must include, at a minimum, the current market demand in the neighborhood in which the project will be located, the experience of the owner/developer, the financial capacity of the owner/developer, and firm written financial commitments for the project.

If a project is also receiving housing tax credits, the market study will be used to assess the market.

3.08 Site and Neighborhood Standards

Minnesota Housing will administer HOME and NHTF in a manner that provides housing that is suitable from the standpoint of facilitating and furthering full compliance of fair housing laws and regulations and promotes greater choice of housing opportunities.

In carrying out the site and neighborhood requirements with respect to new construction of rental housing, Minnesota Housing will review the information to ensure that the proposed site for new construction meets the requirements in 24 CFR Part 983.57(e)(2).

Project records must illustrate that a site and neighborhood standards review was conducted for each project that included new construction of rental housing assisted to determine that the site meets the requirements of 24 CFR Part 92.202 for HOME and 24 CFR Part 93.150 for NHTF.

As with the HOME Program, HUD is not applying specific site and neighborhood standards to rehabilitation projects under NHTF; however, if project-based vouchers are used in an NHTF rehabilitation unit, the site and neighborhood standards for project-based vouchers will apply.

In addition, the requirements of 24 CFR Part 8 (which implements Section 504 of the Rehabilitation Act of 1973) apply to the NHTF Program and specifically address the site selection with respect to accessibility for persons with disabilities.

Both HOME and NHTF require that the property comply with 24 CFR Part 983.57(e)(2) and (e)(3):

(e) New construction site and neighborhood standards. A site for newly constructed housing must meet the following site and neighborhood standards:

(2) The site must not be located in an area of minority concentration, except as permitted

under paragraph (e)(3) of this section and must not be located in a racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents in the area.

(3) A project may be located in an area of minority concentration only if:

(i) Sufficient, comparable opportunities exist for housing for minority families in the income range to be served by the proposed project outside areas of minority concentration (refer to paragraph (e)(3)(iii), (iv), and (v) of this section for further guidance on this criterion); or

(ii) The project is necessary to meet overriding housing needs that cannot be met in that housing market area (refer to paragraph (e)(3)(vi) of this section for further guidance on this criterion).

(iii) As used in paragraph (e)(3)(i) of this section, “sufficient” does not require that in every locality there be an equal number of assisted units within and outside of areas of minority concentration. Rather, application of this standard should produce a reasonable distribution of assisted units each year that, over a period of several years, will approach an appropriate balance of housing choices within and outside areas of minority concentration. An appropriate balance in any jurisdiction must be determined in light of local conditions affecting the range of housing choices available for low-income minority families and in relation to the racial mix of the locality's population.

(iv) Units may be considered “comparable opportunities,” as used in paragraph (e)(3)(i) of this section, if they have the same household type (elderly, disabled, family, large family) and tenure type (owner/renter); require approximately the same tenant contribution toward rent; serve the same income group; are located in the same housing market; and are in standard condition.

(v) Application of this sufficient, comparable opportunities standard involves assessing the overall impact of HUD assisted housing on the availability of housing choices for low-income minority families in and outside areas of minority concentration, and must take into account the extent to which the following factors are present, along with other factors relevant to housing choice:

(A) A significant number of assisted housing units are available outside areas of minority concentration

(B) There is significant integration of assisted housing projects constructed or rehabilitated in the past 10 years, relative to the racial mix of the eligible population

(C) There are racially integrated neighborhoods in the locality

(D) Programs are operated by the locality to assist minority families that wish to find housing outside areas of minority concentration

(E) Minority families have benefited from local activities (e.g., acquisition and write-down of sites, tax relief programs for homeowners, acquisitions of units for use as assisted housing units) undertaken to expand choice for minority families outside of areas of minority concentration

(F) A significant proportion of minority households has been successful in finding units in non-minority areas under the tenant-based rental assistance programs

(G) Comparable housing opportunities have been made available outside areas of minority concentration through other programs

(vi) Application of the "overriding housing needs" criterion, for example, permits approval of sites that are an integral part of an overall local strategy for the preservation or restoration of the immediate neighborhood and of sites in a neighborhood experiencing significant private investment that is demonstrably improving the economic character of the area (a "revitalizing area"). An "overriding housing need," however, may not serve as the basis for determining that a site is acceptable, if the only reason the need cannot otherwise be feasibly met is that discrimination on the basis of race, color, religion, sex, national origin, age, familial status, or disability renders sites outside areas of minority concentration unavailable or if the use of this standard in recent years has had the effect of circumventing the obligation to provide housing choice.

3.09 Unit Comparability Analysis and Cost Allocation

Minnesota Housing will perform a unit comparability analysis on all units in the project. Minnesota Housing will use this information and the eligible project costs to determine the maximum amount of HOME or NHTF funds that the project may receive and the required number of federally assisted units.

Minnesota Housing will work with the owner to determine if the federally assisted units will be designated as fixed or floating. The federal funding must only pay the share of project eligible costs proportionate to the number of federally assisted units. Assisted units must be evenly distributed among the different unit types.

Minnesota Housing will determine the estimated number of federally assisted units as required under the HOME or NHTF programs. The final number and type of units to be assisted will be determined prior to signing the Written Agreement. If there are any changes to loan amounts or eligible costs during construction, the number of federally assisted units and maximum funding will be recalculated. This recalculation may result in revising the number of federally assisted units and/or the affordability period.

Fixed Units

- Comparable Units:
  - When all units in the project (separated by the number of bedrooms), are satisfactorily demonstrated to be comparable (in terms of size, features, configuration, and number of bedrooms), the owner and Minnesota Housing will

determine whether or not the federally assisted units should be fixed or floating.

- When federally assisted units are fixed, the units remain the same during the affordability period. Units designated as fixed **must** be occupied by tenants that meet the income and rent restrictions of the specified program for the duration of the affordability period.

- Non-comparable Units:
  - When the units are determined to be non-comparable, the federally assisted units must be fixed.
  - The eligible costs must be prorated such that funding is only used for the federally assisted units plus a share of the common area costs.
  - Projects with project-based rental assistance will have HOME/NHTF units fixed on the units with rental assistance whenever possible.

Floating Units

- Comparable Units:
  - To designate the federally assisted units as floating they must be comparable to the non-assisted units.
  - When federally assisted units are floating, the units may change during the affordability period so long as both of the following apply:
    - The total number of federally assisted units in the project remains the same, and
    - Any newly designated units must be comparable and maintain the applicable unit mix.

If the project is receiving HOME funds from another participating jurisdiction, the owner must ensure that the other participating jurisdiction's HOME assisted units are separate from the designated Minnesota Housing HOME assisted units.

If a low HOME unit receives a federal or state project-based rental subsidy, and the tenant pays as a contribution toward rent not more than 30% of the tenant's adjusted income, the maximum rent is the rent allowable under the federal or state project-based rental subsidy program.

In HOME properties, a unit set at a low HOME rent (including a subsidized unit set at the rent allowable under the project-based rental subsidy) must be occupied by a tenant at or below 50% of AMI for the term of the affordability period. If the units are fixed and a tenant's income in a low HOME unit increases above 50% of AMI, the unit no longer qualifies as a low HOME unit. The allowance to use the higher Project-based Rental Assistance (PBRA) rent no longer applies.

If that unit were going to remain a HOME unit, the rent would need to be changed to the high

HOME rent. The unit could still receive project-based rental assistance, but not in an amount that exceeds the high HOME rent.

If the units are floating and a tenant's income in a low HOME unit increases above 50% of AMI, the unit would be in temporary noncompliance, and the owner could float the HOME designation to another comparable unit.

Refer to section 6.03 of this guide for more information on HOME rent limits and Minnesota Housing's Multifamily HOME Programs and National Housing Trust Fund Programs Compliance Guide for more information and compliance requirements during the affordability period, including Chapter 2, Maintaining the Unit Mix.

3.10 Secured Financing

Projects cannot receive federal funds, or have them committed to the project, until proof of due diligence is provided to show all financing for the project has been secured.

3.11 Capital Needs and Major Systems

Minnesota Housing must underwrite all projects to ensure that each project is financially sustainable over its affordability period. Capital needs will be evaluated during underwriting to plan for major systems repairs. The scope of rehabilitation work and replacement reserves deposits must be sufficient to ensure the useful life of essential building components throughout the affordability period [HOME 24 CFR part 92.251(b)(ii) and (viii)] [NHTF 24 CFR part 93.301].

After construction has been completed and as part of the project closeout, the owner must provide an updated capital needs assessment that will document the property's needs for the term of the affordability period. A Minnesota Housing architect reviews and approves the assessment before the project starts its affordability period. Handling of reserves during the affordability period can be found in Chapter 6 of this guide.

3.12 Black, Indigenous and People of Color-owned Business Enterprises/ Women-owned Business Enterprises

It is the policy of Minnesota Housing that Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise[2] (BIPOCBE/WBE) have equal access to business opportunities resulting from Minnesota Housing financed projects, and that the workforces on the projects that Minnesota Housing finances are demographically representative of the area where the projects are located. When reviewing bid information, Minnesota Housing will examine:

- The owner's and general contractor's certification to determine compliance with laws

[2] Minnesota Housing has adopted Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise (BIPOCBE/WBE), which is also known as Minority-owned and Women-owned Business Enterprise (MBE/WBE) when in reference to certain state and federal programs as well as statutory language.

prohibiting discrimination in employment and that they hire affirmatively

- The extent to which bids from BIPOCBE/WBEs are solicited; such solicitations and results must be documented
- The demographic make-up of the contractor and subcontractor's workforces

State and federal regulations direct that all affirmative steps be taken to ensure that BIPOCBE/WBEs are used when possible. Outreach to Black, Indigenous, and people of color and women must be conducted and documented, and that documentation must be provided to Minnesota Housing for contracts in excess of $25,000.

To demonstrate compliance with Minnesota Housing's affirmative contract compliance requirements, owners must identify contracts bid on by Black, Indigenous, and people of color-owned and women-owned businesses using the Minnesota Housing Contractor Compliance Activity Report. This Minnesota Housing report is a data collection tool to be included in bidding documents. All contractors and sub-contractors providing bids must complete and submit this form.

Minnesota Housing reserves the right to require that work is rebid affirmatively if the agency determines there is insufficient solicitation from Black, Indigenous, and people of color and women contractors. Refer to the Multifamily Division Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise Compliance Guide for more information, including hiring goals for specific geographic areas.

3.13 Section 3 Requirements

Properties that have work completed using federal funds are subject to the requirements of Section 3 of the Housing and Urban Development (HUD) Act of 1968 (12 USC 1701u), as amended. These requirements are described in 24 CFR Part 75. Recipients are evaluated according to how well they meet the HUD defined benchmarks with respect to the percentage of the total number of labor hours worked by Section 3 Workers and by Targeted Section 3 Workers compared to the total number of labor hours worked on a Section 3 project. Minnesota Housing requires certain documentation and tracking information be provided to verify compliance with these benchmarks.

To demonstrate compliance with Section 3 compliance requirements, owners, contractors, and subcontractors must identify and certify all eligible Section 3 Workers and Targeted Section 3 Workers that will work on a Section 3 project. Their labor hours and the total labor hours worked on the Section 3 project must be tracked as well. The owner, contractor, and subcontractors must also report on the qualitative nature of their activities undertaken to target employment and training opportunities to Section 3 Workers and contracting opportunities to Section 3 Business Concerns. Noncompliance with HUD's Section 3 regulations may result in sanctions and debarment or suspension from future Section 3 covered Contracts.

It is the owner's responsibility to ensure that bid packages include all applicable Section 3 information and forms. It is recommended that the owner deem any bid submitted without the required information as incomplete and not valid. The Section 3 Compliance Guide includes all goals that the owner must meet when working on a project that is funded with HOME or NHTF funds. Contact the Federal Programs Manager with questions.

Construction and professional service (general contractor, environmental remediation, relocation, etc.) contracts must include Minnesota Housing's Section 3 Clause along with all applicable labor standards documents. The owner/developer is responsible for ensuring that Minnesota Housing reviews bid packages before they are released.

Refer to the Section 3 Compliance Guide for more information.

3.14 Federal Labor Standards for HOME Funded Projects

Owners agree to abide by and ensure compliance with the federal labor standards laws and regulatory requirements. The three laws that apply to HOME funded projects are:

- Davis-Bacon Act: Requires workers receive not less than the prevailing wages being paid for similar work in the locality. Prevailing wages are computed by the U.S. Department of Labor (DOL) and are issued in the form of federal wage decisions for each classification of work.
- Copeland "Anti-kickback" Act: Workers must be paid at least once a week without any deductions or rebates except permissible deductions, which include taxes, deductions the worker authorized and those required by court processes. The act also requires that contractors maintain payroll records and submit weekly payrolls and statements of compliance to the contracting agency.
- Contract Work Hours and Safety Standards Act: Workers must receive overtime compensation at a rate 1 ½ times their regular wage after they have worked 40 hours in one week.

Refer to the U. S. Department of Housing and Urban Development Office of Labor Relations for additional information about the laws outlined above.

3.15 Davis Bacon Act for HOME Funded Projects

NOTE: This section applies to the HOME Program. The NHTF statute authorizing the program did not make the labor standards of Davis-Bacon and Related Acts applicable to NHTF.

Each HOME assisted project that contains 12 or more HOME assisted units must pay all laborers and mechanics employed in the project an hourly rate not less than the minimum rate specified in the applicable wage decision issued by the DOL for each particular project. When combining HOME assistance with other federal sources, follow the Davis-Bacon standards of the program that applies the standards to the fewest number of units.

Owners must require all of the following:

- All contractors pay employees weekly
- All contractors must, on a weekly basis, enter their certified weekly payroll reports with all applicable documentation into HUD's LCPtracker (Labor Compliance Software; also refer to Section 6.13 and 6.14 of this document)

The completion and submission of all documentation for conformance with federal labor standards requirements is a condition for the release of HOME funds.

Minnesota Housing will conduct periodic interviews with persons who are working on site to ensure compliance with Davis Bacon and Related Acts. Errors or discrepancies in labor rates and payrolls will result in possible restitution to the person affected.

3.16 Wage Determination – Home Funded Projects

Each project with 12 or more HOME assisted units must obtain a wage decision from the DOL website. The owner's architect is responsible for obtaining the wage decision and ensuring it is included in all bid documents.

The owner must have a formal construction contract with the selected general contractor, and an owner who is also the licensed general contractor must have formal construction contracts with all individual sub-contractors. All construction contracts must contain Davis-Bacon language binding the contractor to Davis-Bacon requirements (HUD 4010).

The general contractor must ensure that all contracts with subcontractors contain all applicable labor standards and Section 3 documentation.

A Minnesota Housing-approved wage decision must be included in all bid specifications, bid documents and contracts. Failure to include a wage decision or the use of a wrong wage decision in bid specifications, bid documents and contracts will not relieve the contractor or owner from potential enforcement action and may make costs ineligible for payment with HOME funds.

Wage determinations may be modified by the DOL at any time, but most changes occur weekly on Fridays. The contract award date or the date on which a wage decision is considered locked in is as follows:

- For competitively bid contracts, the wage decision is considered locked in when the bids are opened, provided the contract is awarded within 90 days of the bid opening.
- The project that negotiates the general contractor's contract will lock in the wage decision when the contract is signed. **NOTE:** If the general contractor's contract is negotiated, all of the subcontractor's work must be competitively bid.
- For projects that are Federal Housing Administration (FHA) insured, the wage decision is locked in on the date that the mortgage is initially endorsed by HUD, provided that construction starts within 90 days.

NOTE: Work closely with the Federal Programs Manager to determine when your project's wage decision is locked in.

All of the following documents must be included in bid specifications and bid documents:

- Applicable Davis Bacon wage decision
- HUD Form 4010: Federal Labor Standards Provisions
- Completed and signed Minnesota Housing Equal Employment Opportunity (EEO) Policy Statement
- Section 3 Compliance Guide and all applicable attachments
- Multifamily Division Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise Compliance Guide and all applicable attachments

Minnesota Housing must be given a copy of the bid specifications and bid documents before they are released for bid. The Federal Programs Manager will approve the bid package before it is released for bid with the understanding that the wage decision may have to be updated before the contract is signed.

The construction contract, relocation contract, if applicable, any environmental remediation contracts outside of the construction contract, if applicable, and subcontractor contracts must include all of the following:

- Applicable Davis Bacon wage decision
- HUD Form 4010: Federal Labor Standards Provisions
- Completed and signed Minnesota Housing EEO Policy Statement
- Signed BIPOCBE/WBE Compliance Guide Certification
- Signed Section 3 Compliance Guide Certification
- Section 3 Clause

The architect contract must include the following:

- Completed and signed Minnesota Housing EEO Policy Statement
- Signed BIPOCBE/WBE Compliance Guide Certification

3.17 Notices for Job Site – HOME Funded Projects

Minnesota Housing will make one or more site visits to determine that the applicable notices related to wage and labor requirements are posted at the site.

Posting at the work site must include a copy of:

- Applicable Davis Bacon wage decision
- HUD Form 4010: Federal Labor Standards Provision
- Employees Rights under the Davis Bacon Act Notice Poster
- Any additional classification information

These documents must be posted at the work site in a location that employees can easily access and must be protected from the weather for the duration of the contract work.

3.18 Required Submittals to Minnesota Housing – HOME Funded Projects

Before the loan closing, the general contractor must submit a complete list of all contractors and subcontractors to be employed. This list must be updated as additional subcontractors are determined.

The general contractor must, at a minimum, report weekly in LCPtracker the following records:

- A list showing all contractors and subcontractors working on the project during the work week and documentation showing that the subcontractors are not on HUD's Limited Denial of Participation (LDP) list or listed as debarred in the SAM system. **NOTE:** This documentation only needs to be provided once per project and must be submitted before the subcontractor starts working on the project.
- A contractor and subcontractor profile for every contractor working on the project
- The certified weekly payroll report for each contractor and subcontractor that includes employees working at any time during the week
- Proof of employee approval of all other deductions

These submittals must be made no later than seven days following the reporting period covered. **Incomplete or incorrect payroll reports will delay payment.**

3.19 Subordination to Declaration of Covenants, Conditions and Restrictions

Minnesota Housing requires all lenders in a senior position to agree to subordinate their mortgage to the HOME or NHTF Declaration of Covenants, Conditions and Restrictions. The subordination to the HOME or NHTF Declaration of Covenants, Conditions and Restrictions does not affect lien priority; rather, it ensures that applicable rent, income and occupancy requirements run with the property for the duration of the affordability period regardless of any change of ownership, full payment of the loan or event of default.

Borrowers should begin talking to senior lien holders as soon as possible to determine if they are willing to execute the subordination. If a lender is not able to meet this requirement, Minnesota Housing may elect to not fund the loan.

3.20 Monitoring and Reporting Requirements

During Underwriting

Both programs require regular reporting throughout the underwriting period for certain activities. These include:

- Uniform Relocation Act (URA) requirements
- Tenant vacancy status and eligibility
- Section 3: Before construction begins, Section 3 Workers and Targeted Section 3 Workers must be identified and certified.
- BIPOCBE/WBE: Before closing, the Contractor Compliance Activity Report and BIPOCBE/WBE Contracts and Procurement Report must be completed and submitted.

During Construction

Both programs require regular reporting throughout the construction period for certain activities. These include:

- Uniform Relocation Act (URA) requirements
- Tenant vacancy status and eligibility
- Section 3: Project labor hours for Section 3 Workers and Targeted Section 3 Workers must be documented either weekly in LCPtracker if Davis Bacon applies to the project, or monthly during draw requests if Davis Bacon does not apply to the project. Qualitative efforts to provide employment and training opportunities to Section 3 Workers and contracts to Section 3 Business Concerns must be documented.
- BIPOCBE/WBE: An updated Contractor Compliance Activity Report must be completed and submitted indicating any new subcontractors awarded a contract during construction.

The HOME Program also requires reporting for labor standards (Davis Bacon) during the period of construction. These requirements are described earlier in this chapter.

During the Affordability Period

- Both HOME and NHTF require regular reporting during the affordability period.
- HOME affordability periods are based on specifics details of the project and can range from five to 20 years.
- NHTF affordability period is 30 years for all projects that receive NHTF funds.
- Annual reporting must include:
    - Household composition and demographic data, annual income, and rent
    - Annual owner certifications
    - Financial records to conduct financial oversight

- Financial: Minnesota Housing's Asset Management staff will annually review the Capital Needs Assessment (CNA)/Physical Needs Assessment (PNA) for the following:
  - Balance of replacement reserves at the beginning of the fiscal year
  - Capital expenditures during the fiscal year
  - Adjust above referenced PNA as needed
  - Ensure reserves balance remains positive through affordability date

During the affordability period, Minnesota Housing must annually examine the financial condition of the project and must take action where feasible to correct problems that threaten a project's financial viability [HOME 24 CFR part 92.504(d)(2)] [NHTF 24 CFR part 93.404].

3.21 Affordability Period

The affordability period marks the time during which the assisted units must remain in compliance with specific program guidelines.

Minnesota Housing reserves the right to require a longer affordability period as a condition of funding. The affordability period begins within 15 days of final disbursement of all project funds to the owner. The final disbursement occurs after project completion and submission of all required documentation. After the final disbursement is completed, an Affordability Period Certificate will be executed by the owner and Minnesota Housing and then filed in the respective county's records.

HOME Acquisition and Rehabilitation Affordability Periods:

- Five-year affordability period for loans less than $15,000 per HOME assisted unit
- Ten-year affordability period for loans between $15,000 and $40,000 per HOME assisted unit
- Fifteen-year affordability period for loans over $40,000 per HOME assisted unit

HOME New Construction Affordability Period:

- Twenty-year affordability period for all new construction

NHTF Affordability Period Term:

- Thirty-year affordability period for all loans regardless of amount or number of units

Chapter 4 – Fees

Certain fees and costs are eligible to be charged and paid for using federal funds.

- Costs to process and settle the financing for a project, such as:
    - Private lender origination fees
    - Credit reports
    - Fees for title evidence
    - Fees for recording and filing of legal documents
    - Building permits, attorneys' fees
    - Private appraisal fees
    - Fees for an independent cost estimate
    - Builders' or developers' fees
- Costs for both new construction and rehabilitation, such as:
    - Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups. The costs may be paid if they were incurred not more than 24 months before the date that funds are committed to the project and the grantee expressly permits funds to be used to pay the costs in the Written Agreement committing the funds
    - Costs to process and settle the financing for a project, such as private lender origination fees, credit reports, fees for title evidence, fees for recording and filing of legal documents, building permits, attorneys' fees, private appraisal fees and fees for an independent cost estimate and builders' or developers' fees
    - Costs of a project audit, including certification of costs performed by a certified public accountant, which Minnesota Housing may require with respect to the development of the project
    - Costs to provide information services such as affirmative marketing and fair housing information to prospective homeowners and tenants as required by 24 CFR Part 93.350
    - Payment of impact fees that are charged for all projects within a jurisdiction

Chapter 5 – Applying for Funds

Funds are available through Minnesota Housing's Multifamily Consolidated RFP, dependent on federal appropriations.

Minnesota Housing's Multifamily Consolidated RFP takes place annually. Notification is posted with resources and requirements for program eligibility at www.mnhousing.gov. Technical assistance and web training are made available prior to the date applications are due.

All program selections must be approved by Minnesota Housing's board. The projects will also be approved by Minnesota Housing's Clearinghouse Committee prior to commitment of funds (signing of the Written Agreement) and by Minnesota Housing's Mortgage Credit Committee prior to loan closing.

- The pro forma should include tax benefits and other assumptions used in calculating the project's cash flow.
- The pro forma should represent, at a minimum, the term of the HOME or NHTF Program affordability requirements (refer to Section 3.21 of this guide).

If Minnesota Housing determines that the total amount of federal funds and other governmental assistance exceeds the amount necessary to make the project feasible (e.g., costs are unreasonable or the projected rate of return is too high), Minnesota Housing will pursue one or more of the following remedies:

- Reduce the amount of federal program funds by reducing the project budget
- Increase the borrower's contribution or non-public funding
- Make other adjustments, such as lowering the rents, increasing the replacement reserves or analyzing expenses
- Deny federal program assistance if the applicant refuses to make reasonable adjustments or refuses to limit the rate of return and/or profit

Chapter 6 – Compliance

All standards contained in this chapter must be met at project completion and throughout the affordability period. Properties will be monitored for compliance with affordability and property standards for the duration of the affordability period.

The federal HOME Program and NHTF Program establish specific compliance responsibilities prior to, during and after project completion for the duration of the affordability period and the term of the loan. For information on compliance using HOME or NHTF funds, refer to applicable regulations for each program as referenced throughout this guide.

6.01 Financial Reporting and Reserves

HOME

For projects that receive HOME funds, Minnesota Housing may require the owner to establish a replacement cost reserve account any time prior to repayment of the HOME loan. The replacement cost reserve account will be held and maintained by either Minnesota Housing or a depository designated by Minnesota Housing.

If, during the HOME affordability period, the owner has a previously established replacement cost reserve account with a lender other than Minnesota Housing, the owner is required to furnish to Minnesota Housing evidence of the spending activity of the replacement cost reserve account. Evidence must include, but is not limited to, the current balance, deposits and disbursements made from the account, purpose of the disbursements and any other information as Minnesota Housing may request.

If the owner has established a replacement cost reserve account that is not held by a lender, then during the affordability period (as defined herein), the owner must, within 10 business days, furnish to Minnesota Housing or the lender, as may be requested from time to time, evidence of the spending activity of the replacement cost reserve account in a form acceptable to Minnesota Housing or the lender. Evidence must include the current balance, deposits and disbursements made from the account, purpose for which disbursements were made and any other information as the lender may request.

NHTF

Properties with 10 or more NHTF assisted units will be required to follow the financial oversight obligations of 24 CFR Part 93 and 24 CFR Part 93.404 and as detailed in this guide.

HOME and NHTF Financial Oversight (as applicable)

Requests from reserves will be reviewed and approved annually by Minnesota Housing upon receipt of audited financial statements. Owners must submit annual operating data, audited financial statements and annual updated PNA data for review by the assigned housing management officer (HMO). If you have questions regarding financial oversight, contact Eric Thiewes, Multifamily Portfolio Manager, at eric.thiewes@state.mn.us or 651.296.6527. The following provides a more detailed description of requirements.

PNA/CNA

The owner must submit a post rehabilitation capital expenditure that includes capital projections through the end of the affordability period. Minnesota Housing architects will review the plan using the completed rehabilitation capital expenditure to ensure appropriate useful remaining life and needed expenditures are included. The Asset Management program supervisor will annually:

- Review the balance of replacement reserves at the beginning of the fiscal year
- Review capital expenditures during the fiscal year
- Adjust the above referenced PNA/CNA as needed
- Ensure reserves balance remains positive through the affordability date
- Financial reporting: Use the annual Federal Reporting Tool to submit annual operating data. This information will be used to assist in evaluating the long-term financial viability of the project. It is similar to the Minnesota Housing reporting tool that owners and agents currently use to report first mortgage oversight operating data except for the following:
    - Only one report needs to be submitted 30 days from the project's fiscal year end.
    - The report will include all reserves balances and loan amounts from outside entities (if not held by Minnesota Housing).
    - This report will be in place of an annual budget and will reflect actual annual financial viability.

6.02 Ongoing Property Inspections and Property Standards

Ongoing property inspections are required during the affordability period as noted in 24 CFR Part 92.251 and 24 CFR Parts 93.301 and 93.404.

Minnesota Housing's inspections schedule for HOME and NHTF can be found in Chapter 5 of Minnesota Housing's Multifamily HOME Programs and National Housing Trust Fund Program Compliance Guide. The first monitoring inspection will be conducted in conjunction with project completion.

6.03 Income and Rent Limits

HOME and NHTF rent and income limits are published by HUD on an annual basis. Minnesota Housing issues an eNews to owners and managers and posts the new rent and income limits on its website when they are released. In the event rent limits decrease for an area, or utility allowances increase, an owner may be required to reduce the rent charged but will not be required to lower rents below those in effect at the time of project commitment.

The HOME and NHTF programs require annual review and approval of rents for the assisted units. Minnesota Housing's Multifamily HOME Programs and National Housing Trust Fund Program Compliance Guide describes this process.

HOME Income
Very low-income (VLI) families means low-income families whose annual incomes do not exceed 50% of the median family income for the area, as determined by HUD, with adjustments for smaller and larger families.

Low-income (LI) families means families whose annual incomes do not exceed 80% of the median income for the area, as determined by HUD, with adjustments for smaller and larger families.

NHTF Income
Extremely low-income (ELI) families means low-income families whose annual incomes do not exceed 30% of the median family income of a geographic area, as determined by HUD, with adjustments for smaller and larger families.

Very low-income (VLI) renter households means a household whose income is in excess of 30%, but not greater than 50% of the area median income, with adjustments for smaller and larger families, as determined by HUD.

Very low-income (VLI) families means low-income families whose annual incomes are in excess of 30%, but not greater than 50% of the median family income of a geographic area, as determined by HUD, with adjustments for smaller and larger families.

Refer to 24 CFR Part 92.2 and 24 CFR Part 93.2 for a more detailed definition for each program.

HOME Rents
Every HOME assisted unit is subject to maximum allowable rents based on bedroom size for the county in which the property is located. These maximum rents are referred to as HOME rents. There are two HOME rents established for properties; high and low HOME rents represent the maximum that owners can charge for rent, including an allowance for tenant-paid utilities. Rent limits and rent increases must be determined and verified in accordance with the requirements of Minnesota Housing's Multifamily HOME Programs and National Housing Trust Fund Program Compliance Guide.

Assisted units subject to low HOME rents must have gross rents (contract rent plus tenant paid utilities) that do not exceed 30% of the annual income of a family whose income equals 50% of the median income for the area, as determined by HUD.

Assisted units subject to high HOME rents must have gross rents (contract rent plus tenant paid utilities) that are the lesser of the fair market rent for existing housing for comparable units in the area as established by HUD or a rent that does not exceed 30% of the adjusted income of a family whose annual income equals 65% of the median income for the area, as determined by

HUD.

Properties Receiving Project-based Rental Assistance and HOME:

- If a HOME assisted unit receives federal or state project-based rental assistance and the unit is occupied by a very low-income (50% of AMI) household who pays not more than 30% of the household's adjusted income for rent, the maximum rent (tenant contribution plus the project-based rental subsidy) is the rent allowable under the federal project-based rental subsidy program.
  - Because the rent under the federal or state rental assistance program will typically be higher than allowable HOME Program rents, this will provide the owner the highest possible rent.
- Adjustments to HOME rents: The rent charged for HOME assisted units must be adjusted to comply with the low HOME rents at a time when/if federal project-based assistance is no longer available.
- Rents also must be adjusted if a household's income at annual recertification exceeds 50% of AMI. Refer to Chapter 2: *Maintaining the Unit Mix*, of Minnesota Housing's Multifamily HOME Programs and National Housing Trust Fund Program Compliance Guide.

NHTF Rents

For tenants who are extremely low-income (ELI), their rent plus utilities must not exceed the greater of 30% of the federal poverty line or 30% of the income of a family whose annual income equals 30% of AMI for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit. Note that when total NHTF funds available nationally are less than $1 billion, 100% of NHTF funded rental units must meet this standard.

When units are approved for tenants who are very-low income (VLI), their rent plus utilities must not exceed 30% of the income of a family whose annual income equals 50% of AMI for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit.

If the unit receives a federal or state project-based rental subsidy, and the tenant pays as a contribution toward rent not more than 30% of the tenant's adjusted income, the maximum rent is the rent allowable under the federal or state project-based rental subsidy program.

- Units funded with NHTF Operating Cost Assistance Reserves (OCAR) cannot have any subsidy attached to those units. The OCAR is used to fund operating shortfalls with the tenants paying no more than 30% of their income toward rent.
- For NHTF units funded with NHTF capital (and not covered with OCAR), the maximum rent allowable is the rent allowable under the federal or state project-based rental subsidy program.

Housing Support (fka GRH or Group Residential Housing). Properties receiving Housing Support and HOME or NHTF:

- When using current rent limits and taking into consideration the current Housing Support room and board rate, the amount of rent being charged for assisted units that are also subsidized with Housing Support is within applicable rent limits provided that the project is in compliance with 24 CFR Part 92.214(b)(3) and 24 CFR Part 93.204(b)(4).
  - Owners are prohibited from charging fees that are not customarily charged in rental housing.
  - Owners may charge fees for meals, as long as the services are voluntary.
  - Receipt of the board rate is optional for units with Housing Support in order to remain in compliance with applicable program regulations.

6.04 Rent and Income Eligibility During Occupancy

HOME

All HOME assisted units in a rental housing project must be occupied by households that are eligible as low-income families, with the following additional requirements.

Properties with five or more HOME assisted units:

Initial occupancy at project completion:

- At least 90% of all HOME assisted units must be initially occupied by families with annual gross incomes at or below 60% of AMI, with rents at or below the high HOME rent limit.
- At least 20% of the HOME assisted units must be initially occupied by very low-income households with incomes at or below 50% of AMI, with rents at or below the low HOME rent limit, unless a greater percentage is specified in the Declaration.
- The remainder of the HOME assisted rental units must be initially occupied by families with annual gross incomes at or below 80% of AMI, with rents at or below the High HOME rent limits.

Subsequent to initial occupancy:

- The minimum percent of the HOME assisted units designated in the Declaration must continue to be occupied by families with annual gross incomes at or below 50% of AMI, with rents at or below the Low HOME rent limit. The remaining HOME assisted units must be occupied by families with annual gross incomes at or below 80% of AMI, with rents at or below the High HOME rent limit.

Properties with fewer than five HOME assisted units:

Initial occupancy at project completion:

- All HOME assisted units must be initially occupied by families with annual gross incomes at or below 60% of AMI, with rents at or below the High HOME rent limit.

Subsequent to initial occupancy:

- All HOME assisted units must continue to be occupied by families with gross annual incomes at or below 80% of AMI, with rents at or below the High HOME rent limit.

The following chart illustrates the income targeting requirements by the number of HOME assisted units. **NOTE:** More restrictive requirements may be required based on project underwriting.

Number of HOME Units		Income Requirements At Initial Certification	Income Requirements After Initial Certification	Rent Requirements
5 +	Very Low Income/Low HOME Rent	At least 20% of the units must be occupied by very low-income households at 50% of AMI or less	At least 20% of the units must be occupied by very low-income households at 50% of AMI or less	At least 20% of the units must pay the lower of FMR, 50% rent limit (Low HOME Rent), or 30% of the family's adjusted income
	Low Income/High HOME Rent	*Up to 10% of the units may be occupied by households above 60% of AMI (up to 80% of AMI)	*The remaining 80% of the units may be occupied by households above 60% of AMI (up to 80% of AMI)	The remainder of the units may pay the lower of FMR or 65% rent limit (High HOME Rent)
1 – 4		All HOME assisted units must be occupied by households with incomes at or below 60% of AMI	All HOME assisted units must be occupied by households with incomes at or below 80% of AMI	Lower of FMR or 65% rent limit (High HOME Rent)

NOTE: You must have at least 10 HOME assisted units to qualify for one unit with a household at 80% of AMI.

NHTF

The income and rent determination provisions provided in this guide are those that HUD uses in its HOME Program rule. The breakdown of occupied units and income and rent requirements for NHTF are different and are specific to serving populations that are extremely low-income (ELI).

6.05 Utility Allowances

The HOME statute and the regulations at 24 CFR Part 92 establish gross rent limits for HOME assisted rental units. Gross rent limits include the contract rent plus a utility allowance (UA) for any tenant-paid utilities. Owners are required to establish maximum monthly allowances for utilities and services (excluding telephone) and update these annually.

The HOME Rule requires all owners to use a project-specific UA. For a list and description of the methodologies that can be used to calculate a project-specific UA and that will meet the HOME regulatory requirements for a project-specific UA, refer to Section 1.08 of the Multifamily HOME Programs and National Housing Trust Fund Program Compliance Guide. The certification and utility grids must be submitted to Minnesota Housing along with supporting documentation prior to closing of the HOME loan. Owners are permitted to switch methodologies only after approval by Minnesota Housing.

For the NHTF program, owners may continue to use the public housing authority's (PHA) established utility allowance that is also used for the tenant-based Section 8 Housing Choice Voucher program for that local area.

6.06 Lease Terms and Tenant Selection Policies

Leases for HOME and NHTF assisted units must be for a period of at least one year, unless a shorter term is agreed upon by the owner and tenant. Per federal regulation, leases must exclude certain provisions (refer below for a listing of prohibited lease provisions). Additionally, owners must adopt written tenant selection policies and criteria and make these available to Minnesota Housing upon request.

Tenant selection policies and other prohibited activities:

- Tenant selection plans must be consistent with the purposes of providing housing for low- and very low-income families, and housing must be limited to income-eligible families.
- Tenant selection plans must provide for selection of tenants from an existing written waiting list in the chronological order of their application, insofar as is practicable.
- Tenant selection plans must allow for prompt written notification to any rejected application of the grounds for rejection.
- Tenant selection plans must be reasonably related to the applicants' ability to perform the obligations of the lease (e.g., to pay the rent, not to damage the housing; not to interfere with the rights and quiet enjoyment of other tenants).
- Owners should comply with the Fair Housing Act, applicable provisions of 24 CFR Part 5, and any applicable HUD guidance.

In addition, projects selected for HOME and/or NHTF funding must follow Minnesota Housing's Tenant Selection Plan (TSP) guidelines as well. Refer to the Minnesota Housing website for more information on these guidelines.

6.07 Mandatory Lease Terms

HOME and NHTF both require written leases. Leases must be for a period of one year unless the tenant and the owner mutually agree to a shorter time.

All leases must contain the following provisions:

- **Tenant Income Certification:**
  - On an annual basis, the tenant must certify the household's income and composition by completing and signing a tenant income certification form that is provided by owner.
  - The owner may terminate the lease or refuse to renew the lease of a household for failure to supply the completed and signed tenant income certification form within 30 days of the request.
- **Third Party Income Verifications:**
  - The tenant must sign consents to third-party income verification as reasonably requested by owner.
  - The owner may terminate the lease or refuse to renew the lease of a household for failure to supply the consent to third party income verification within 30 days of the request.
- **Right of Access:**
  - The tenant must sign an acknowledgement that the owner, or their duly authorized agents, employees or representatives, upon reasonable notice to the household, must have the right of access to the dwelling unit for the purpose of examining the condition thereof and for making improvements and repairs, and for the purpose of showing the dwelling unit for re- rental.
- **Lease:**
  - The tenant and owner must sign an acknowledgement that the lease between a tenant and an owner of rental housing assisted with HOME or NHTF funds must be for not less than one year, unless by mutual agreement between the tenant and the owner.
- **Lease Addendum:**
  - Minnesota Housing provides the owner with a lease addendum that must be signed and retained in the tenant's file. This addendum includes the prohibited lease terms.

6.08 Prohibited Lease Terms

HOME and NHTF prohibit the following terms within tenant leases for HOME or NHTF assisted tenants:

- **Agreement to be sued**: The lease cannot contain a tenant agreement to be sued, admit guilt, or accept a judgment in favor of the property owner in a lawsuit brought in connection with the lease

- **Treatment of property**: The lease cannot contain a tenant agreement that the property owner may take, hold or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant regarding disposition of personal property remaining in the housing unit after the tenant has moved out. The property owner may dispose of this personal property in accordance with state law.
- **Excusing the property owner from responsibility**: The lease cannot contain a tenant agreement not to hold the property owner or the property owner's agents legally responsible for actions or failure to act, whether intentional or negligent.
- **Waiver of notice**: The lease cannot contain a tenant agreement that the property owner may institute a lawsuit without notice to the tenant.
- **Waiver of legal proceedings:** The lease cannot contain a tenant agreement that the property owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties.
- **Waiver of jury trial**: The lease cannot contain a tenant agreement to waive any right to a jury trial.
- **Waiver of right to appeal court decision**: The lease cannot contain a tenant agreement to waive the right to appeal or to otherwise challenge in court a decision in connection with the lease.
- **Tenant chargeable with the cost of legal actions regardless of outcome**: The lease cannot contain a tenant agreement to pay attorney fees or other legal costs even if the tenant wins a court proceeding by the property owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.
- **Mandatory Supportive Services**: In NHTF units, the lease cannot require the tenant, as a condition of occupancy, to participate in or agree to accept supportive services that are offered. In HOME units, the lease cannot require the tenant to accept supportive services that are offered (other than a tenant in transitional housing).

6.09 Termination of Tenancy

The owner must comply with program requirements related to evictions as well as state law regarding eviction procedures. The owner must serve written notice upon the tenant specifying the grounds for the action and providing a specific period for vacating that is consistent with federal, state or local law(s).

Under the HOME Program, tenancy may be terminated for any of the following:

- Serious or repeated violation of the terms and conditions of the lease

- Violation of applicable federal, state or local law(s)
- Completion of the tenancy period for transitional housing
- Other good cause

Under the NHTF Program, tenancy may be terminated for any of the following:

- Serious or repeated violation of the terms and conditions of the lease
- Violation of applicable federal, state or local law(s)
- Other good cause

NOTE: Good cause does not include an increase in tenant income.

6.10 Violence Against Women Reauthorization Act

On November 16, 2016, HUD issued its final rule implementing housing protections authorized in the Violence Against Women Reauthorization Act of 2013 (VAWA). Unique monitoring and implementation dates apply to HOME and NHTF. Compliance with VAWA regulatory requirements under the final rule is required for all HOME and NHTF projects. Written agreement provisions and lease addendums will be updated to include current regulatory language for these projects. In addition, for these HOME and NHTF projects, Minnesota Housing will create an external emergency transfer plan and provide an internal emergency transfer plan model, along with a Notice of Occupancy Rights and Certification form to owners for distribution to tenants.

One of the key elements of VAWA 2013's housing protections implemented in the rule is the emergency transfer plan, which allows for survivors to move to another safe and available unit if they fear for their life and safety. In addition to emergency transfer plans, the rule includes notification and documentation requirements by owners and a series of new forms. Owners must be familiar with regulatory requirements impacting their developments and should consult with their legal counsel as needed.

Refer to the Minnesota Housing compliance page at www.mnhousing.gov for more information, including required forms and documentation.

For more information on fair housing, refer to the Minnesota Housing Multifamily HOME Programs and National Housing Trust Fund Program Compliance Guide.

6.11 Affirmative Action

Minnesota Housing works affirmatively to ensure that all persons, regardless of race, color, creed, national origin, sex, religion, marital status, age, status with regard to receipt of public assistance, disability, sexual orientation, or familial status will be treated fairly and equally in employment or program participation.

All programs financed or administered through Minnesota Housing will contain equal opportunity/affirmative action requirements in the contracts or procedural guides or manuals, regardless of whether or not federal funding is involved.

6.12 Equal Economic and Employment Opportunity

Employers with federally assisted construction contracts must not discriminate in employment practices. Whenever contracts involving HOME assistance consist of more than $10,000, an equal opportunity clause, as detailed by Executive Order 11246, must be incorporated into all construction contracts. Executive Order 11246 was amended in 2015 to also prohibit discrimination on the basis of sexual orientation and gender identity. Sixteen specific equal employment and affirmative action steps are outlined in Executive Order 11246 to establish a good faith effort (these examples are not, however, the only options available to meet affirmative marketing and action requirements). Refer to Minnesota Housing's Equal Employment Opportunity Policy Statement.

6.13 Disputes Concerning Labor Standards and Payment of Wages for HOME Funded Projects

Disputes arising out of labor standard provisions must be resolved in accordance with the policies and procedures listed below. This includes disputes between the contractor or subcontractor and Minnesota Housing, HUD, the Department of Labor or the employees and their representatives.

The purpose of these procedures is to establish a uniform method of receiving, resolving and documenting, complaints and investigations or disputes where Davis-Bacon labor standards apply.

The following procedures must be followed to reach a resolution to labor standard disputes:

- The Minnesota Housing construction compliance officer (CCO) is responsible for resolving any complaints and conducting all investigations received where Davis-Bacon labor standards apply.
- All complaints received must be referred to the Minnesota Housing CCO for investigation within 10 days of receiving the complaint
- The Minnesota Housing CCO will investigate and review complaints, request additional information if necessary and issue a written notice of findings to all parties within 30 days of receiving all information required to make a decision.

If a contractor or subcontractor disagrees with the findings of the Minnesota Housing CCO concerning the complaint, the contractor or subcontractor can appeal any findings by submitting a written request to the Minnesota Housing CCO. The contractor or subcontractor must provide an explanation (along with supporting documentation) within 30 days of the original notification of findings.

The Minnesota Housing CCO and the Multifamily assistant commissioner will review the original findings and the information submitted appealing the findings to determine if the disagreement is justified. The contractor or subcontractor will be notified in writing within 30 days of receiving the written appeal.

If the contractor or subcontractor is not satisfied with Minnesota Housing's determination, they may request that the case be referred to HUD and/or the federal Department of Labor (DOL) for reconsideration. Such disputes must be resolved in accordance with the procedures of DOL set forth in 29 CFR Parts 5, 6, and 7.

Additional classification: A request for DOL reconsideration of a work classification and wage rate must be submitted in writing to DOL within 30 days of the decision and must be accompanied by a full statement and supporting data or information.

The information introduced in this section is not intended as a full or complete description of labor standards, responsibilities, and obligations. It is important to develop a working knowledge of HUD labor standards. If you are not well versed in labor standards issues and compliance, you may want to consider hiring an experienced consultant to ensure full compliance.

6.14 Owner's Letter Certifying Compliance for HOME Funded Projects

Upon completion, the owner must submit a letter to Minnesota Housing certifying compliance with all Davis-Bacon labor standards requirements.

Chapter 7 – Uniform Relocation Act

The purpose of the Uniform Relocation Act (URA) is to provide displaced persons or businesses with fair, equitable treatment and protection from disproportionate injury by projects designed to benefit the public. The owner/developer must adhere to URA requirements. If the borrowing entity will be displacing or temporarily relocating residential or nonresidential tenants, an experienced relocation specialist must manage the entire process. This section covers basic URA requirements. For lower income residents displaced as a direct result of demolition and conversions in HOME assisted projects, Section 104(d) of the Housing and Community Development Act of 1974 may also apply. Minnesota Housing has a Residential Anti-displacement and Relocation Assistance Plan (RARAP) that covers procedures under these circumstances. For a complete recital of relocation requirements for HUD funded projects, refer to HUD Handbook 1378: Tenant Assistance, Relocation and Real Property Acquisition.

Minnesota Housing, at its sole discretion, retains the right to request additional compliance measures.

7.01 Displacement, Temporary Relocation, Non-displacement

Displacement occurs when a person or business is displaced as a direct result (as defined under federal regulation) of a federally assisted acquisition, demolition, or rehabilitation project. The term displaced person means any tenant, regardless of income, who is forced to move from the property permanently as a direct result of rehabilitation, demolition, or acquisition of a HOME or NHTF assisted project. This includes, but is not limited to, physical displacement caused by overcrowding, loss of a unit or economic displacement due to an increase in rents.

Temporary relocation occurs when a residential or nonresidential tenant is required to move temporarily, either within the project or to an offsite location, in order to accommodate a federally assisted acquisition, demolition or rehabilitation. Relocation is only considered temporary if the residential or nonresidential tenant's relocation is for 12 months or less. If the relocation exceeds 12 months, it is considered displacement under URA regulations, and relocation benefits must be paid.

Non-displacement occurs when a residential or nonresidential tenant is not moved from their unit as a result of a federally assisted acquisition, demolition or rehabilitation.

Once the ION occurs, the owner/developer will review the scope of work and determine if there will be any displacement, non-displacement, or temporary relocation.

7.02 Tenant Relocation Plan

A residential or nonresidential tenant relocation plan that conforms to all URA requirements is required for all federally assisted projects involving rehabilitation or acquisition. The plan must include an outline of how the residential or nonresidential tenants will be accommodated during construction, an overview of construction activities, a project timeline, an estimated budget, and whether or not the scope of work will require temporary or permanent relocation, including:

- A description of who is developing the plan
- A description of the project and scope of work
- A list of all sources of funds and whether multiple federal fund sources will be used
- If **temporary relocation** is anticipated for anything exceeding 24 hours, describe:
  - How many tenants will be affected
  - How long the temporary relocation will last for an individual tenant
    - How many tenants will need to be out during business hours vs. overnight or extended time periods
  - Estimated schedule of construction and relocation
  - Where temporarily relocated tenants will be housed (e.g., a vacant unit, nearby hotel)
  - Plans for food and entertainment costs if relocation will be during business hours only
  - Transportation considerations
  - Moving companies available
  - Americans with Disabilities Act (ADA) accommodations
  - Budget of estimated costs and source information for the numbers
- If **permanent displacement** is anticipated, describe:
  - How many tenants will be affected
  - Estimated schedule of construction and relocation
  - How the owner/developer plans to find comparable replacement dwellings
  - How tenants who may be hard to house will be assisted
  - Transportation considerations
  - Moving companies available
  - Americans with Disabilities Act (ADA) accommodations
  - Budget of estimated costs and source information for the numbers
- How the owner/developer plans to accommodate any special needs of the tenants and how needs assessment interviews will be conducted
- What other social services may need to be used
- Relocation budget contingency for unexpected issues (e.g., a tenant is allergic to dust so they are not able to return home after business hours as expected). Minnesota Housing requires a minimum of $5,000 for the relocation budget.

NOTE: This list is intended as a guide and is not all inclusive.

7.03 Notices

The URA regulations require several notices to be delivered to all residential or nonresidential tenants and/or potential tenants of the property receiving federal funds. Each notice must be written in plain, understandable language. Persons who are unable to read and understand the notice (e.g., due to lack of literacy, limited English proficiency, disability) must be provided with appropriate translation or interpretation services in accordance with HUD limited English proficiency guidance, alternative formats, and/or counseling. Each notice must indicate the name and telephone number (including the telecommunication device for the deaf [TDD] number, if applicable) of a person who may be contacted for answers to questions or other needed help.

Minnesota Housing provides templates of all notices on its website except for the Ninety-Day Notice, which should be developed by the owner/developer. The templates include instructions on how to tailor the notices to the specific project. Minnesota Housing requires drafts of all notices to be submitted as due diligence for review and approval. Once the drafts are approved, the owner/developer must deliver applicable notices to the tenants. All notices must be delivered (minimally) to all adult leaseholders.

Tenant notices should be delivered in one of the following ways:

- Hand delivery
- Certified return receipt (USPS)

Other forms of delivery must receive prior approval from Minnesota Housing. The owner/ developer must be able to provide proof of delivery.

HUD Information Brochure: A copy of HUD's brochure must be provided to tenants, homeowners, and businesses who will be permanently displaced. English and Spanish versions can be found on HUD's website.

General Information Notice (GIN): The GIN informs tenants of the receipt of federal funds for acquisition and/or rehab. Tenants residing in the property at the time of the Initiation of Negotiations (ION) must be provided a GIN ***within 30 days,*** or adhere to another timeline that Minnesota Housing, in its sole discretion, agrees upon. It is imperative that the GIN is disbursed in a timely manner. Any tenants who move in or out before the GINs are disbursed will be eligible for URA benefits. There are two versions of the GIN, and the owner/developer should work with the federal programs team at Minnesota Housing to determine which version of the notice (displacement, non-displacement or a combination) should be used.

Notice of Non-displacement: This notice informs tenants who will remain in the project after completion of the assisted activity of their rights and of the terms and conditions for remaining at the property during construction. This is a separate notice and requirement from the GIN;

however, the GIN and the Notice of Non-displacement can be delivered at the same time.

Move-in Notices: Tenants who move into the project after the ION must sign a Move-in Notice prior to signing the lease. This notice informs new tenants that they may be displaced and that they will not be entitled to relocation assistance under URA.

Notice of Eligibility (NOE): The NOE informs tenants who will be permanently displaced of the available relocation assistance, the estimated amount of assistance based on the displaced person's individual circumstances and needs, and the procedures for obtaining assistance. This notice must be specific to the person and their situation so that they will have a clear understanding of the type and number of payments, along with the amount of each payment, and/or other assistance they may be entitled to. The NOE must be signed by the tenant(s).

Before an NOE can be provided, a relocation needs assessment interview needs to take place. The development team must also complete form HUD-40061. This form must be retained in the tenant URA file for purposes of monitoring by Minnesota Housing.

Ninety-day Notice: Owners/developers will develop their own vacate notices, which must be provided to tenants who will be displaced, at least 90 days prior to their move out. The notice must not be given before they receive a notice of relocation eligibility (or NOE) for relocation assistance. The date provided in this notice may be different for each person or group of persons in a project based on whether or not the project will be phased, the location of the occupied building(s), or the project schedule.

Additional Notice Requirements – Tenant Track Down: If an owner/developer fails to provide the GIN notices required and occupants vacate the project before being appropriately advised of their eligibility or ineligibility for URA, the owner/developer must initiate all reasonable procedures to locate all former occupants who should have received proper notice. Efforts to locate former occupants may include: appropriate notice in a local newspaper (for at least 30 days); posting notice in an appropriate project location; checking with the local post office for a forwarding address; checking project records for employment or other contact telephone numbers; checking with local utility companies, school districts, churches, or community organizations; hiring a "finding service" available in the local area or over the internet; and/or other appropriate methods. Each occupant's file must be documented with all attempts to make contact and the results. The owner/developer will need to determine the eligibility or ineligibility for relocation assistance for each former occupant who is located and assist the former occupant to access appropriate advisory services and applicable relocation payments.

7.04 Relocation Needs Assessment Interviews

Providing a written notice or series of notices, along with the HUD information brochure, is not sufficient to ensure that a person who is affected by the project understands his/her rights and responsibilities. As soon as feasible, the owner/developer must contact each person who is affected by the project to discuss his/her needs, preferences, and concerns. Whenever feasible, contact should be in person.

The development team must complete form HUD-40061. This form must be retained in the tenant URA file for purposes of monitoring by Minnesota Housing.

7.05 Claim Forms

HUD provides claim forms on their website to use when calculating benefits.

Each URA file for residential tenants who are **displaced** requires:

- Form HUD-40058 Claim for Rental Assistance or Down Payment Assistance
- Form HUD-40054 Residential Claim for Moving and Related Expenses

Each URA file for residential tenants who are **temporarily relocated** requires:

- Form HUD-40058 Claim for Rental Assistance or Down Payment Assistance
- Form HUD-40030 Claim for Temporary Relocation Expenses (residential moves).

Each URA file for nonresidential tenants who are **displaced or temporarily relocated** requires:

- Form HUD-40055 Claim for Actual Reasonable Moving and Related Expenses – Nonresidential
- Form HUD-40056 Claim for Fixed Payment in Lieu of Payment for Actual Nonresidential Moving and Related Expenses

7.06 Appeals

Tenants have the right to appeal the claim amount they have been provided. The Tenant Relocation Plan must include details of the appeals process consistent with 49 CFR Part 24.10. Owners/developers must track all appeals submitted and the outcome of each decision. Written responses to tenants must include information regarding the tenant's ability to appeal the decision. Refer to HUD Handbook 1378: Tenant Assistance, Relocation and Real Property Acquisition for more information on the appeals process.

7.07 Reporting

The development team will be required to send the month's rent roll(s) and any Move-In Notices to Minnesota Housing by the last business day of the month for Minnesota Housing to review.

Construction draws are contingent on Minnesota Housing having current and accurate URA information.

7.08 Monitoring

Minnesota Housing will monitor URA files at project closeout for both temporary relocation and permanent displacement. The file should, at a minimum, contain the following:

- All applicable notices
- All applicable claim forms
- Copies of all checks and proof tenants received them (e.g., signed check, certified mail signatures)
- Proof the appropriate HUD Information Brochure was delivered
- Any applicable communication
- Any appeals information, if applicable
- For residential tenants who were displaced, the file should contain:
    - Selection of Most Representative Comparable Replacement Dwelling for Computing Replacement Housing Payment
    - Replacement housing rent and utility costs
    - Proof that the replacement dwelling is decent, safe and sanitary. A dwelling occupied in connection with a rental assistance program that is subject to HUD Housing Quality Standards (HQS) (24 CFR part 982.401), must be deemed to be in compliance with URA decent, safe and sanitary standards if it meets the applicable HQS.

7.09 Records Retention

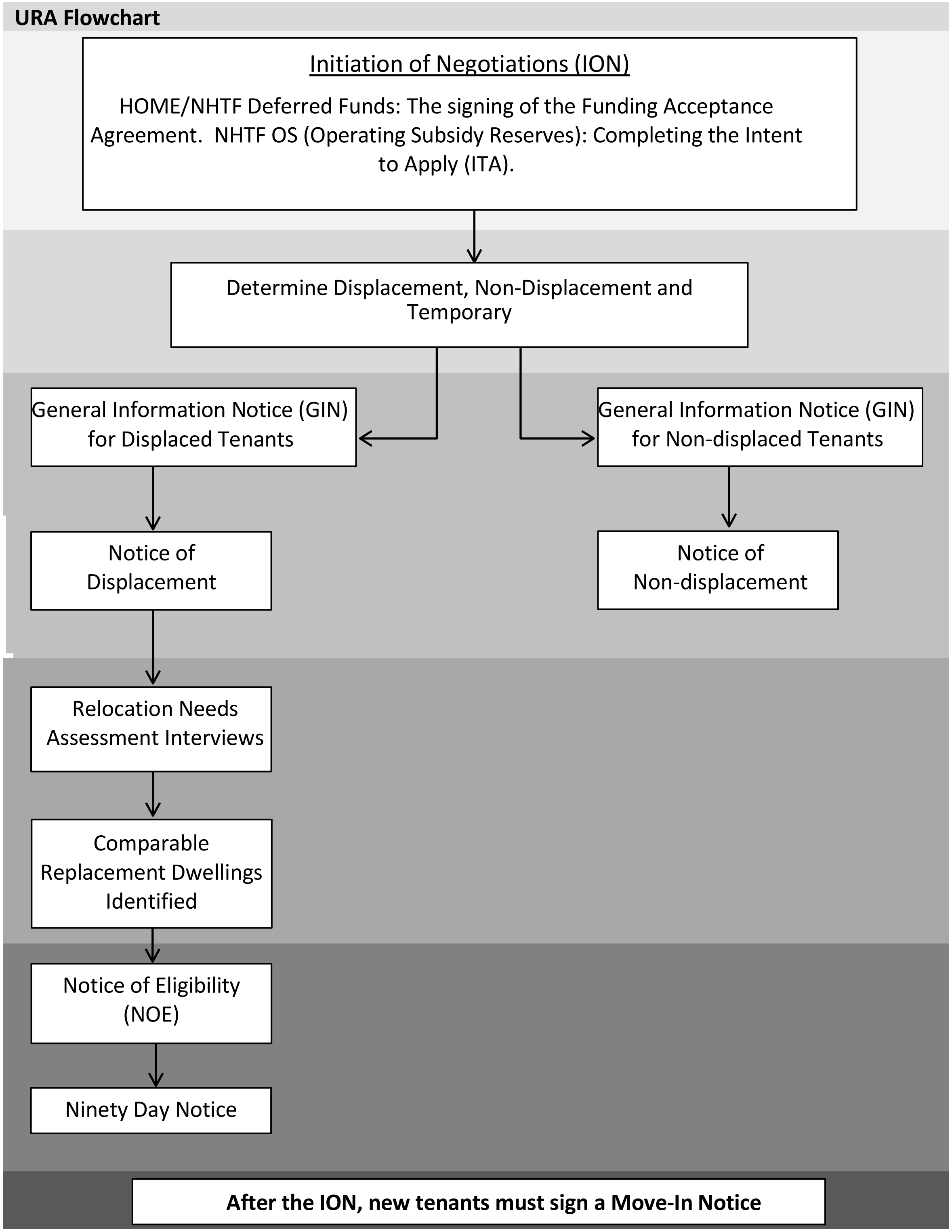
Owners/developers must have a URA file for all tenants. The owner/developer will be responsible for retaining all documentation pertaining to URA, including rent rolls, tenant files, notices, claims, etc. All records must be retained for five years after the final claim payment has been made.

7.10 Guiding Statutes, Regulations and Reference Materials

Applicable statutes and regulations pertaining to displacement include:

- The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 that applies to displacement resulting from acquisition, demolition, or rehabilitation for HUD assisted projects carried out by public agencies, nonprofit organizations, private developers or others and real property acquisition for HUD assisted projects (whether publicly or privately undertaken)
- Section 104(d) of the Housing and Community Development Act of 1974
- HOME Program regulations found in 24 CRF Part 92
- NHTF Program regulations found at 24 CFR Part 93
- HUD Handbook 1378: Tenant Assistance, Relocation and Real Property Acquisition, as updated, consolidates relocation requirements for all HUD programs in one document and provides instructions for compliance.

7.11 URA Flowchart



Chapter 8 – Rural Development and Preservation Activities

8.01 Rural Development Special Considerations

Below are the initial steps you must take when applying for funds to rehabilitate a Rural Development (RD) property:

- Contact the local RD office prior to submitting an application to Minnesota Housing for funding to discuss RD's procedure for applying for federal loans
- Ensure that the RD's construction analyst or architect has inspected the site and assisted with the scope of work

The owner is required to demonstrate that the RD's construction analyst or architect has inspected the site and assisted with the scope of work.

Minnesota Housing will allow a maximum of 80% of the units to be financed with HOME assistance when the RD note rate rents exceed the applicable HOME Program rent limits.

Example: If you have 10 units, only a maximum of eight units may receive HOME assistance (10 x 80% = 8).

Units assisted with HOME or NHTF funds must comply with the income and rent restrictions applicable to those programs, which is discussed in depth in other sections of this guide.

8.02 Application and Approval for Commitment

Minnesota Housing requires that all RD properties obtain approval for acquisition prior to submitting an application for funding. If Minnesota Housing receives an application without the necessary RD approvals, the application will be returned. This provision ensures that the maximum funds can be used in the most timely and effective manner.

Prior to closing, Minnesota Housing will send an executed Notice of Default form to the appropriate RD office, along with a request for junior lien approval.

NOTE: Minnesota Housing will not issue a loan commitment until it has received written consent from the RD office for junior lien approval.

Chapter 9 – Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation.

Minnesota Housing's fair housing policy incorporates the requirements of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, as well as the Minnesota Human Rights Act. Housing providers are expected to comply with the applicable statutes, regulations, and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements.

In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and requires housing providers to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

Applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.

As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Housing Choice Voucher or other form of tenant-based rental assistance.

Chapter 10 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting

10.01 Fraud

Fraud is any intentionally deceptive action made for personal gain or to damage another.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the ways described in Section 10.05.

10.02 Misuse of Funds

A loan or grant agreement is a legal contract between Minnesota Housing and the borrower or grantee. The borrower or grantee promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the borrower or grantee to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the borrower or grantee must use Minnesota Housing funds as agreed, and the borrower or grantee must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a borrower or grantee; or (2) A borrower or grantee cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the loan or grant agreement.

Any borrower or grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the ways described in Section 10.05.

10.03 Conflict of Interest

A conflict of interest, actual, potential, or perceived, occurs when a person has an actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. A potential or perceived conflict of interest exists even if no unethical, improper or illegal act results from it.

An individual conflict of interest is any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a friend, relative, acquaintance or business or organization with which they are involved.

Organizational conflicts of interest occur when:

- A contracting party is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties
- A contracting party's objectivity in carrying out the award is or might be otherwise impaired due to competing duties or loyalties
- A contracting party has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party's responsibilities to mitigate the conflict
- Allowing the contracting party to create firewalls that mitigate the conflict
- Asking the contracting party to submit an organizational conflict of interest mitigation plan
- Terminating the contracting party's participation

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual, perceived or potential conflicts of interest through one of the ways described in Section 10.05.

A contracting party should review its contract agreement and request for proposals (RFP) material, if applicable, for further requirements.

10.04 Suspension

By entering into any agreement with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the agreement) has not been suspended from doing business with Minnesota Housing. Refer to Minnesota Housing's website for a list of suspended individuals and organizations.

10.05 Disclosure and Reporting

Minnesota Housing promotes a "speak-up, see something, say something" culture whereby internal staff, external business partners (e.g., grantees, borrowers) and the general public are encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation. You may report wrongdoing or other concerns by contacting:

- Minnesota Housing's Chief Risk Officer at 651.296.7608 or 800.657.3769;

- Any member of Minnesota Housing's Servant Leadership Team, as denoted on Minnesota Housing's current organizational chart (go to mnhousing.gov, scroll to the bottom of the screen and select About Us; select Servant Leadership Team); or
- Report Wrongdoing or Concerns (mnhousing.gov) (go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing).

2026-2027 Qualified Allocation Plan

Housing Tax Credit Program

Last Updated: November 2024

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Chapter 1 – Introduction and Preparation of the Qualified Allocation Plan

The Federal Tax Reform Act of 1986 created the Low-Income Housing Tax Credit (Housing Tax Credit) Program (refer to Section 42 of the Internal Revenue Code) for qualified residential rental properties. The Housing Tax Credit (HTC) offers a reduction in federal income tax liability to owners and investors in eligible low-income rental housing projects involving new construction, rehabilitation or acquisition with rehabilitation.

The Minnesota Housing Finance Agency (Minnesota Housing) was designated by the Minnesota Legislature as the primary HTC Allocating Agency for the State of Minnesota, with certain other cities and counties also designated as Suballocators of HTCs.[1]

Section 42 of the Internal Revenue Code (IRC) requires that HTC allocating agencies develop and adopt a Qualified Allocation Plan (QAP) for the distribution of HTCs within the jurisdiction of the Allocating Agency.

Minnesota Housing's QAP is developed in accordance with federal law, and all applicable federal requirements are hereby incorporated by reference.[2] The QAP sets forth selection criteria that are appropriate to local conditions and priorities for allocating HTCs to housing projects. The selection criteria include project location, housing needs characteristics, project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan, sponsor characteristics, tenant populations with special housing needs, public housing waiting lists, tenant populations of individuals with children, projects intended for eventual tenant ownership, the energy efficiency of the project and the historic nature of the project.

The QAP gives preference as required by federal law to:

1. Projects serving the lowest income tenants;
2. Projects obligated to serve qualified tenants for the longest periods; and
3. Projects in Qualified Census Tracts (QCTs) that are part of a concerted community revitalization plan.

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[1] Minnesota Statutes sections 462A.221 to 462A.225

[2] Section 42(m) of the Internal Revenue Code; IRS Treasury Regulation 1.42-17.

This document and the Self-Scoring Worksheet, make up Minnesota Housing's QAP. The QAP is subject to modification or amendment to help ensure the provisions conform to the requirements of Section 42 and applicable state statutes.

Minnesota Housing's policies and procedures are incorporated into multiple resources and guides. The list below includes key documents, but this list is not an exclusive list of all Minnesota Housing materials. Visit Minnesota Housing's website (www.mnhousing.gov) or contact Minnesota Housing for more information.

- **Affordable Housing Plan:** Sets forth Minnesota Housing's business plan to carry out the Agency's core work and implement the Strategic Plan.
- **Housing Tax Credit Program Compliance Guide:** Sets out the procedures to be followed by Minnesota Housing and the owners of HTC projects in order to comply with the requirements of Section 42 and the applicable Treasury Regulations.
- **Multifamily Underwriting Standards:** Outlines the Minnesota Housing's general approach to underwriting.
- **Multifamily Rental Housing Design/Construction Standards:** Contains design/construction standards to meet Minnesotans' needs for decent, safe and sustainable affordable housing.
- **Qualified Allocation Plan Methodology Guide:** Provides additional information related to application of Minnesota Housing's geographic priorities, as reflected in the Self Scoring Worksheet, for effectively distributing HTCs throughout the state.
- **Strategic Plan:** Outlines how the Agency will use its financial, programmatic, operational and human resources to achieve its strategic priorities and sustain a healthy organization over the long term.
- **Tenant Selection Plan Guidelines:** Provides requirements and best practices for the tenant selection plans, required of all developments receiving Minnesota Housing funding and those that receive HTC in accordance with this QAP.

Minnesota Housing has no jurisdiction to interpret or administer Section 42, except in those instances where it has specific delegation.

Minnesota Housing is required to monitor HTC projects during the compliance period and to notify the Internal Revenue Service (IRS) of any noncompliance, with the requirements of Section 42 of which it becomes aware. All applicants should review IRS Treasury Regulation 1.42-5 Monitoring Compliance. In addition, Minnesota Housing will monitor the projects during the remaining term of the Declaration of Land Use Restrictive Covenants (LURA) following the conclusion of the compliance period.

Minnesota Housing is under no obligation to undertake an investigation of the accuracy of the information submitted in an application. Minnesota Housing's review of a proposed housing project does not constitute a warranty of the accuracy of the information, nor of the quality, suitability, feasibility or marketability of the housing to be constructed or rehabilitated. If any information submitted to Minnesota Housing by the applicant is later found to have been incorrect or there has been a subsequent change in any material respect, it is the responsibility of the applicant to inform Minnesota Housing and to request a reexamination of the application.

This QAP is provided solely for use in applying for HTCs from Minnesota Housing and may not be relied upon in structuring or investing in specific transactions or complying with the IRC, IRS Treasury Regulations or any other laws or regulations governing HTCs. Interested parties should consult with a knowledgeable tax professional prior to entering into any commitment concerning the use and claiming of HTCs.

Minnesota Housing maintains the right not to award or allocate HTCs for any project if it determines, in its sole discretion, that an Allocation or Award for such project does not further the purpose and goals as set forth in this QAP.

Chapter 2 – Policies and Procedures

A. Definitions

As used in this QAP, the following capitalized terms have the definitions set forth below.

4% HTC: HTC which are not taken into account in the state's annual credit ceiling, pursuant to Section 42(h)(4).

9% HTC: HTC which are taken into account in the state's annual credit ceiling, pursuant to Section 42(h)(1).

Allocating Agency: Any entity authorized by the state of Minnesota and Section 42 to allocate or award HTCs in Minnesota.

Allocation: Any amount of HTCs issued to a building which are taken into account in the state's annual credit ceiling, pursuant to Section 42(h)(1).

Award: Any amount of HTCs issued to a building which are not taken into account in the state's annual credit ceiling, pursuant to Section 42(h)(4).

Federally Assisted Building: The term "Federally Assisted Building" as defined by Section 42(d)(6)(C) means any building which is substantially assisted, financed or operated under Section 8 of the United States Housing Act of 1937, Section 221(d)(3), 221(d)(4) or 236 of the National Housing Act, Section 515 of the Housing Act of 1949 or any other housing program administered by the United States Department of Housing and Urban Development (HUD) or by the Rural Housing Service of the United States Department of Agriculture Rural Development (RD).

Greater Minnesota: Greater Minnesota means any area which is not included in the Metropolitan Area as defined below.

Internal Revenue Code (IRC): Title 26 of the United States Code.

Metropolitan Area: As set out in Minnesota Statutes, section 473.121, subdivision 2, Metropolitan Area means the area over which the Metropolitan Council has jurisdiction, including the counties of Anoka, Carver, Dakota (excluding the cities of Northfield and Cannon Falls), Hennepin (excluding the cities of Hanover and Rockford), Ramsey, Scott (excluding the city of New Prague) and Washington.

Qualified Allocation Plan (QAP): As defined in Section 42 (m)(1)(B) and including the Self-Scoring Worksheet and this document.

Section 42: Low-Income Housing Tax Credit (26 USC § 42), as amended.

Selection: For purposes of an Allocation, the Minnesota Housing board action to select a project for future reservation and allocation of HTC through Round 1 or Round 2. For purposes of an Award, the issuance of the preliminary determination letter by Minnesota Housing.

Suballocator(s): Any Allocating Agency, other than Minnesota Housing, authorized by the state of Minnesota and Section 42 to allocate HTCs in Minnesota.

Substantial Rehabilitation: As used in this QAP, Substantial Rehabilitation means rehabilitation that meets the definition of "Substantial rehabilitation" as defined in Minnesota Statutes, section 462A.221, subdivision 5 and that also meets the rehabilitation expenditure requirements set forth in Section 42(e).

B. Geographic Distribution

The HTC available for allocation within the state of Minnesota are divided into two general geographic pools: (1) the Metropolitan Area pool; and (2) the Greater Minnesota pool. Distribution of HTCs between the two general pools is based on the share of the state's public assistance recipients residing in each area, pursuant to Minnesota Statutes, section 462A.222, subdivision 1a.

Under Minnesota Statute 462A.222, certain cities and counties have been designated as Suballocators to allocate HTCs to eligible projects in their cities or counties. Some Suballocators have entered into a Joint Powers Agreement with Minnesota Housing under which Minnesota Housing will perform the HTC allocation and compliance monitoring. These Suballocators currently are the cities of Duluth, St. Cloud and Rochester. Minnesota Housing will post updates to Suballocator information on Minnesota Housing's website.

The HTC distribution plans for Greater Minnesota and the Metropolitan Area will be formulated in accordance with Minnesota Statutes, section 462A.222, subdivision 4. The Greater Minnesota distribution plan will provide for the allocation of the following HTC: (1) the Rural Development (RD)/Small Project set-aside (refer to Chapter 2.D.); (2) any HTC reserved to a Suballocator located in Greater Minnesota; (3) the portion of the nonprofit set-aside (refer to Chapter 2.C.) allotted to Greater Minnesota; and (4) the balance of the Greater Minnesota pool.

The Metropolitan Area distribution plan will provide for the allocation of the following HTCs: (1) any HTC reserved to a Suballocator located in the Metropolitan Area; (2) the portion of the nonprofit set-aside (refer to Chapter 2.C.) allotted to the Metropolitan Area; and (3) the balance of the Metropolitan Area pool.

Minnesota Housing will update the distribution between the Greater Minnesota pool and the Metropolitan Area pool for the 2026-2027 QAP based upon updated demographic data in early 2025 and 2026, and the applicable distribution will be posted on Minnesota Housing's website.

C. Nonprofit Set-Aside

Federal law requires that 10% of the state's HTC credit ceiling be reserved exclusively for projects involving qualified nonprofit organizations (Nonprofit Set-Aside). Minnesota Housing administers the Nonprofit Set-Aside. On an annual basis, Minnesota Housing and Suballocators may agree to reserve an additional 5% of the total annual HTC credit ceiling for a total annual Nonprofit Set-Aside of 15%. Applicants to the Nonprofit Set-aside can also compete in Round 2 if there are Nonprofit Set-Aside HTC still available. If the Nonprofit Set-Aside is not exhausted in Round 1, the Nonprofit Set-Aside will be available in Round 2. If a project is necessary to meet the Nonprofit Set-Aside requirement in Round 2, at Minnesota Housing's sole discretion, the project will have priority over other applicants in Round 2. If the Nonprofit Set-Aside is exhausted during a round, nonprofit applicants with proposed projects in Minnesota Housing's jurisdiction may be eligible for HTCs from the general pool. Any proposal that receives HTCs from the Nonprofit Set-Aside must comply with the nonprofit requirements of IRC Section 42(h)(5)(C) and (D), including material participation for the term of the LURA. This requirement will be recorded as a covenant on the land that will apply to all subsequent owners.

To qualify for the Nonprofit Set-Aside, a qualified nonprofit organization must own an interest in the project (whether directly or through a partnership) materially participate (within the meaning of IRC 469(h)) in the development and operation of the project throughout the term of the LURA. A qualified nonprofit organization means an organization that meets the following requirements:

1. The organization must be exempt from taxation under IRC 501(a) as an organization meeting the requirements of either IRC 501(c)(3) or IRC 501(c)(4);
2. One of the exempt purposes of the organization must include the fostering of low-income housing;
3. The organization must be organized and incorporated in the state of Minnesota and have experience in Minnesota as a sponsor, owner or manager of low-income housing; and
4. The organization must be determined by the Allocating Agency not to be affiliated with or controlled by a for-profit organization.

The intent of Section 42 is to ensure that a for-profit entity or individual does not set up a sham nonprofit organization in order to secure the Nonprofit Set-Aside. This could include establishing a nonprofit organization for the specific project, without any history, experience, local community involvement or financial strength.

The nonprofit organization must demonstrate that the nonprofit is acting independently and free from influence of control by the for-profit project team members. Minnesota Housing reserves the right to contact the officers and directors of the nonprofit organization to determine their independence.

Minnesota Housing requires that all nonprofits applying for the Nonprofit Set-Aside disclose all identities of interest between the nonprofit and any member of the for-profit project team. An identity of interest would include any officer, director, partner, stockholder, relative, seller or owner of land or building involved, processing agent, real estate salesperson or broker, employee or other person acting to represent any for-profit member of the project team who controls or influences, or has the power to control or influence, the decisions of the nonprofit.

If there is an identity of interest between or other appearance of affiliation with or control by a for-profit organization, as determined by Minnesota Housing, an applicant may not qualify to receive HTCs from the Nonprofit Set-Aside. In making this determination, Minnesota Housing will consider the following:

1. The nonprofit's funding sources and composition of its board;
2. Past experience and anticipated future activities of the nonprofit, including involvement in the local community;
3. The nonprofit's financial strength and ability to materially participate in the development and operation of the project during the term of the LURA;
4. The relationship of the principals involved in the formation and/or management of the nonprofit organization with for-profit members of the project team; and
5. If requested by Minnesota Housing, an attorney opinion letter.

Determinations will be based on all relevant facts and circumstances. Unless determined otherwise by Minnesota Housing, the following relationships are presumed to show that the nonprofit organization is affiliated with or controlled by a for-profit organization:

a. Having more than a 25% share of common board members/principals; or
b. Having more than 25% of its funding, directly or indirectly, from the parent entity; or

D. Rural Development/Small Project Set-Aside

Minnesota Housing designates a portion of the state's HTC volume cap to Rural Development (RD) - financed or other small projects. The amount of HTCs reserved to the RD/Small Project set-aside for 2026 is $500,000 and 2027 is $525,000. Eligible projects must either:

1. Have an RD financing commitment or application for RD financing; or
2. Be a small project located in a Rural/Tribal Designated Area, as defined in the Rural/Tribal Methodology in the Methodology Guide, and consist of 24 or fewer units.

First priority will go to projects with applications for financing or a commitment from RD. Applicants to the set-aside first compete in the general pool and if not competitive then move to the RD/Small Project set-aside for consideration. Applicants to the set-aside can also compete in Round 2 if there are

RD/Small Project set-aside HTC still available. IRS Form 8609 may not be issued to a new RD project until after financing commitment has been executed.

E. Application Rounds

Minnesota Housing has two HTC application rounds, Round 1 and Round 2, to allocate the state's HTC credit ceiling for a calendar year. Applications for HTCs in association with tax-exempt volume limited bonds are accepted year-round on a pipeline basis.

Round 1

Round 1 is offered through the Multifamily Consolidated Request for Proposals (RFP) and uses a forward selection process, with selections generally taking place in the year proceeding the allocation year of the HTCs. Projects that have previously received a partial reservation or Allocation of HTCs from Minnesota Housing may have priority over other applicants in Round 1.

During Round 1, for-profit applicants must apply directly to the Suballocator for an HTC Allocation if the project falls within a Suballocator's jurisdiction. Except for the nonprofit set-aside, Minnesota Housing will not accept applications for developments located within the jurisdiction of Suballocators in Round 1 unless the Suballocator has entered into a Joint Powers Agreement with Minnesota Housing or has returned all their HTCs to Minnesota Housing. Minnesota Housing will administer the HTCs for all areas outside the jurisdiction of Suballocators. Any unused HTCs are returned by the Suballocators to Minnesota Housing prior to Round 2.

In Round 1, the nonprofit set-aside is divided proportionally between the two geographic pools, the Metropolitan Area pool and the Greater Minnesota pool. Nonprofit applicants with projects located within the jurisdiction of a Suballocator may apply for HTCs from Minnesota Housing, but only in the nonprofit set-aside. Nonprofit applicants with projects located in the jurisdiction of a Suballocator may apply simultaneously to the Suballocator and to the Minnesota Housing nonprofit set-aside. Nonprofit developments not located in the jurisdiction of a Suballocator will compete for HTCs in the respective geographic pool once the nonprofit set-aside has been exhausted.

In Round 1, Minnesota Housing will establish a preservation allocation ceiling of 2/3 for each geographic pool, Metropolitan and Greater Minnesota, but not including the RD/Small Project set-aside or the nonprofit set-aside. Minnesota Housing reserves the right to exceed the 2/3 ceiling if qualifying new construction proposals are not available or do not rank competitively.

Round 2

Round 2 makes available for allocation any HTCs remaining or returned since Round 1. All remaining or returned HTCs, excluding a return of HTCs for projects requesting a reallocation, will be combined into one unified pool for allocation by Minnesota Housing on a statewide basis, without regard to geographic distribution and with no set-asides. Additionally, Minnesota Housing may, at its sole discretion, establish a waiting list following Round 2 for HTCs that may be returned or otherwise become available. Refer to Chapter 2.T. for additional details.

In Round 2, all projects located in Suballocator jurisdictions may apply directly to Minnesota Housing. Projects that have previously received HTCs from Minnesota Housing or a Suballocator and have an annual HTC shortfall of at least 5%, but not more than 33.33%, of the total qualified annual HTC amount, subject to Minnesota Housing approval, will have priority over other applicants in Round 2 and under the waiting list. If more than one project qualifies under the supplemental priority, Minnesota Housing will evaluate and rank eligible requests according to points awarded.

The RD/Small Projects set-aside will be carried forward until the end of Round 2, or until it is determined that there are no eligible applications for the set-aside. If Minnesota Housing has not met the 10% IRS requirement in Round 1, the nonprofit set-aside will also be carried forward until the end of Round 2.

F. Suballocator Procedures

A city or county is eligible to receive a reserved portion of the state credit ceiling under Minnesota Statutes, section 462A.222, subdivision 1 if it submitted a written request to Minnesota Housing within 45 days after June 2, 1987, to act as a designated Housing Credit Agency as provided in Section 42. A city or county may designate its housing and redevelopment authority as a suballocating agent to allocate HTCs on behalf of the city or county. The city of Minneapolis or the city of Saint Paul may designate the Minneapolis/Saint Paul Housing Finance Board to allocate HTCs on behalf of each city. Minnesota Housing will administer the HTCs for areas outside the jurisdiction of the Suballocators.

A Suballocator may elect to enter into a Joint Powers Agreement with Minnesota Housing. Under a Joint Powers Agreement, Minnesota Housing will perform certain functions related to the HTC Allocation or Award and compliance monitoring. As a condition of the Joint Powers Agreement, the participating Suballocator will transfer its entire annual HTC distribution to Minnesota Housing.

Minnesota Housing, in consultation with the Suballocators, will determine application competition deadlines as required by statute. Minnesota Housing will make an effort to align the application deadline for the suballocating agencies in Round 1 with Minnesota Housing’s deadline. No Allocating Agency may allocate or award HTCs prior to the Minnesota Housing application closing date for Round 1.

Before the application deadline for Round 2, the Suballocators must return all uncommitted and unallocated HTCs to Minnesota Housing, along with copies of the HTC application and commitment agreements for all selected projects.

If a Suballocator determines at any time before Round 2 that a project is no longer eligible for all or a portion of the HTCs committed or allocated to the project, the HTCs must be transferred to Minnesota Housing to be reallocated. If the HTCs for which the project is no longer eligible are from the current year's annual credit ceiling and the Suballocator maintains a waiting list, the Suballocator may continue to commit or allocate the HTCs until no later than the date of application for the Round 2. At that time, any uncommitted HTCs must be transferred to Minnesota Housing.

So that all a project's HTCs are allocated by a single Allocating Agency, Minnesota Housing may apportion additional HTCs to a Suballocator for a project that has already received a commitment or Allocation of HTCs from the Suballocator. These supplemental HTCs must be used only for the selected project allocation year for which the apportionment was made. If at any time after the apportionment of the HTCs a Suballocator determines the project cannot use or is no longer eligible for all or a portion of the HTCs apportioned to the project, the HTCs must be returned to Minnesota Housing within 10 business days for reallocation.

Suballocators are responsible for the issuance of the IRS Form 8609 for all projects for which they have allocated HTCs, including HTCs that have been apportioned by Minnesota Housing to the Suballocator. In instances where both a Suballocator and Minnesota Housing have allocated HTCs, that have not been apportioned, both Allocating Agencies will prepare an IRS Form 8609.

As the primary and lead HTC agency for the state of Minnesota, Minnesota Housing is responsible for collecting and filing certain required forms with the IRS each year. Minnesota Housing will prepare a comprehensive IRS Form 8610, incorporating all carryover allocations and IRS Form 8609s issued in the state of Minnesota for filing with the IRS. The local Suballocators shall submit the following materials to Minnesota Housing no later than January 31 for all HTC activity that has occurred in the preceding year:

1. A copy of all resolutions of the Suballocator governing body relating to the reservation and Allocation of HTC;
2. A copy of all Reservation/Binding Agreements, Carryover Agreements and IRS Form 8609s, completed and issued to all projects (including those in connection with tax-exempt volume-limited bonds);
3. A completed HTC application form (Multifamily Workbook) for each development receiving an Allocation or Award through a reservation, carryover or issuance of IRS Form 8609 for HTCs allocated from the credit ceiling or awarded in connection with tax-exempt volume limited bonds;

4. A completed IRS Form 8610 Schedule A for each development receiving a carryover allocation;
5. A Suballocator Monitoring Activity Report containing the results of inspection activity conducted during the calendar year with copies of any forms 8823 filed with the IRS; and
6. Any other information requested by Minnesota Housing necessary to meet federal and state reporting requirements.

Suballocators are responsible for monitoring HTC projects, to which they have allocated or awarded HTC, for the term of the LURA, including any Minnesota Housing requirements if such HTC were apportioned by Minnesota Housing to the Suballocator, in accordance with Section 42(m)(1)(B)(iii) to help ensure compliance with applicable federal, state and local requirements. Compliance records must be available upon request to Minnesota Housing from the Suballocator or its monitoring agent. Projects that receive HTCs that were apportioned to a Suballocator by Minnesota Housing must incorporate Minnesota Housing restrictions that are a condition of the HTC Allocation or Award (e.g., nonprofit set-aside, homeless households).

Before January 31, Suballocators will submit to Minnesota Housing compliance staff a comprehensive updated Suballocator Monitoring Activity report listing all HTC projects allocated or awarded HTCs by the Suballocator. Include the following items in the report:

1. Project name;
2. Address;
3. Building identification number(s) (BIN(s));
4. Ownership entity and taxpayer identification number (TIN);
5. Total number of residential units;
6. Number of HTC units;
7. Year of Allocation or Award;
8. Amount of HTCs allocated or awarded; and
9. Other information as needed.

In addition, Suballocators will submit a list of the projects that have been in noncompliance during the calendar year inspection date and type of noncompliance, along with copies of all IRS Form 8823s and the report of noncompliance findings sent to the owner. Upon request, Suballocators will also submit a copy of their monitoring requirements, procedural manual, forms and, if applicable, a copy of the monitoring contract with an outside vendor.

G. Multiple Buildings

Projects may include multiple buildings having similarly constructed housing units, provided the buildings are located on the same tract of land, have the same owner for federal income tax purposes and are financed pursuant to a common plan of financing. Scattered site buildings on different tracts of land will also qualify if the project meets all the other requirements described above and all units in the project are low-income units. The Scoring Guide provides additional information on how thresholds and selection criteria will apply to scattered site projects.

H. Developer and Development Limits

For applicants applying for a portion of the state's HTC credit ceiling, the per-developer or general partner/managing member HTC limit is the greater of 1) the amount representing 10% of the population component of the state's annual credit ceiling or 2) the amount needed to support two developments in the case that two developments selected are being developed by the same developer or general partner/managing member. Such projects are subject to a development limit of no more than $1,850,000 in 2026 and $1,950,000 in 2027 in cumulative HTCs allocated to any one development.

At the sole discretion of Minnesota Housing, these limits may be waived. Applicants should not assume that this waiver will be automatically provided or rely on this statement when determining the scope of the proposed project. Minnesota Housing's goal is to optimize the use of all available sources of funding for multifamily developments, including private investor equity, amortizing loans and deferred loans, to produce the maximum number of affordable rental units that meet the priorities adopted by Minnesota Housing and represent developments that are sustainable, cost effective and geographically diverse. Consistent with this goal, the following criteria will be used to determine if and when Minnesota Housing may provide a waiver to the developer or development limit.

Developer Limit

1. Developer/Sponsor capacity – The ability and capacity of the development team to proceed expeditiously to complete multiple developments, including other projects selected by Minnesota Housing for funding that have not yet been completed.
2. Financial Feasibility – The applicant must demonstrate that the HTCs are necessary for the financial feasibility of the proposed project and that a significant funding gap will remain if the waiver is not granted.

Development Limit

1. Financial Feasibility – The applicant must demonstrate that the HTCs are necessary for the financial feasibility of the proposed development and that a significant funding gap will remain if the waiver is not granted.

I. Transfer of Ownership

From Selection through the term of the extended use period, any transfer of title of a selected project, replacement of a general partner or managing member, transfer of more than a 50% interest in a general partner or managing member or change in a nonprofit partner is subject to Minnesota Housing's approval prior to the transfer of ownership.

To request Minnesota Housing's approval for a transfer of ownership, the Owner must submit a completed Request for Action Form (RFA), a transfer of ownership fee if the transfer occurs after Allocation and prior to the issuance of IRS Form 8609 (refer to Chapter 8) or an RFA processing fee if the transfer occurs after issuance of IRS Form 8609 (refer to Servicing Fee on Minnesota Housing's website) and any other documentation that Minnesota Housing deems necessary.

J. Unacceptable Practices

Applicants applying for an Allocation or Award from Minnesota Housing pursuant to this 2026-2027 QAP may be subject to unacceptable practice penalties in the following three circumstances. Additionally, failure to comply with the terms of the Selection of may result in cancellation or other loss of HTC. See Chapter 3.S.

1. For projects that receive an Allocation or Award from Minnesota Housing pursuant to this 2026-2027 QAP, the following occurrences constitute unacceptable practices. If Minnesota Housing, in its sole discretion, determines that an unacceptable practice has occurred, it may impose penalties of up to negative 35 points on any/all parties involved in the development, ownership and/or management of the project. Such penalties will be applied in one or more future application cycles.

    a. Unapproved Transfer of Ownership

    From Selection through the term of the LURA, failure to obtain prior approval for any transfer for which Minnesota Housing approval is required pursuant to Chapter 2.I is an unacceptable practice.

    b. Displacement of Section 8 Tenants

    Rent increases for existing Section 8 tenants above HUD's Payment Standard Rents which result in the displacement of the existing Section 8 tenant(s), whether prior to submission of the application for HTC or after completion of rehabilitation, is an unacceptable practice.

    c. Changes to Project

    From selection until the project is placed in service, any material change to the project or building design that impacts the selection criteria for which the project received points or a preference is an unacceptable practice.

d. **Late 8609 Application Submissions Resulting in the Loss of HTC Authority to the State**

   Late submission of a complete and acceptable 8609 application package by or on behalf of an owner that results in the loss of any volume of HTC authority to the state of Minnesota is an unacceptable practice.

e. **Filing of Non-Allocating Agency Approved IRS Form 8609 with the IRS**

   Filing with the IRS any IRS Form 8609 which is not the Allocating Agency-signed version of the approved IRS Form 8609 is an unacceptable practice.

f. **Non-Compliance with Minnesota Housing's Fair Housing Policies or Tenant Selection Plan Guidelines, Procedures and/or Requirements**

   Any failure to comply with Minnesota Housing's Fair Housing policies (refer to Chapter 3.W.) or Tenant Selection Plan Guidelines, procedures or requirements is an unacceptable practice.

g. **Non-Compliance with Minnesota Housing's Compliance Policies, Procedures and/or Requirements**

   Failure to comply with Minnesota Housing's compliance policies, procedures or requirements after repeated notices is an unacceptable practice.

h. **Violations of Local, State or Federal Law**

   Violations of local, state, or federal law, including but not limited to violations of law related to habitability, utilities, prevailing wage, wage theft and fair housing, are unacceptable practices.

2. For projects that received an Allocation or Award from Minnesota Housing under a prior QAP, penalties may be applied in the 2026 and 2027 application rounds for unacceptable practices identified in that prior QAP. In its sole discretion, Minnesota Housing may impose a lesser penalty than the penalty indicated in such prior QAP. If Minnesota Housing determines that an unacceptable practice has occurred, it will notify the parties to which the penalty will be applied.

3. For applicants for an Allocation or Award pursuant to this 2026-2027 QAP, the following occurrences constitute unacceptable practices. If Minnesota Housing, in its sole discretion, determines that an unacceptable practice has occurred, it may impose penalties, as set forth below, on the applicant which will be applied in the 2026 and 2027 application rounds.

   a. **Failure to Notify**

Throughout the term of the LURA, failure to notify Minnesota Housing in advance of a transfer of title to the project, replacement of a general partner or managing member, transfer of more than a 50% interest in a general partner or managing member or change in a nonprofit partner is an unacceptable practice. Penalties of up to negative 35 points may be applied to any/all individuals/entities that transferred or acquired an ownership interest through the transfer for which notice was not provided.

b. Displacement of Section 8 Tenants

Minnesota Housing will not accept applications that have displaced or will displace Section 8 tenants because rents will be increased above the Section 8 Payment Standard limit.

c. Non-Compliance with Minnesota Housing's Fair Housing Policies or Tenant Selection Plan Guidelines, Procedures and/or Requirements

Failure to comply with Minnesota Housing's Fair Housing Policies or Tenant Selection Plan Guidelines, procedures or requirements is an unacceptable practice. Penalties of up to negative 35 points may be applied to any/all parties involved in the ownership and/or management of the development.

d. Non-Compliance with Minnesota Housing's Compliance Policies, Procedures and/or Requirements

Failure to submit an acceptable correction plan within the time allotted after receipt of a notice of failure to comply involving any of the following violations is an unacceptable practice:

i. Failure to meet minimum set-aside;
ii. Any exigent health and safety violation under HUD's National Standards for the Physical Inspection of Real Estate;
iii. Rent violations, as stated in the Housing Tax Credit Compliance Guide, including:
    1. Charging rent on any HTC unit in excess of the allowable rent limit;
    2. Violating Minnesota Housing's policy limiting rent increases to once annually;
    3. Violating Minnesota Housing's policy requiring 120 day written notice to the tenant for any rent increase in excess of 5%;
    4. HTC unit rented to an ineligible household (e.g. household not properly certified, over income at initial occupancy or ineligible full-time student);
iv. Project not available to general public;
v. Failure to respond to Minnesota Housing request for inspection; and

vi. Other compliance violations, as determined by Minnesota Housing.

Penalties of up to negative 35 points may be applied to any/all parties involved in the ownership and/or management of the development.

Minnesota Housing may reject applications from any applicant if the applicant, or any party with an identity of interest with the applicant who will have an ownership interest in the proposed development:

i. Has an ownership interest in any development that has been reported to the IRS by Minnesota Housing or a Suballocator as no longer in compliance nor participating in the Section 42 program as indicated on line 11p of IRS Form 8823;
ii. Has an ownership interest in any development that is on Minnesota Housing's list of Properties Not in Good Standing in the Extended Use Period or a similar list maintained by a Suballocator; or
iii. Is on the Minnesota Housing Participant Suspension List.

e. Violations of Local, State or Federal Law

Minnesota Housing may reject applications from any applicant if the applicant, or any party with an identity of interest with the applicant who will have an ownership interest in the proposed development has been found by an enforcement agency or court to have violated local, state, or federal law, including but not limited to violations of law related to habitability, utilities, prevailing wage, wage theft and fair housing.

f. Ineligible Significant Parties

Minnesota Housing may reject applications if any of the significant parties (refer to Chapter 2.L.) are not eligible to participate in the HTC Program.

K. Minimum Underwriting Standards

A development selected for a reservation of or preliminary determination of eligibility for HTCs is selected based upon underwriting standards, including but not limited to, acquisition costs, maintenance and operating expenses and permanent financing as approved by Minnesota Housing (refer to Chapter 5. I. and the Minnesota Housing Multifamily Underwriting Standards). These factors will be monitored throughout the HTC process until Minnesota Housing's issuance of the approved IRS Form 8609. **Modifications from these standards require prior approval from Minnesota Housing.** Not complying with these standards could lead to loss of the HTC Allocation or Award.

L. Identity of Interest and Related Parties

The applicant must disclose any and all relationships (generally based on financial interests or family ties) with others involved in the project. A written disclosure to Minnesota Housing detailing the nature of all identity of interest relationships is required for all parties. An entity will be deemed, at the sole discretion of Minnesota Housing, to have an identity of interest with, or to be a related party to, an applicant if there is a financial and/or familial relationship between the entities, including parent and subsidiary entities.

M. Disclosure and Eligibility of Development Team

The applicant must disclose on the Multifamily Workbook the names and addresses, including corporate officials where applicable, of all parties that have a significant role in the project (the "significant parties"). These significant parties include, but are not limited to, general partners (or managing members), accountants, architects, engineers, financial consultants, any other consultants, processing agents, management agents and the general contractor. **NOTE:** Each team member may be required to complete a Qualification Form. Minnesota Housing must be satisfied that those who will own and operate the project are familiar with and prepared to comply with the requirements of the program.

The following significant parties are not eligible to participate in the HTC Program:

1. Significant parties who have been convicted of, enter an agreement for immunity from prosecution for or plead guilty, including a plea of *nolo contendere*, to a crime of dishonesty, fraud, bribery, payment of illegal gratuities, perjury, false statement, racketeering, blackmail, extortion, falsification or destruction of records;
2. Significant parties who are currently debarred from any Minnesota program, other states' program(s) or any federal program(s);
3. At the sole discretion of Minnesota Housing, significant parties who have serious and persistent compliance monitoring violations may not be eligible; and
4. At the sole discretion of Minnesota Housing, significant parties having an identity of interest with persons or entities falling into any of the above categories may not be eligible.

N. Determination of HTC Amount

Federal law mandates that, although a proposed project may be eligible for a certain present value HTC amount, Minnesota Housing may not allocate or award more HTCs than is necessary for the financial feasibility of the project and its viability as a qualified affordable housing project throughout the compliance period.

After a project meets the development selection criteria, Minnesota Housing will evaluate each proposed project, taking into consideration in accordance with Section 42:

1. Development costs, including acquisition costs, developer fees, builder profits, contractor overhead and general conditions;
2. All sources and uses of funds;
3. Projected income and expenses;
4. Proceeds expected to be generated from the sale of HTCs, including historic tax credits; and
5. The difference between total project costs and total available financing resources, which is referred to as the gap. A calculation is made to determine the amount of HTCs needed by the project to fund the gap over a 10-year period, based on the estimated market value of the HTCs.

Based on this evaluation, Minnesota Housing will estimate the amount of HTCs to be allocated or awarded for each application. This determination is made solely at Minnesota Housing's discretion and is not a representation as to the feasibility of the project. Rather, it will serve as the basis for making an Allocation or Award of HTCs. The amount of the HTCs can change during the process due to variations in cost, mortgage amount, HTC percentage, syndication proceeds, etc. Minnesota Housing reserves the right not to allocate or award any HTCs.

This analysis to determine the maximum amount of HTCs must be performed by both Minnesota Housing and the owner/developer at the time of application, at the time of allocation and at the time the project is placed in service, provided all project costs are finalized and certified. For each analysis, the applicant must submit the most recent financial information on the project. Misrepresentations of information will result in failure to receive IRS Form 8609, debarment from participation in the HTC Program and possible criminal penalties.

If there are changes in resources and/or uses of funds or other changes, Minnesota Housing will adjust the HTC amount to reflect the changes, and the HTC amount may be reduced. HTC amounts will not automatically be increased above the initial reservation request or Allocation amount. Requests for additional HTCs for the project must follow the procedures in Chapter 2.O. and will depend upon the availability of HTCs.

O. Requests for Additional HTC Amounts

Projects that have had a justifiable increase in eligible basis or previously received a partial Allocation may be eligible to apply for supplemental HTC amounts. Under extenuating circumstances, such as significant changes in the market, Minnesota Housing may allow additional requests. The determination and approval are at the sole discretion of Minnesota Housing.

For 9% HTC projects to receive a supplemental HTC amount, the owner must submit an application when applications are due for Round 1, Round 2 or at the time the carryover application is submitted. Developers who have a Minnesota Housing reservation from the current year will be required to submit a revised Multifamily Workbook, documentation supporting the increased amount of HTCs requested, an updated and revised Self-Scoring Worksheet, any new or revised documentation obtained since the previous application and a supplemental application fee. A complete application package with all attachments and a full application fee will be required for an application for additional HTCs for developments initially awarded HTCs from a Suballocator or that have an HTC Allocation from a prior year. Minnesota Housing permits only one supplemental or additional HTC Allocation for each development. Allocations of additional HTCs requested as part of a carryover application are not counted against this limit.

For 4% HTC projects to receive an additional HTC amount, the owner must submit an application at the time of the 8609 application.

All applications that are submitted for an additional HTC amount will be subject to the eligibility requirements, the determination of HTC amount, the availability of HTCs, as well as limitations on the time period for allocation of additional HTCs under Section 42.

P. Round 2 Resubmission Process for Non-Select Projects

In a current allocation year, if a project fails to receive 9% HTCs in Round 1, it may be considered for a reservation of HTCs in Round 2 by following the guidelines listed below. Resubmittal must occur by Minnesota Housing’s HTC Round 2 application deadline. Minnesota Housing will not consider applications resubmitted after the deadline. A resubmitted application must include the following:

1. Re-signed and re-dated Multifamily Workbook (all changes from the initial application must be clearly identified);
2. Any new or revised documentation obtained since the previous application;
3. An updated and revised Self-Scoring Worksheet, including all documentation that clearly supports the points claimed;
4. Any requested documentation Minnesota Housing deems necessary; and
5. The supplemental application fee.

Minnesota Housing reserves the right to require a full, new application for any project.

Q. Qualified Census Tracts, Difficult Development Areas and State Designated Basis Boosts

Projects that meet the following criteria may be eligible for a greater amount of HTCs than the legislated maximum HTC percentage.

Qualified Census Tracts

Pursuant to Section 42(d)(5)(B), buildings located in Qualified Census Tracts (QCTs) qualify for a basis boost. QCTs are census tracts designated by HUD in which 50% or more of the households have an income of less than 60% of the area median or which has a poverty rate of at least 25%, where such areas do not comprise more than 20% of the overall population of a metropolitan statistical area. (For a current list of the HUD-designated QCTs, go to Minnesota Housing's website under HTC Reference Materials or go directly to the Qualified Census Tract Table Generator or Qualified Census Tract Map). HUD designates QCTs annually, and each list has a specified effective date. If the designation of the area in which a project is located changes over the course of the pre-development and development of the project, the project may or may not qualify for the basis boost. Effective dates can be based upon year of application, allocation, bond issuance and/or placement in service. Refer to the HUD Designation Notice found on HUD's website for additional details and consult with appropriate legal and tax professionals as necessary.

Difficult Development Areas

Pursuant to Section 42 (d)(5)(B), buildings located in Difficult Development Areas (DDAs) qualify for a basis boost. DDAs are areas designated by HUD as having high construction, land and utility costs relative to area median income. For DDA information, reference the same website as QCTs above. HUD designates DDAs annually, and each list has a specified effective date. If the designation of the area in which the project is located changes over the course of the pre-development and development of the project, the project may or may not qualify for the basis boost. Effective dates can be based upon year of application, allocation, bond issuance and/or placement in service. Refer to the HUD Designation Notice found on HUD's website for additional details and consult with legal and tax professionals as necessary.

State Designated Basis Boost

Pursuant to Section 42(d)(5)(B)(v), Minnesota Housing can designate buildings requesting HTC from the state's credit ceiling for a basis boost. Requests by applicants or developers to Minnesota Housing to apply the 30% state designated basis boost must be made in writing at the time of the HTC Allocation request. The request must clearly demonstrate how the proposal meets the criteria established by Minnesota Housing for receiving boost considerations.

It is the goal of Minnesota Housing to optimize the use of all available sources of funding for multifamily developments to produce the maximum number of affordable rental units in the most sustainable, quality, cost effective and geographically diverse developments possible that meet Minnesota Housing's priorities. Consistent with this goal, the following criteria will be used to determine if, when and in what HTC amount, Minnesota Housing will provide a state-designated basis boost for HTC developments on a building-by-building basis to obtain financial feasibility.

1. The development must meet at least one of the following selection criteria requirements:
    a. Permanent Supportive Housing: Projects that will serve People with Disabilities or High Priority Homeless Households under the Permanent Supportive Housing for High Priority Homeless selection criterion or the People with Disabilities selection criterion;
    b. Preservation: Projects that preserve existing federally-assisted housing or other critical affordable housing projects and are eligible for points under the Preservation selection criterion; or
    c. Tribal: Projects that are sponsored by, or have received a significant financial contribution (as determined by Minnesota Housing) from, a Tribal government, Tribally designated housing entity or Tribal corporate entity.
2. The application must demonstrate that without the basis boost, a significant funding gap will remain for the proposed development, and the HTCs allocated in connection with the basis boost must be no more than needed to achieve financial feasibility.

R. Reservations

Once Minnesota Housing has ranked applications and determined allowable HTC amounts for each application, staff will make recommendations to Minnesota Housing's board for final approval of the reservation of 9% HTCs.

Reservations are site specific. Changing a development's site could lead to the revocation of the HTC reservation/Allocation.

Minnesota Housing's HTC program permits owners to elect the applicable percentage either at the time of reservation or when placed in service. If the election is not made at the time the reservation letter is issued, the percentage will be fixed for the month in which the building is placed in service or as otherwise established by Section 42. Once made, the election is irrevocable. Upon receipt of the required documents, Minnesota Housing will complete its reservation review and send reservation agreements to be executed by the owner.

Choosing the gross rent floor date as the date of allocation or the date placed in service can be done at any time from reservation forward, but the election must be made, and the completed election form must be received by Minnesota Housing no later than the date the project is placed in service. If you choose to make the election as of the date of the reservation, submit a fully executed Gross Rent Floor Election Form including each building of the development in which there are HTC units. If the required owner-executed forms with all elections made by the owner are not submitted to Minnesota Housing by a date no later than the placed in service date, the gross rent floor date will be effective on the allocation date of the HTCs.

Selected applicants that will not place a project in service in the allocation year for which the reservation was issued may request a carryover allocation by submitting the required carryover application submissions.

S. Administrative Errors/Appeals Process

Minnesota Housing will consider appeals for applications requesting HTCs from the state's HTC credit ceiling. If the applicant believes that Minnesota Housing has misinterpreted, was not aware of a submission item or miscalculated the applicant's selection points or HTC amount, at the time of application/reservation, the applicant may submit an appeal by the appeal due date and time determined by Minnesota Housing, which is generally five business days after notification of application status. Notification of the appeal request deadline will be in the form of the selection or non-selection letter. The first business day after the date on this letter will be the first day of the appeal period.

The appeal must be written in letter form containing a signature from an authorized representative of the applicant and stating that the communication is an appeal under Chapter 2.S. of this QAP. The applicant should articulate their position and may call Minnesota Housing's attention to particular application submissions that were properly and timely submitted by the application deadline. Minnesota Housing will **not** consider any supporting documentation not previously submitted as part of the application. The appeal letter must be submitted via email to mhfa.htc.appeals@state.mn.us.

An applicant is not permitted to contest the scores of other applicants.

If appeal is resolved in favor of the applicant and the selection points of the project are affected, Minnesota Housing will re-rank all projects in the order of descending selection points.

T. Waiting List

In Round 2, eligible applications that were not selected or that were selected to receive a partial Allocation may be maintained on a waiting list until the end of the year in the event Minnesota Housing receives an increase in credits due to an IRS formula adjustment, National Pool or unused and/or returned HTCs. This excludes a return of credit from projects requesting a reallocation. A project on the waiting list that is selected for its HTC request through the subsequent Round 1 will no longer be eligible to receive HTCs through the waiting list and will be removed from the list. Projects determined to meet the supplemental priority in accordance with this QAP will receive priority over other applicants. The waiting list will follow Minnesota Housing's order of ranking of competitive HTC points. Generally, projects will be chosen in order; however, depending on IRS rules and requirements, time and funds available, Minnesota Housing reserves the right to make modifications to the waiting list or incorporate HTCs into subsequent rounds.

Projects placed on the waiting list must be fully evaluated for underwriting and market and financial viability prior to receiving consideration for an HTC Allocation. A project must satisfy these reviews to be eligible for selection from the waiting list. If an application is not selected for a reservation of HTCs by the end of the calendar year, there will be no further consideration. An applicant on the waiting list whose application is not selected for a reservation of HTCs by the end of the calendar year must submit a completely new application packet in the next funding round, which is a new HTC year, to receive consideration for an HTC Allocation.

U. Carryover Allocations

Federal law (IRC Section 42(h)(1)(E) - (F); IRS Treasury Regulation 1.42-6 Carryover Allocation) provides that Minnesota Housing may give a carryover allocation to certain qualified building(s), which are to be placed in service prior to the deadline established by Section 42, as may be extended by relief issued by the IRS. To receive a carryover allocation, the owner must submit a complete carryover application package to Minnesota Housing no later than October 1 of the allocation year for which the reservation was issued.

In the event Minnesota Housing receives an increase in HTCs due to an IRS formula adjustment, National Pool or unused and/or returned HTCs, Minnesota Housing may allocate HTCs for any additional HTC requests based upon the score of the project’s allocation request. This excludes a return of HTCs for projects requesting a reallocation. Generally, projects will be chosen in order; however, depending on IRS rules and requirements, time and funds available, Minnesota Housing reserves the right to incorporate HTCs into subsequent rounds.

Federal law requires that more than 10% of the expected basis in the project (including land) must be expended by the date which is one year after the date that the allocation is made. A written certified public accountant (CPA) certification must be submitted verifying the owner has incurred required expenditures. As decided by the owner, submission of the CPA certification may be made at the time of carryover application or at a later date as provided for by Section 42 and this QAP. However, the carryover allocation agreement must be executed prior to December 31 of the allocation year for which the reservation was issued.

For a carryover agreement to be valid, it must include, among other things:

1. The amount of the reasonably expected basis at the end of the second year after the allocation is made; and

2. The amount of that expected basis that must be expended or incurred by the date which is one year from the date of the allocation.

If the final CPA-certified carryover basis and expenditure information is not available at the time the carryover application is due, an estimate of the expenditure of greater than 10% of the expected basis must be performed by the owner and submitted to Minnesota Housing no later than October 1 of the allocation year for which the reservation was issued. The final CPA certifications must be submitted to Minnesota Housing prior to the deadlines established by Section 42, as may be extended by relief issued by the IRS, and by no later than Minnesota Housing's submission deadlines identified in Chapter 6.B. Failure to comply with the submission dates will result in significant penalties as outlined in Chapter 8.E. Additional carryover requirements are given in Chapter 6.B.

Minnesota Housing's HTC program carryover procedures are intended to conform to the federal laws and are based upon the limited guidance received from the IRS. At any time, additional IRS guidance may be issued that will require further adjustments to the QAP and additional reviews of developments relating to carryover.

V. Reallocation

Notwithstanding any other provisions of this QAP, when a project that has received a carryover allocation of 9% HTCs from Minnesota Housing has determined that it will be unable to place in service by the date required pursuant to Section 42, an owner may request 1) that they be able to return the original Allocation of HTC and 2) that Minnesota Housing reallocate the same amount of HTC in a future credit year.

Minnesota Housing reserves the right, at its sole discretion, to provide a new Allocation of 9% HTCs to a project that received a carryover allocation in a prior calendar year. An owner that requests a return and reallocation will not be required to submit a new application or be scored again under the QAP applicable to the future credit year. To be eligible for this return and reallocation of HTC, at a minimum, the following conditions must be met to Minnesota Housing's satisfaction:

1. The owner must provide written notice to Minnesota Housing in a timely fashion, describing the circumstances surrounding the request, all remedial measures attempted by the developer to mitigate the delay and any other pertinent information related to the inability to meet the required placed in service deadline, as part of their request to return their Allocation;
2. The reason for the request must be extenuating circumstances beyond the reasonable control of the owner. These circumstances may include but are not limited to delays such as fire, natural disaster, pandemic or other large-scale issues with a significant impact to the housing industry;

3. The project is economically viable without additional HTCs or other deferred funding from Minnesota Housing; and
4. Minnesota Housing must find that the project in all respects, except time to place in service, still meets the selection criteria and conditions upon which the HTC were originally allocated and the minimum requirements of the QAP applicable to the future credit year and that the project continues to meet affordable housing needs in the community for which it is planned.

An owner may only return and receive a reallocation once per project. A developer may only return and received a reallocation once per year.

The owner shall submit the required fee listed in Chapter 8 with the written request. The fee is non-refundable regardless of outcome. The request is subject to Minnesota Housing board approval. Applicants should not assume that this reallocation will be automatically provided or rely on this statement when determining the timeline of the proposed project.

Minnesota Housing, in its sole discretion, may assess negative ranking points on subsequent applications from the applicant (or related entity).

A project located in a HUD-designated DDA or QCT at the time of original Allocation may retain its designation if consistent with Section 42. Effective dates can be based upon year of application or allocation. Refer to the HUD Designation Notice found on HUD's website for additional details.

W. Final Allocations and Awards

Except for carryover allocations, no Allocation or Award of HTCs will be made until a building or project is placed in service and the proper documentation and fees have been received. The final amount of HTCs is determined when the project is placed in service.

Final Allocations and Awards (IRS Form 8609) may be requested when all eligible buildings are placed in service and the proper documentation and fees have been received. Minnesota Housing may establish, at its sole discretion, required deadlines prior to year-end for final requests in order to permit timely processing of documents.

If an owner of an HTC development does not intend to obtain a carryover allocation, but instead intends to take a project from HTC reservation directly to placed-in-service status, an Allocation via issuance of IRS Form 8609 must be obtained prior to year-end of the allocation year for which the reservation was issued. For an IRS Form 8609 to be issued by Minnesota Housing prior to year-end, the 8609 application must be submitted to Minnesota Housing on or before October 1 of that year.

A project that has neither received a carryover allocation nor has been placed in service and issued appropriate IRS Form 8609s before December 31 of the year of allocation will lose its entire Allocation of HTCs.

The HTC amount that will be allocated or awarded is based on Minnesota Housing's final determination of the qualified basis for the building or project and a review of the project costs as outlined in the QAP. The Allocation or Award may be reduced to comply with federal law based on the final review of the project.

Prior to final Allocation or Award, the project owner is required to execute and record a LURA.

Non-compliance with the terms of a preliminary determination of HTCs or a carryover allocation may result in a loss of HTCs.

X. Monitoring for Compliance

Federal law requires that Minnesota Housing provide a procedure to monitor for compliance with Section 42 and to notify the IRS of noncompliance. Minnesota Housing is required to apply the monitoring procedure to all HTC projects developed within Minnesota Housing's jurisdiction, including HTCs issued in connection with tax-exempt volume limited bonds since the inception of the HTC program. Minnesota Housing will perform such duties in accordance with its Housing Tax Credit Compliance Guide. HTC projects must comply with the Housing Tax Credit Compliance Guide as it may be amended. In general:

1. All HTC recipients must submit an annual certification to Minnesota Housing in a manner, form and time established by Minnesota Housing. Owners are required to certify whether or not the property is in compliance with Section 42 and the applicable Treasury Regulations and whether or not the property complies with the restrictions and/or set-asides under which the HTCs were allocated or awarded. The certification will include, but is not limited to, certification statements required under IRS Treasury Regulation 1.42-5, the submission of completed IRS forms and occupancy data including demographic data, income, student status and rent. Annual monitoring fees will be due when the owner certification is due.
2. Minnesota Housing will conduct periodic inspections, including reviewing tenant files (including tenant applications, verification of income and income from assets, the tenant income certification, documentation of eligible student status, etc.), a completing a physical inspection using HUD's National Standards for the Physical Inspection of Real Estate and reviewing administrative records (including utility allowance and source documentation, tenant selection plans, marketing, Affirmative Fair Housing Marketing Plan, etc.) in accordance with the HTC Compliance Guide. If a property received its HTC Allocation or Award based on serving specific targeted population(s), administrative records and/or tenant files must demonstrate that the

property and/or unit is serving such population(s). Minnesota Housing will conduct its first monitoring inspection no later than the end of the second year of the compliance period.

3. A similar monitoring inspection will be conducted at least once every three years during the 15-year compliance period. Less frequent inspections may be conducted after the 15-year compliance period has expired. Minnesota Housing, at its sole discretion, reserves the right to conduct more frequent inspections.
4. All official project records or complete copies of such records, including IRS reporting forms, must be made available to Minnesota Housing upon request.
5. To accomplish its compliance monitoring responsibilities, Minnesota Housing will charge a per-unit monitoring fee beginning with the first credit year. The fee will be due annually throughout the compliance period and extended use period. Refer to Sections 4.02 and 9.05 of the Housing Tax Credit Compliance Guide for details on the fee amount. Minnesota Housing reserves the right to adjust the fee depending upon the requirements of the U.S. Treasury, IRS or Minnesota Housing's increased cost to monitor. The fee will be due in a manner and time as prescribed by Minnesota Housing. Minnesota Housing will provide prompt written notice to the owner of a low-income housing project if Minnesota Housing does not receive the annual certification and supporting documentation described above or discovers in an audit, inspection or review, or in some other manner, that the project is not in compliance (or Minnesota Housing cannot determine the project is in compliance because the owner will not cooperate with or respond to monitoring requests) with the provisions of Section 42 and the applicable Treasury Regulations. The owner will be given a period of time to make corrections and supply evidence to Minnesota Housing that corrections have been made. Minnesota Housing will file Form 8823, Housing Credit Agencies Report of Non-Compliance, with the IRS no later than 45 days after the end of the correction period regardless of whether the noncompliance has been corrected.
6. Properties that received an HTC Allocation in 1990 and later are subject to a minimum 15-year extended use period, which begins after the close of the 15-year compliance period. Compliance requirements and monitoring procedures for properties in the extended use period are contained in Chapter 9 of the HTC Compliance Guide.
7. All project owners must maintain records in accordance with IRS Treasury Regulation 1.42-5. Refer to Chapter 3 of the HTC Compliance Guide for details.

Y. Qualified Contract

All properties will be subject to a LURA with a term of 30 years or longer. Section 42(h)(6)(E)(i)(II) of the IRC created a provision that housing credit agencies respond to the request for presentation of a Qualified Contract for HTC developments with expiring compliance periods. The request for presentation of a Qualified Contract is a request that the housing credit agency find a buyer (who will continue to operate the property as a qualified low-income property) to purchase the property for a qualified contract price pursuant to IRS regulations. If the housing credit agency is unable to find a buyer within one year, the extended-use period is terminated, subject to a three-year period following its termination, where existing low-income tenants cannot be evicted or have their tenancy terminated, other than for good cause, and rents cannot exceed the allowable HTC rent limits.

Owners of properties that receive 4% or 9% HTCs are required by Minnesota Housing to waive the right to request a Qualified Contract.

Z. Tenant Selection Plan

Minnesota Housing requires that a Tenant Selection Plan (TSP) be readily available to anyone interested in such TSP for review and/or retention. Minnesota Housing will not develop or provide a TSP to owners or management companies. The TSP must be developed and implemented in accordance with Minnesota Housing's Tenant Selection Plan Guidelines document, which is published on Minnesota Housing's website.

AA. Other Conditions

No member, officer, agent or employee of Minnesota Housing will be personally liable concerning any matters arising out of, or in relation to, the allocation, award or monitoring of HTCs.

BB. Amendments and Revisions to the Qualified Allocation Plan

This QAP has been prepared to comply with Section 42 and applicable state and federal requirements. The QAP is subject to modification or amendment at any time to help ensure that the provisions conform to the requirements of the IRC and other federal and state requirements, to make population and date changes as needed, to facilitate the allocation of HTCs that would not otherwise be allocated, and to address unforeseen circumstances.

Minnesota Housing may make non-substantive administrative modifications to provisions of the QAP not mandated by Section 42 to the extent deemed necessary to facilitate the administration of the HTC program.

A substantive amendment to this QAP will occur only after public notice and public hearing. Any substantive amendments will require approval of the Minnesota Housing board and the governor or appropriate approval entity. Non-substantive amendments may be made by the Minnesota Housing board. The Minnesota Housing board is authorized to waive any conditions of this QAP that are not mandated by Section 42 on a case-by-case basis for good cause shown. Written explanation will be made available to the general public via the Minnesota Housing website for any Allocation or Award of HTCs that is not made in accordance with Minnesota Housing's established priorities and selection criteria.

To the extent that anything contained in the QAP does not meet the minimum requirements of federal law or regulations, such law or regulation will take precedence.

Chapter 3 – Federal Program Requirements

A. Eligible Activities

Eligible activities for HTCs include new construction, rehabilitation or acquisition with rehabilitation.

B. Applicable Percentage

There are two levels of applicable percentage, depending upon whether the building is new or existing, whether there are rehabilitation expenditures and whether the buildings are federally subsidized.

1. **New Buildings and Qualifying Rehabilitation Expenditures (if neither is federally subsidized):** With respect to new buildings or qualifying rehabilitation expenditures that are not subsidized, the applicable percentage is an amount resulting in aggregate HTCs having a present value of 70% of qualified basis. Traditionally, this has resulted in an HTC percentage of approximately 9%.
2. **New Buildings and Qualifying Rehabilitation Expenditures that are Federally Subsidized and Existing Buildings:** With respect to new buildings and qualifying rehabilitation expenditures that are federally subsidized and the acquisition of existing buildings that are rehabilitated, the applicable percentage is an amount that results in aggregate HTCs having a present value of 30% of qualified basis. Traditionally, this has resulted in an HTC percentage of approximately 4%.

Applicants are strongly advised to consult closely with their HTC professionals (legal and tax) for guidance with respect to structuring a project to use either the 9% or the 4% HTC.

C. Qualifying Rehabilitation

Rehabilitation expenditure requirements are established both by state and federal law.

Under Section 42(e), rehabilitation expenses qualify for HTCs if the expenditures for each building:

1. Are able to be allocated to one or more low-income units or substantially benefit one or more low-income units; and
2. Are equal to the greater of:
    a. An average qualified basis amount per low-income unit for a building that meets the inflation adjusted amount published by the IRS annually in accordance with Section 42(e)(3)(D); or
    b. An amount that is not less than 20% of the adjusted basis of the building, as determined pursuant to Section 42(e)(3).

In addition to the Section 42(e) requirements, Minnesota Statutes, section 462A.221, subdivision 5 requires rehabilitation expenditures for the project of an average of at least $5,000 per unit.

It is necessary to acquire an existing building in order to incur qualifying rehabilitation expenditures with respect to that building. In such a case, the costs of acquiring the existing building may be eligible for the 30% present value HTC and the rehabilitation expenditures may be eligible for the 70% present value HTC.

D. Existing Buildings

Existing buildings must meet the requirements of Section 42(d)(2). In order for an existing building to qualify for the 30% present value acquisition HTC in connection with rehabilitation, the building must meet the 10-year requirement (10-year rule), in accordance with Section 42(d)(2)(B) and have a period of at least 10 years between the date the building was acquired and the date it was last placed in service.

The 10-year rule also applies to existing HTC projects applying for a new Allocation of acquisition HTCs at the end of the original 15-year compliance period.

E. Exceptions to the 10-Year Rule

Exceptions to the 10-year rule are provided in Section 42(d)(6) for federally- or state-assisted buildings, certain low-income buildings subject to mortgage prepayment and buildings acquired from insured financial institutions in default. Certain other situations may be exempt from the 10-year rule, such as:

1. A person who inherits a property;
2. A government unit or qualified nonprofit group if income from the property is exempt from federal income taxation;
3. A person who gains a property through foreclosure (or instrument in lieu of foreclosure) of any purchase money security interest, provided the person resells the building within 12 months after placing the building in service following foreclosure; and/or
4. Single family residences that had no use during the prior 10-year period, except as an owner-occupied principal residence, will not be treated as being placed in service for purposes of the 10-year holding period. Note that although the 10-year rule does not apply, the property must still be rehabilitated to claim the acquisition costs of such a property.

F. Federal Subsidies

The determination of whether a building is federally subsidized is addressed in Section 42(i)(2). In general, a building is treated as federally subsidized if there is financing with interest that is exempt from tax under Section 103 of the IRC, and the proceeds of which were used (directly or indirectly) in the building or its operation.

Federal grants are not to be taken into account in determining eligible basis. The eligible basis of a building must not include any costs financed with the proceeds of a federally funded grant.

Owners of a property receiving a federal subsidy have the option of treating the subsidy amount as if it were a federal grant and deducting the amount of the subsidy from the qualified basis or costs against which the amount of the HTC is calculated.

G. Federal Subsidy Layering Review

Section 911 of the Housing and Community Development Act of 1992 requires that specific procedures be followed for subsidy laying review when HTCs and HUD assistance are combined in a single project. Sponsors of projects that combine HUD assistance and HTCs should be aware that a subsidy layering review must be completed for their projects and should contact Minnesota Housing to receive additional information prior to submitting their application.

Suballocators are responsible for ensuring that subsidy layering reviews are completed for developments within their jurisdiction where they are the Allocating Agency.

Subsidy layering review is required for, but not limited to, the following programs:

1. HUD Risk Sharing Insurance
2. Section 8 Project-Based Rental Assistance
3. HOME Investment Partnerships Program (HOME)
4. National Housing Trust Fund (NHTF)

H. Minimum Set-Aside Election

Applicants must set aside a minimum number of units that meet both rent and income restrictions to qualify for HTCs for each year of the HTC period. Multifamily Tax Subsidy Project (MTSP) income limits, which are published by HUD, are established for different geographical areas. A project must meet one of the following minimum tests no later than the close of the first year of the credit period and for the full term of the LURA:

1. **20/50 Test (20% at 50% MTSP):** To meet the 20/50 test, a minimum of 20% of the residential units must be both rent restricted and occupied by individuals whose income is at or below the 50% MTSP income limit, adjusted for family size.

2. **40/60 Test (40% at 60% MTSP):** To meet the 40/60 test, a minimum of 40% of the residential units must be both rent restricted and occupied by individuals whose income is at or below the 60% MTSP income limit, adjusted for family size.
3. **Average Income Test (AIT):** To meet the AIT, a minimum of 40% of the residential units must be both rent restricted and occupied by individuals whose imputed income average at initial occupancy is at or below the 60% MTSP income limit, adjusted for family size. The set-aside allows projects to restrict a percentage of units at higher rent and income levels by agreeing to restrict a percentage of its units at lower rent and income levels. The allowable income and rent limit restrictions are the 20%, 30%, 40%, 50%, 60%, 70% and 80% MTSP limits. Only properties that are 100% HTC restricted are eligible to elect the AIT, and the owner must agree to and make a proper election per IRS instructions to treat all buildings as one multiple building project. If the AIT is elected, the owner also agrees to maintain the number of 20%, 30% and 40% units throughout the extended use period that it represented it its application. The required number of units will be set forth in the LURA and cannot be changed without Minnesota Housing's prior written approval. The units may float throughout the property, but the owner should be aware of potential fair housing concerns if the lower income and rent restrictions are not available in units with larger bedroom sizes.

After the initial HTC application has been submitted to Minnesota Housing and the project has been selected, the minimum set-aside cannot be changed without Minnesota Housing's prior written approval. Owners must demonstrate good cause for requesting a change. Once the IRS Form 8609(s) are filed with the IRS, the minimum set-aside election is irrevocable.

All HTC units must comply with the respective minimum set-aside income and rent election. For example, for a 20/50 minimum set-aside, if a building's applicable fraction is 100%, all units must have an income and rent restriction at or below 50% MTSP.

The actual number of restricted units within the project must be consistent with the initial applicable fraction selected at the time of application. Also, the IRS defines each building as a separate project unless the owner elects to treat certain buildings as a multiple-building project on IRS Form8609. Refer to the 8609 instructions for making a multiple-building election on IRS Form 8609.

The AIT is not an available minimum set-aside election under IRC Section 142 for tax-exempt bonds. Owners of properties financed with tax-exempt bonds may elect the AIT for the HTC Allocation but will have to comply with the 20/50 or 40/60 minimum set-aside for bonds **AND** the AIT minimum set-aside for HTCs.

I. Affordable Rents

The rent restrictions for the units are governed by Section 42 and regulations, rulings and other announcements by the IRS. The following summary is not intended to be comprehensive. A violation of the tenant income or rent restrictions in Section 42 may result in project ineligibility or a reduction in basis and/or HTC amount.

For a unit to count as a low-income unit, the gross rent may not exceed 30% of the imputed tenant income limitation. The imputed income limitation applicable to a unit equals the permissible income limitations that would apply if the number of individuals occupying the unit were:

1. One individual in the case of a studio apartment; and
2. 1.5 individuals per bedrooms in the case of a unit with one or more separate bedrooms.

Therefore, the rent restrictions applicable to a low-income unit are determined by which test is elected and how many bedrooms are contained in the unit. Current income limits, as published by HUD, for Minnesota counties are described in the Rent and Income Limits tables found on the Housing Tax Credit page of the Minnesota Housing website.

For HTC compliance purposes, "gross rent" means all payments by the tenant, including non-optional charges and payments for utilities other than telephone and cable. If the tenant pays utilities directly, the maximum rent that can be paid to the landlord is reduced by a utility allowance. IRS Treasury Regulation 1.42-10 Utility Allowance, as amended, provides guidance relating to utility allowances and lays out options for establishing them.

The following is a summary of the sources of utility allowances:

1. USDA Rural Housing Service (RHS) financed projects, or units with tenants receiving RHS assistance, must use the RHS utility allowance.
2. HUD regulated buildings must use the HUD utility allowance (project-based HUD financing).
3. Any individual apartments occupied by residents who receive HUD assistance (Section 8 Existing, etc.), must use the HUD utility allowance from the Public Housing Authority (PHA) administering the assistance.
4. For Section 42 buildings without RHS or HUD assistance, the following options may be used:
    a. A PHA utility allowance from the local housing authority administering Section 8 Housing Choice Vouchers for the area in which the property is located;
    b. A utility company estimate;
    c. An Average of Actual Consumption using methodology described in the HUD published Multifamily Notice H2015-4A HUD Utility Schedule Model; or
    d. An Energy Consumption Model using an energy and water and sewage consumption and analysis model.

The HTC Compliance Guide provides additional information and instructions for implementing utility allowances.

Federal, state and local rental assistance payments (such as Section 8 payments) made on behalf of the tenant are not included in gross rent.

Additional rent restrictions may apply if the Allocation or Award of HTCs was made based on such additional restrictions.

J. Tenant Eligibility

To be a low-income unit for purposes of determining the qualified basis, the tenant must have income at or below 50% of the applicable MTSP income limits if the 20/50 test is elected or 60% of MTSP income limits if the 40/60 test is elected. If the AIT is elected, the tenant must have income at or below the correct percent of MTSP income limits according to unit designation. The allowable income limit restrictions under the AIT are the 20%, 30%, 40%, 50%, 60%, 70% and 80% MTSP limits. The unit must be rent restricted as set forth above, and the unit must be suitable for occupancy.

The combined household income of all tenants occupying an HTC eligible unit must be less than or equal to the elected income requirements as shown on Rent and Income Limits. Section 42 does not allow households comprised of full-time students to qualify as low-income units unless certain exceptions are met. There are five exceptions to the limitation on households where all members are full-time students. Full-time student households that are income eligible and satisfy one or more of the following conditions are considered eligible:

1. Students are married and entitled to file a joint tax return. A married couple that is entitled to file a joint tax return, but has not filed one, still satisfies the exception;
2. The household consists of a single parent with child(ren), the parent is not a dependent of someone else and the child(ren) is/are not dependent(s) of someone other than a parent;
3. At least one member of the household receives assistance under Title IV of the Social Security Act (formerly Aid to Families with Dependent Children (AFDC), now known as Temporary Assistance for Needy Families (TANF), or in Minnesota, the Minnesota Family Investment Program (MFIP));
4. At least one member of the household participates in a program receiving assistance under the Job Training Partnership Act (JTPA) or other similar federal, state or local laws; or
5. At least one member of the household was previously in foster care.

Households are required to certify student status annually, no later than the anniversary date of the previous certification. Refer to Section 5.11 of the HTC Compliance Guide and Chapter 17 of the IRS

Guide for Completing Form 8823, Low-Income Housing Credit Agency's Report of Noncompliance or Building Disposition Audit Technique Guide, for additional guidance.

K. Eligible Basis

In general, the eligible basis of a building is equal to the building's adjusted basis for acquisition, rehabilitation or construction costs for the entire building, subject to certain conditions and modifications set forth in Section 42(d). As a general rule, the adjusted basis rules of IRC Section 1016 apply, with the exception that no adjustments are made for depreciation. Some of the special provisions for determining eligible basis under Section 42(d) are:

1. The eligible basis may be increased for new buildings and rehabilitation to existing buildings that are located in designated QCTs, DDAs or in 9% HTC developments utilizing the state designated basis boost. See Chapter 2.Q.
2. The cost of the non-low-income residential units in a building is included in eligible basis only if the quality of those units does not exceed the average quality of the low-income units. If the cost of a non-low-income unit exceeds the cost of a low-income unit (using the average cost per square foot and assuming the same size) by more than 15%, the entire cost of the non-low-income unit must be excluded from the building's eligible basis. If the excess cost is not more than 15%, the owner may make an election to exclude only the excess cost of the non-low-income unit(s) from eligible basis.
3. The cost of depreciable property used in common areas or provided as comparable amenities to all residential units (e.g., carpeting and appliances) is included in determining eligible basis. The cost of tenant facilities (e.g., parking, garages and swimming pools) may be included in eligible basis if there is no separate charge for use of the facilities and they are available to all tenants in the project.
4. The cost of a community service facility is included in basis only if the building is located in a QCT. The eligible basis of that facility must not exceed 25% of the first $15 million of eligible basis plus 10% of additional basis in the project. All community service facilities that are part of the same qualified low-income housing project will be treated as one facility. A community service facility is defined as a facility that is part of the qualified low-income housing project designed to serve primarily individuals, including tenants and non-tenants, whose income is 60% or less of area median income.
5. Eligible basis is reduced by federal grants, residential rental units that are above the average quality standard of the low-income units, historic rehabilitation credits and nonresidential rental property. Buildings located in areas designated as a QCT, DDA or developments utilizing the state designated basis boost may qualify for an increase in eligible basis.

L. Qualified Basis

Qualified basis is the portion of the eligible basis applicable to low-income housing units in a building. Qualified basis is the product of a building's eligible basis multiplied by the applicable fraction.

M. Applicable Fraction

The applicable fraction is the lesser of:

1. The unit fraction, which is the number of low-income units in a building divided by the total number of residential rental units in the building; or
2. The floor space fraction is the total floor space of the low-income units in the building divided by the total floor space of the residential rental units in the building.

A full-time resident manager's unit is not considered a residential unit and shall be excluded from the numerator and denominator for calculating the applicable fraction.

At initial application and at carryover, the **estimated project applicable fraction** will be used. It is calculated by project in order to obtain a rough estimate of the percentage of eligible units and square footage needed and an estimate of the total amount of HTCs necessary for a particular project.

At the time that the placed in service application for 8609 is made, the **targeted applicable fraction for each building** is calculated. The targeted applicable fraction is determined on a building-by-building basis. Each building in a multiple building development could have a different applicable fraction. Because the estimated project applicable fraction is approximate, the targeted applicable fraction calculated by building will frequently differ unless the project has a 100% applicable fraction. The targeted applicable fraction is also listed as part of the extended use criteria in the LURA, which is recorded and remains with the property.

N. Annual HTC Amount

The HTC is available each year for 10 years. The amount of HTCs allocated or awarded is based on the qualified basis multiplied by the applicable percentage. However, Section 42(m)(2) requires Minnesota Housing to limit the amount of HTCs to the amount necessary to help ensure project feasibility under the rules established by the IRS; therefore, the actual amount of HTCs allocated or awarded could be less than the maximum allowable if the analysis reveals the project would still be feasible with fewer HTCs.

The IRS publishes the applicable percentages on a monthly basis. These figures are used to calculate the maximum allowable annual HTC amount for which the project will be eligible (also refer to Chapter 3.B.).

O. Declaration of Land Use Restrictive Covenants

As a condition of receiving HTCs, a project will be subject to a Declaration of Land Use Restrictive Covenants (LURA) between the owner and Minnesota Housing through which the owner commits the building(s) to low-income use for an extended use period of at least 15 years after the conclusion of the 15-year compliance period (a total of 30 years). The owner can elect to extend the term of the LURA and Section 42 income and rent restrictions up to 50 years. Owners of properties that receive 4% or 9% HTCs are required by Minnesota Housing to waive the right to request a Qualified Contract (refer to Chapter 2.Y.).

The LURA terminates upon foreclosure of the building (or deed in lieu of foreclosure) unless the IRS determines that such acquisition is part of an arrangement with the taxpayer, a purpose of which is to terminate such period.

Throughout the term of the LURA and for a three-year period after the termination or expiration of the LURA, the owner must not evict or terminate the tenancy of an existing tenant of any low-income unit other than for good cause and must not increase the gross rent above the maximum allowed under the IRC with respect to such low-income unit.

The LURA must be recorded in accordance with Section 42(h)(6) as a restrictive covenant and submitted to Minnesota Housing prior to Minnesota Housing issuing the IRS Form 8609. The LURA will set forth the commitments made by the owner to Minnesota Housing in obtaining points, including any additional long term requirements placed upon the building at the time of Selection. Non-compliance with the LURA may result in serious penalties, including but not limited to HTC disallowance or recapture and ineligibility for Minnesota Housing resources, including HTCs. Both Minnesota Housing and certain prospective, current or former tenants have, in addition to all other remedies provided by law or in equity, the right to enforce specific performance of the LURA. At its sole discretion, Minnesota Housing reserves the right to waive any criteria or requirement not required by law.

P. Ineligible Properties

Any residential rental unit that is part of a hospital, nursing home, sanitarium, life care facility, trailer park or intermediate care facility for the mentally and physically handicapped is not for use by the general public and is not eligible for HTCs under Section 42. Projects with buildings having four or fewer residential units must comply with Section 42(i)(3)(C).

Q. Passive Loss Restrictions

There is a limit on the amount of HTCs any individual may effectively use due to passive loss restrictions and alternative minimum tax provisions. Consult your tax attorney or accountant for clarification of this regulation.

R. State Credit Ceiling Limits

Each state is limited to the amount of 9% HTCs it may allocate annually. An estimate of Minnesota's annual credit ceiling is published on Minnesota Housing's website prior to allocation in Round 1.

Projects financed by tax-exempt volume limited bonds that are subject to a separate volume limitation are not counted against the state HTC credit ceiling (refer to Chapter 7 for further details).

S. Loss of Credits

Minnesota Housing reserves the right to cancel a Selection or Allocation of HTCs to projects that do not provide evidence satisfactory to Minnesota Housing of progress toward completion of the project in accordance with the project schedule or noncompliance with the terms of the Selection or Allocation.

Part of the HTCs will also be disallowed or recaptured by the IRS if the qualified basis at the close of any year is less than the amount of such basis at the close of the preceding taxable year or if the minimum number of qualified low-income units is not maintained for the complete extended use period.

T. Market Study

IRC Section 42(m)(1)(A)(iii) requires that all HTC projects conduct a comprehensive market study before an Allocation or Award is made. The study must examine the housing needs of low-income individuals in the area to be served by a developer's HTC project and must be conducted by a disinterested party, at the developer's expense, who is approved by the housing credit agency (refer to the Market Study Guidelines on Minnesota Housing's website).

U. Right of First Refusal

IRC Section 42(i)(7) permits qualified nonprofit organizations to hold a right of first refusal (ROFR) to purchase the property after the close of the compliance period. Minnesota Housing requires that all 4% and 9% HTC projects that involve ownership by a qualified nonprofit organization grant such a ROFR to the nonprofit, on the condition that the nonprofit continue to operate the project as an HTC project for at least the remaining term of the LURA. This includes all HTC projects that involve ownership by a qualified nonprofit organization, not only projects that receive HTC under the nonprofit set aside. Projects that elect Eventual Tenant Ownership as described in Chapter 3.W. are exempt from this requirement.

The ROFR permitted by Section 42(i)(7) is not the same as a right of first refusal under statutory, court-interpreted or common law. The ROFR cannot be conditioned upon receipt of a bona fide purchase offer from any party, including an unrelated third party. The ROFR purchase price must be calculated as the minimum purchase price permissible under Section 42. This ROFR purchase price must not automatically include unpaid fees or loans and must be calculated by the project accountants and deemed final other than due to manifest error. The ROFR must be included in the partnership/operating agreement, must be recorded against the property and will be reflected in the HTC legal agreements and in the LURA.

V. Eventual Tenant Ownership

Minnesota Housing will review projects incorporating eventual tenant ownership (ETO) provisions in accordance with Section 42(h)(6), IRS Revenue Ruling 95-49 and Minnesota Housing's requirements. Projects that include ETO will receive a preference during the selection process when reviewing tie breakers (refer to Chapter 5.D.).

The LURA will contain provisions ensuring compliance with these ETO commitments by the owner, including a ROFR allowing tenants to purchase their units.

Until the time the HTC units are purchased by qualified tenants or in the event that not all HTC units are acquired by qualified tenants, the owner will extend the duration of low-income use for the full term of the LURA (refer to the Eventual Tenant Ownership Guide on Minnesota Housing's website).

W. Contract Compliance, Equal Opportunity and Fair Housing Policy

It is the policy of Minnesota Housing to practice affirmative action to provide equal opportunity in all our projects, programs and other endeavors. Minnesota Housing's goal is to achieve a client and recipient mix that is representative of the people who live in our state and our communities so that all employment and contractual benefits that develop as a result of our programs will be shared by all Minnesotans. This policy applies to all Minnesota Housing employees and Minnesota Housing's external partners.

Purpose

The purpose of this policy is to make Minnesota Housing's commitment to act affirmatively to achieve equal opportunity in all facets of its operation, clear to both internal staff and outside parties with whom we do business.

Goals

Our goal is to make certain that Black-, Indigenous-, People of Color-owned business enterprises and women-owned business enterprises have equal access to business opportunities resulting from Minnesota Housing-assisted developments. Minnesota Housing expects that projects that receive Allocations or Awards of HTC from Minnesota Housing will comply with the marketing and outreach requirements and performance goals described in the Multifamily Division Black, Indigenous, and People of Color-owed Business Enterprise and Women-owned Business Enterprise Compliance Standards available on the Minnesota Housing website.

Requirements

Minnesota Housing is required to comply with all applicable local, state and federal laws. These requirements extend to everyone that Minnesota Housing does business with, either by contractual agreement or as a Minnesota Housing policy.

Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation.

Minnesota Housing's fair housing policy incorporates the requirements of Title VI of the Civil Rights Act of 1968; the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988; and the Minnesota Human Rights Act. Housing providers and other entities involved in real-estate related transactions are expected to comply with the applicable statutes, regulations and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements. Housing providers and other entities involved in real-estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.

In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in the making or purchasing of loans for purchasing, constructing or improving a dwelling or in the terms and conditions of real-estate related transactions;
- Discriminate in the brokering or appraisal of residential property;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Discriminate in the extension of personal or commercial credit or in the requirements for obtaining credit;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;

- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Refuse to grant a reasonable accommodation or a reasonable modification to a person with a disability;
- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and require those in the business of buying and selling dwellings to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

Applicants will be required to submit an Affirmative Fair Housing Marketing Plan (AFHMP) at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.

As a condition of receiving HTC through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Housing Choice Voucher or other form of tenant-based rental assistance.

X. Occupancy Restrictions

Under the HTC general public use requirement, residential rental units must be for use by the general public, which incorporates HUD housing policy governing non-discrimination. Residential units provided only for a member of a social organization or provided by an employer for its employees are not considered use by the general public and are examples of restrictions not allowed under the HTC program. Minnesota Housing has an obligation to affirmatively further fair housing, and occupancy restrictions must comply with the Fair Housing Act, the Minnesota Human Rights Act and other civil rights laws. Projects must also comply with any occupancy restrictions imposed in connection with any other funds provided by Minnesota Housing. Age-related occupancy restrictions or preferences will be approved only if set out in the QAP or if the property qualifies as housing for older or elderly persons under the Fair Housing Act, the Minnesota Human Rights Act and their federal regulations.

Chapter 4 – Development Standards

All applications to Minnesota Housing for HTCs will be evaluated according to the following standards. (Small projects, local Community Development Initiative projects and projects developed in a DDA may be considered eligible for variances from these standards, if justified).

A. Project Cost Reasonableness

Minnesota Housing will evaluate the costs of each proposed project in comparison to current comparable projects to determine whether the proposed costs are reasonable, taking into consideration unique characteristics of the project and its comparability to similar projects. Additional documentation will be required if the proposed costs are not comparable or reasonable.

HTC projects are subject to Minnesota Housing's Development Costs and Predictive Cost Model policy. Minnesota Housing will use its Predictive Cost Model to test cost reasonableness for all projects. The model uses cost data from properties that have received Minnesota Housing funding or HTC, industry cost data from RSMeans and a regression analysis to predict total project costs. Based on a project's characteristics (type of development activity, building type, building characteristics, average unit size, project size, project location, population served, financing, etc.), the model predicts the total development costs. If a project's proposed costs exceed the applicable threshold set out in board policy, board action may be required. Developments with costs above the Predictive Cost Model may be notified and, if requested by the owner, will follow Minnesota Housing's process to determine if a waiver will be granted.

Minnesota Housing will evaluate the cost reasonableness of proposed acquisition costs through an as-is appraisal. Refer to the Minnesota Housing Multifamily Underwriting Standards for additional as-is appraisal requirements and details.

Minnesota Housing reserves the right to reject applications that appear, at Minnesota Housing's sole discretion, to have excessive costs or to size an Allocation or Award based on the lesser of the option/purchase agreement purchase price or the appraised value of the property.

B. Eligible Basis HTC Fees

Minnesota Housing will limit the amount of developer fees and general contracting fees (contractor's profit, general requirements, contractor's overhead) based on the requirements contained in the Minnesota Housing Multifamily Underwriting Standards for the purposes of calculating eligible basis to determine the amount of HTCs.

Syndication-related consultant fees are not to be included in the eligible basis of the project.

C. Reserves/Contingencies

Minnesota Housing will require documentation of the amount and disposition of reserves/contingencies. If they revert back to the developer, general partner/managing member or any entity with an ownership interest in the project, Minnesota Housing will consider the reserves/contingencies as deferred developer fees and the above limits will apply. For letters of credit, bonds, etc., use the actual cost, not face value, when completing the development cost section of the Multifamily Workbook.

D. Comparative Analysis

Notwithstanding these development standards and the selection criteria within this QAP, each proposed project is analyzed on a comparative basis in a variety of categories to ensure the highest value for the HTCs allocated and awarded.

E. Property Standards

Minnesota Housing encourages sustainable, healthy housing that optimizes the use of cost-effective durable building materials and systems and that minimizes the consumption of natural resources during construction, and in the long-term maintenance and operation.

All completed developments **must** comply with the Minnesota Overlay to the Enterprise Green Communities Criteria and Minnesota Housing's Rental Housing Design/Construction Standards. **Significant adjustments to these standards require prior approval from Minnesota Housing**

Additional design requirements will also be imposed if a developer claims and is awarded certain points on the Self-Scoring Worksheet (refer to Chapter 6).

The owner and architect must certify compliance with all required Minnesota Housing Rental Housing Design/Construction Standards, and where points have been awarded, that all applicable standards and development features have been incorporated into the final working plans.

Chapter 5 – Project Selection

A. First Round – Application Requirements

Minnesota Statutes, section 462A.222, subdivision 3(e) requires that all applications statewide applying for a portion of the state's HTC credit ceiling in Round 1 meet one of the following minimum threshold types. The threshold type that the applicant applies under will become part of the HTC Reservation and Commitment and will be included in the LURA. An Allocating Agency will allocate HTCs only to the following types of projects:

1. In the Metropolitan Area:
    a. New construction or Substantial Rehabilitation in which, for the term of the extended use period (term of the LURA), at least 75% of the total HTC units are single room occupancy, efficiency or one-bedroom units with rents affordable to households whose income does not exceed 30% of the area median income;
    b. New construction or Substantial Rehabilitation family housing projects that are not restricted to persons 55 years old or older in which, for the term of the extended use period (term of the LURA), at least 75% of the total HTC units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms; and
    c. Substantial Rehabilitation projects in neighborhoods targeted by the city for revitalization.
2. Outside the Metropolitan Area:
    a. Projects that meet a locally identified housing need and which are in short supply in the local housing market, as evidenced by credible data submitted with the application.
3. Projects that are not restricted to persons of a particular age group and in which, for the term of the extended use period (term of the LURA), a percentage of the units are set aside and rented to persons:
    a. With a serious and persistent mental illness as defined in Minnesota Statutes, section 245.462, subdivision 20, paragraph (c);
    b. With a developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (8), as amended through December 31, 1990;
    c. Who have been assessed as drug dependent persons as defined in Minnesota Statutes, section 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes, section 254A.02, subdivision 2;
    d. With a brain injury as defined in Minnesota Statutes, section 256B.093, subdivision 4, paragraph (a); or

   e. With permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules, chapter 1341.
4. Projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the use of HTCs is necessary to (1) prevent conversion to market rate use or (2) to remedy physical deterioration of the project, which would result in loss of existing federal subsidies.
5. Projects financed by Rural Development, which meet statewide distribution goals.

B. Strategic Priority

To be eligible for HTCs from the state's credit ceiling, a developer must demonstrate that the project meets at least one of the HTC statutory strategic priorities or a strategic objective in Minnesota Housing's Strategic Plan. Residential rental housing projects financed with an allocation of tax-exempt bonds under Minnesota Statutes, chapter 474A are the highest strategic priority for tax credits in accordance with Minnesota Statutes, section 462A.222, subdivision 3(d) and such projects need not meet a separate strategic priority.

C. Selection and Preference Criteria

All HTC applications are scored and/or reviewed in accordance with the Selection Criteria and Preference Criteria required by Section 42 and Minnesota Housing.

To be eligible for HTCs from the state's credit ceiling under Minnesota Housing's QAP, a developer must demonstrate that the project is eligible for no less than **80 points** in the Self-Scoring Worksheet. This excludes projects funded through the RD/Small Projects set-aside, which must be eligible for no less than **30 points.**

To be eligible for HTCs in association with tax-exempt volume limited bonds under Minnesota Housing's QAP, a developer must demonstrate that the project is eligible for no less than **40 points** in the Self-Scoring Worksheet.

For applicants requesting HTCs from the state's credit ceiling, Minnesota Housing will first rank proposals. The highest-ranking proposals will then be reviewed in accordance with the project selection requirements described in sections E through K of this chapter. Minnesota Housing reserves the right to reject applications not meeting these project selection requirements or to revise proposal features and decrease associated scoring, to help ensure the project meets the requirements. Lower ranking proposals will only be processed further if HTC remain available after the higher-ranking proposals are processed. Minnesota Housing may elect, at its sole discretion, not to give partial HTCs to a higher-ranking application but to give the HTCs to the next ranking application that can use the balance of the HTCs.

Selection Criteria consist of the following:

1. Large Family Housing;
2. Senior Housing;
3. Permanent Supportive Housing for Households Experiencing Homelessness: High Priority Homeless and Other Homeless;
4. People with Disabilities;
5. Preservation;
6. Rental Assistance: Project-Based Rental Assistance and Further Restricting Rental Assistance;
7. Serves Lowest Income Tenants/Rent Reduction;
8. Long-Term Affordability;
9. Access to More Affordable Housing;
10. Workforce Housing Communities;
11. Transit and Walkability;
12. Community Development Initiative;
13. Equitable Development;
14. Rural/Tribal;
15. Qualified Census Tracts/Community Revitalization or Tribal Equivalent Area;
16. Multifamily Award History;
17. Black-, Indigenous-, People of Color-owned Business Enterprises- or Women-owned Business Enterprises (BIPOCBE/WBE);
18. Financial Readiness to Proceed/Leveraged Funds;
19. Other Contributions;
20. Intermediary Costs;
21. Innovative Construction Techniques;
22. Universal Design;
23. Enhanced Sustainability;
24. Sponsor Characteristics – Non-scoring selection criteria; and
25. Public Housing waiting lists – Non-scoring selection criteria.

Preference Criteria consist of the following:

1. Serves Lowest Income Tenants/Rent Reduction;
2. Rental Assistance: Project-Based Rental Assistance and Further Restricting Rental Assistance;
3. Long-Term Affordability;
4. QCT/Community Revitalization or Tribal Equivalent Areas; and
5. Eventual Tenant Ownership – Non-scoring selection criteria.

D. Tie Breakers

If two or more proposals have an equal number of points, the following will be used to determine selection:

1. **First tie breaker:** Priority will be given to the project with the greater number of points in Preference Criteria; if a tie still remains;
2. **Second tie breaker:** Priority will be given to the project that will have an Eventual Tenant Ownership component; if a tie still remains;
3. **Third tie breaker:** Priority will be given to a project located in a city, township or tribal reservation that has not received an Allocation of HTC from the annual credit ceiling from Minnesota Housing in the last two years; if a tie still remains;
4. **Fourth tie breaker:** Priority will be given to the project with the highest percentage of funds secured, awarded or committed, as measured by the Financial Readiness to Proceed/Leveraged Funds selection criterion; if a tie still remains;
5. **Fifth tie breaker:** Priority will be given to the project with the lowest percentage of intermediary costs as measured by the Intermediary Costs selection criterion; if a tie still remains;
6. **Sixth tie breaker:** Priority will be determined by lot.

E. Market Review

Minnesota Housing will conduct a market review (to determine the housing needs of low-income individuals in the area to be served by the project. Minnesota Housing will evaluate the in-house occupancy data to determine the marketability of the proposed project. Minnesota Housing may contact the applicant if there is a question as to the marketability of the proposed projects. The applicant may be given an opportunity to adjust the unit mix and/or number of units and resubmit information prior to Minnesota Housing scoring of selection priority points.

Minnesota Housing may consult with local communities, Public Housing Authorities (PHAs), Housing and Redevelopment Authorities (HRAs), RD and HUD to determine the marketability of projects. If, in the opinion of Minnesota Housing, the issuance of the HTCs to a project could be detrimental to existing rental property, Minnesota Housing may choose not to issue HTCs to the applicant. Proposed projects that do not appear marketable and do not modify their proposal will not receive further consideration in the current funding round.

F. Design Review

The proposed owner and architect must certify compliance with all required development features outlined in Chapter 5 of the Minnesota Housing Rental Housing Design/Construction Standards before the project will be scored and ranked (refer to Chapter 4.E.).

G. Development Team Review

Minnesota Housing will also consider the following factors when evaluating an application for an HTC Allocation or Award:

1. The ability and capacity of the development team to proceed expeditiously to complete the proposed development and any previously selected projects still in process;
2. The prior record of the development team in meeting Minnesota Housing and IRS reporting requirements; and
3. The experience of the development team in developing and managing similar residential housing.
4. The development team's successful management of projects in its portfolio and in compliance with Minnesota Housing's compliance policies, procedures or requirements.

Proposed projects from applicants that do not appear to have the experience, capacity or ability will not receive further consideration in the current funding cycle.

H. Site Review

Minnesota Housing staff may conduct a site inspection for each project passing the project selection requirements described in this chapter for consistency with the principles of sound, affordable housing developments. Site inspections may be conducted to analyze physical characteristics; the surrounding property and community; the location of schools, shopping, public transportation, employment centers, community and housing service facilities; availability of utilities, water and sewage treatment facilities; and the suitability of the site for the proposed housing.

For purposes of Minnesota Housing's investment in affordable housing, the principles are as follows:

1. **Linkage:** Housing development must be part of a comprehensive community development effort that links housing, jobs, transportation, recreation, retail services, schools and social and other services.
2. **Jobs:** Housing is part of the infrastructure necessary to sustain economic vitality. New housing must be located near jobs and in areas of job growth and must address housing needs of the local work force. Preference will be given to proposals that provide housing in communities with job growth.

3. **Land Use:** Housing must be developed to maximize the adaptive reuse of existing residential rental buildings and the use of existing infrastructure, where financially feasible. In cases of new developments, housing must maximize the efficient use of land and infrastructure and minimizes the loss of agricultural and green space.
4. **Transportation:** Housing must be developed near regional and interregional transportation corridors and transit ways.

Minnesota Housing will consider, but is not limited to, the following environmental criteria when evaluating a proposed site:

1. Noise;
2. Flood plains and wetlands;
3. Site safety;
4. Toxic and hazardous waste;
5. Underground storage tanks; and
6. Asbestos and lead-based paint.

Minnesota Housing may, at its sole discretion, reject applications or cancel an Award or Allocation of HTCs from projects that appear unsuitable for the housing proposed.

I. Multifamily Underwriting Standards

Proposals must meet all applicable Multifamily Underwriting Standards to receive an Allocation or Award of HTCs. The Multifamily Underwriting Standards will be used by Minnesota Housing for underwriting and sizing of the HTC Allocation or Award.

All operating assumptions, including for rent, vacancy, operating expenses, reserves, inflation assumptions and debt coverage ratios, must be consistent with the requirements of the Underwriting Standards. The structure of the development budget, including acquisition price; architect, general contracting and developer fees; sales tax and energy rebates; as well as construction contingency, must also meet the Underwriting Standards.

Refer to the Minnesota Housing Multifamily Underwriting Standards and Multifamily Application Instructions: Consolidated RFP and HTC Rounds 1 and 2 for additional information and requirements.

J. Financial Feasibility

Proposals that meet the project selection requirements will be evaluated for financial feasibility as required by Section 42(m)(2), IRS Treasury Regulation 1.42-17(a)(3) and Chapter 2.N. Projects determined not to be financially feasible will not be processed further in the current funding cycle.

An application's structuring may be revised by Minnesota Housing during this review to help ensure financial feasibility and/or to meet required components of the Multifamily Underwriting Standards, as applicable, and a reduction to the application’s scoring may occur as a result of these revisions.

K. Development Cost Review

Minnesota Housing will review project costs based on comparability and reasonableness. Minnesota Housing may, at its sole discretion, reject applications that appear to have excessive project costs (also refer to Chapter 4.A. Project Cost Reasonableness).

Chapter 6 – Submission Requirements

It is the applicant's responsibility to be aware of the submission requirements needed to proceed to the next step in obtaining an HTC Allocation or Award. If the applicant is unable to meet the submission requirements (financing, zoning, site control, syndication, construction start, etc.) in a timely manner, or if approvals have expired, the application will no longer be processed, and the application fee will be forfeited. **Any submissions not meeting the requirements below will be returned to the applicant and fees paid will not be refunded.**

A. Application Requirements

Required HTC application materials are incorporated into the Application Checklist in the Multifamily Customer Portal (Portal), including the Intent to Apply, which is due in advance of the application. The Multifamily Consolidated RFP Standards and the Scoring Guide provide comprehensive resources for these application materials and submittal instructions. The Multifamily and Housing Tax Credit application materials can be found in the Portal and on Minnesota Housing's Application Resources and Housing Tax Credits webpages (www.mnhousing.gov).

If a Minnesota Housing multifamily first mortgage and/or deferred loan are sought in conjunction with the HTC application, many HTC forms and submissions are identical to the forms and submissions required for other Minnesota Housing funding sources under the Multifamily Consolidated RFP or open pipeline.

A complete application must be submitted no later than each of the application due dates in order to be considered for Selection, within the applicable competition.

Minnesota Housing will base its Selection decision upon the application and attachments received on the application due date. Minnesota Housing reserves the right, in its sole discretion, to request additional information or deem an error related to an application to be immaterial.

No project may be divided into two or more projects during a single funding round to receive HTCs. Multiple applications, determined by Minnesota Housing to be one project, will be returned to the applicant and all fees forfeited. Minnesota Housing will consider factors such as, but not limited to, ownership entities, general partner/managing members, sponsor relationships and location of project, if a contiguous site, to determine if a multiple application exists.

Upon receipt of an application, as required by federal law, Minnesota Housing will notify the Chief Executive Officer (or the equivalent) of the local jurisdiction where the proposed project is planned. This notification will include characteristics of the proposed HTC project and provide an opportunity for the local unit of government to comment on the project.

Much of the information submitted in an application for HTCs is information that is accessible to the public pursuant to Minnesota Statutes, chapter 13.

Self-Scoring Worksheet

The Self-Scoring Worksheet and the Scoring Guide provide comprehensive resources for the documentation materials and submittal instructions.

Minimum Threshold Evidence

For Round 1, all 9% HTC projects are required to provide evidence of meeting one of the threshold types defined in Chapter 5.A. Copies of this QAP and a sample letter format can be found in the Housing Tax Credit Allocation or Housing Tax Credits Reference Materials sections. In meeting the requirements of the minimum thresholds, fractions of units are not counted as a whole unit. Where unit percentage calculations result in a fraction of a unit being required, the fraction of a unit must be rounded up to next whole unit.

Local HRA/PHA Certification

Section 42 of the IRC requires an Allocating Agency to give preference to owners that agree to utilize the local HRA or PHA waiting list to identify eligible individuals and households to fill vacant units. Applicants applying for HTCs must sign a certification agreeing to utilize the public housing and Section 8 waiting lists as applicable.

People with Disabilities Performance Requirement Relief Provisions

Specific performance requirement relief provisions are available for projects receiving points under the People with Disabilities Selection Criterion of the Self-Scoring Worksheet for PWD Units.

If, for a particular unit meeting the criteria and receiving points under the People with Disabilities Selection Criterion (PWD Unit(s)), the necessary rental assistance or operating support (collectively PWD Unit Subsidy) is 1) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; 2) such withdrawal or termination materially adversely impacts the financial feasibility of the project; 3) alternative funding is unavailable; and 4) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected PWD Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the owner’s request including, but not limited to, items 1), 2) and 3) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the owner shall no longer be required to treat such PWD Unit(s) as PWD Unit(s) but must convert the rents of those units to the 50% HTC rent limit; **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply**. If such conversion occurs, in order to retain the Allocation, the above described 50% HTC rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the HTC compliance and extended use periods.

If Minnesota Housing, at any time after approving such relief, in its sole discretion, determines that a PWD Unit Subsidy may be available for the remainder of the HTC compliance and extended use periods that would not adversely affect the full availability of the HTC Allocation and would permit the PWD Unit(s) to again serve PWD households, then, at Minnesota Housing's request, the owner shall promptly apply for such PWD Unit Subsidy for the affected PWD Unit(s), upon terms reasonably acceptable to such owner. If such PWD Unit Subsidy is obtained, the owner shall again set aside such PWD Unit(s), when and to the extent then available, to people with disabilities needs qualifying individuals.

If, for a particular PWD Unit(s), the necessary tenant support services funding is 1) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; 2) alternative funding or an alternative service provider is unavailable; and 3) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to modify its requirements for the provision of such tenant services for the affected PWD Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the owner's request including, but not limited to, items 1) and 2) of this paragraph. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the owner shall modify its provision of such tenant support services for the affected PWD Unit(s) in a manner consistent with Minnesota Housing's modified requirements for the provision of tenant services for the PWD Unit(s), **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply**.

If Minnesota Housing, at any time after approving such relief, in its sole discretion, determines that PWD Unit tenant support services funding may be available for the remainder of the HTC compliance and extended use periods that would not adversely affect the full availability of the HTC Allocation and would permit the affected PWD Unit(s) to again provide tenant support services to PWD households, then, at Minnesota Housing's request, the owner shall promptly apply for such PWD Unit tenant support services funding for the affected PWD Unit(s), upon terms reasonably acceptable to such owner. If such PWD Unit tenant support services funding is obtained, the owner shall resume providing PWD Unit tenant support services, when and to the extent then available, to people with disabilities needs qualifying individuals.

Evidence of Targeting Units for Permanent Supportive Housing for High Priority Homeless

In accordance with Minnesota's Plan to Prevent and End Homelessness, Minnesota Housing is the lead agency for the action plan to increase affordable and supportive housing units to address the housing gap for people at risk of and experiencing homelessness. HTCs represent one of several resources identified to attain this goal. To receive points under Permanent Supportive Housing for High Priority Homeless, the proposal must meet all of the requirements contained in the Self-Scoring Worksheet.

High Priority Homeless Performance Requirement Relief Provisions

Specific performance requirement relief provisions are available for projects receiving points under the Permanent Supportive Housing for High Priority Homeless (HPH) selection criterion of the Self-Scoring Worksheet for HPH Units.

The following relief provisions may be considered for developments with HPH Units and are subject to Minnesota Housing approval:

1. An owner may request approval in writing from Minnesota Housing to prioritize filling a vacant HPH Unit(s) with the next highest need household in accordance with the Supportive Housing HPH prioritization procedure, as determined at the sole discretion of Minnesota Housing, if the HPH Unit(s) is unable to be filled with highest priority household on the permanent supportive housing list in the Coordinated Entry system.
2. If, after a minimum 60-day period, or other time period approved by Minnesota Housing when reasonable options have been exhausted, an HPH Unit(s) is unable to be filled by a household through the Coordinated Entry system or the prioritization process outlined above, temporary relief from the HPH Unit may be requested from Minnesota Housing to permit a non-HPH household to fill the unit. The next comparable available unit is subject to the HPH Unit requirements when a vacancy occurs.
3. If a particular HPH Unit(s) experiences unexpected loss of rental or operating support or tenant support services funding (collectively HPH Unit Subsidy) and meets the conditions below, the owner may petition Minnesota Housing to eliminate its requirements for the affected HPH Unit(s):
    - (i) The HPH Unit Subsidy was withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner;
    - (ii) Such withdrawal or termination materially adversely impacts the financial feasibility of the project;
    - (iii) Alternative funding or an alternative service provider is unavailable; and
    - (iv) The project is otherwise in full compliance with all the terms of the funding for the project.

If all of the conditions of number three above are met, the owner may petition Minnesota Housing to eliminate its requirements for the affected HPH Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the owner’s request including, but not limited to, items (i), (ii) and (iii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the owner shall no longer be required to treat such HPH Unit(s) as HPH Unit(s) but must convert the rents of those units to the 50% HTC rent limit; provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply. If such conversion occurs, in order to retain the Allocation, the above described 50% HTC rent limit and the IRC Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the HTC compliance and extended use periods.

If Minnesota Housing, at any time thereafter, in its sole discretion, determines that an HPH Unit Subsidy may be available for the remainder of the HTC compliance and extended use periods, that would not adversely affect the full availability of the HTC Allocation and would permit the HPH Unit(s) to again serve households experiencing homelessness, then at Minnesota Housing's request, the owner shall promptly apply for such HPH Unit Subsidy for the homeless unit(s), upon terms reasonably acceptable to such owner. If such HPH Unit Subsidy is obtained, the owner shall again set aside such HPH Unit(s), when and to the extent then available, to households experiencing homelessness.

Serves Lowest Income Tenants/Rent Reduction Units Performance Requirement Relief Provisions

Specific performance requirement relief provisions are available for projects receiving points under the Serves Lowest Income Tenants/Rent Reduction selection criterion of the Self-Scoring Worksheet for 30% MTSP Units.

If, for a particular unit meeting the criteria and receiving points under the Serves Lowest Income Tenants/Rent Reduction selection criterion for further restricting rents to at or below 30% MTSP (30% Unit(s)), the owner may petition Minnesota Housing to eliminate its requirements for the affected Further Restricted Rental Assisted Units (FRRA Unit(s)). Such petition shall contain all material facts and supporting documentation substantiating the owner's request. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the owner shall no longer be required to treat such 30% Unit(s) as 30% Unit(s) but must convert the rents of those units to the 50% HTC rent limit; **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply**. If such conversion occurs, in order to retain the Allocation, the above described 50% HTC rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the HTC compliance and extended use periods.

If Minnesota Housing, at any time thereafter, in its sole discretion, determines that a 30% Unit may be available for the remainder of the HTC compliance and extended use periods that would not adversely affect the full availability of the Allocation and would permit the 30% Unit(s) to again restrict rents to the 30% HTC rent limit.

Rental Assistance Performance Requirement Relief Provisions

Specific performance requirement relief provisions are available for projects receiving points under the Rental Assistance selection criterion of the Self-Scoring Worksheet for units with project-based rental assistance and Further Restricting Rental Assistance units (collectively, RA Units).

If, for a particular unit meeting the criteria and receiving points under the Rental Assistance selection criterion for RA Unit(s), the necessary rental assistance or operating support (collectively RA Unit Subsidy) is 1) not renewed, withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; 2) such nonrenewal, withdrawal or termination materially adversely impacts the financial feasibility of the project; 3) alternative funding is unavailable; and 4) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected RA Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the owner's request including, but not limited to, items 1), 2) and 3) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the owner shall no longer be required to treat such RA Unit(s) as RA Unit(s) but must convert the rents of those units to the 50% HTC rent limit; **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply**. If such conversion occurs, in order to retain the Allocation, the above described 50% HTC rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the 15-year period.

If Minnesota Housing, at any time thereafter, in its sole discretion, determines that an RA Unit Subsidy may be available for the remainder of the 15-year period that would not adversely affect the full availability of the HTC Allocation, then at Minnesota Housing's request, the owner shall promptly apply for such RA Unit Subsidy for the RA Unit(s), upon terms reasonably acceptable to such owner. If such RA Unit Subsidy is obtained, the owner shall again set aside such RA Unit(s), when and to the extent then available, to income qualifying individuals.

B. Carryover Requirements

In addition to meeting requirements of federal law, the applicant of a selected project must provide no later than October 1 (or the next calendar business day if October 1 is not a business day) of the year in which the reservation was issued, a complete carryover package in final form containing all required documents in a form satisfactory to Minnesota Housing. Late fees will be enforced (refer to Chapter 8). All required carryover application materials are incorporated into the Carryover checklist and must be submitted through the Multifamily Customer Portal. See Appendix A for additional guidance.

New requests by applicants/developers to Minnesota Housing to apply the 30% state designated basis boost at the time of carryover application must be formally made in writing. The request must clearly outline the reasons supporting the request and clearly demonstrate how the proposal meets the criteria established by Minnesota Housing for receiving boost considerations. (Refer to Chapter 2.Q.)

C. Placed in Service/Application for Issuance of IRS Form 8609

Generally, the placed in service date for HTC purposes, for a newly constructed building or for rehabilitation expenditures in an existing building, is the date when the first unit in the building is certified as available for occupancy. The placed in service date must occur for all buildings within a project by the due date required by Section 42, as may be extended by relief issued by the IRS.

Subsequent to the project being placed in service and prior to Minnesota Housing issuing an IRS Form 8609 for the project, the owner must submit an application for the issuance of IRS Form 8609 to Minnesota Housing. All required application materials are incorporated into the 8609 checklist in the Multifamily Customer Portal. If Minnesota Housing is the Allocating Agency, all required 8609 application materials must be submitted through the Multifamily Customer Portal. The owner may be required to submit an IRS Form 8609 fee based upon the requested annual HTC amount (refer to Chapter 8). See Appendix A for additional guidance.

A Minnesota Housing approved IRS Form 8609 must contain the signature of the authorized Minnesota Housing representative. Minnesota Housing will make reasonable efforts to issue an approved IRS Form 8609 within 60 days after all the required items have been received by Minnesota Housing in a satisfactory form and substance. Issuance of the Minnesota Housing approved IRS Form 8609 is to be done only by Minnesota Housing or, as applicable, an authorized Suballocator. An approved IRS Form 8609 must not be created by any other entity. The owner/agent must not file a IRS Form 8609 with the IRS in advance of the owner/agent's receipt of the Minnesota Housing signed version of the approved IRS Form 8609. In addition, the owner/agent must not electronically file an IRS Form 8609 with the IRS that does not accurately reflect the information contained on the Minnesota Housing signed version of the approved IRS Form 8609 (also refer to Chapter 2.J. Unacceptable Practices). A condition to this effect will be added to the Carryover Agreement.

To optimize timely processing of requests for issuance of IRS Form 8609, it is recommended the owner make every effort to submit the complete 8609 application package to Minnesota Housing no later than 30 days following completion of the project and at least 60 days in advance of any required filing deadline. Applications that are not submitted within this timeframe may be considered late and subject to a fee (refer to Chapter 8).

If a complete 8609 application package is not received within 15 days of the last day of the first year of the HTC period, the application will be considered late and may be subject to a penalty and/or fee (refer to Chapter 2.J. and Chapter 8).

Chapter 7 – Projects Financed by Tax-Exempt Volume Limited Bonds Seeking HTCs

A. General

Section 42 of the IRC establishes a separate set of procedures to obtain 4% HTCs through the issuance of tax-exempt volume limited bonds.[3]

Section 42 (m)(1)(D) provides that in order for a project to receive an Award of HTCs through the issuance of tax-exempt volume limited bonds, the project must satisfy the requirements for allocation contained in the QAP applicable to the area in which the project is located. The Minnesota Housing QAP applies to all projects for which Minnesota Housing is the issuer of the bonds and all other projects for which the issuer is not located within the area covered by a Suballocator QAP.

The project must comply with the QAP that is in effect for the calendar year in which tax-exempt volume limited bonds are issued sufficient, together with any tax-exempt volume limited bonds issued in a prior calendar year, to finance at least 50% of the aggregate basis of the building and the land it is located on.

If a development was selected or selected for further processing for tax-exempt bonds with a 4% HTC financial structure through a previous Minnesota Housing Consolidated RFP, and satisfied pointing and related requirements applicable to that Multifamily Consolidated RFP, the development may be deemed to meet the scoring and related requirements of the QAP in effect during the year in which the tax-exempt volume limited bonds are issued sufficient to finance at least 50% of the aggregate basis of the building and the land that it is located on.

Developers must also be aware of the requirements of Minnesota Statutes, section 474A.047, including subdivision 1, which require the extension of existing HUD Housing Assistance Payment (HAP) contracts to the full extent available.

For projects to which the Minnesota Housing QAP applies, Minnesota Housing must make a determination that all requirements are satisfied. After this determination, Minnesota Housing will issue a preliminary determination letter. **Except as determined by Minnesota Housing, applications**

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[3] Tax-exempt volume limited bonds are "residential rental bonds" that are taken into account under the state ceiling on the aggregate face amount of tax-exempt private activity bonds pursuant to Section 146 of the IRC. Residential rental bonds are exempt facility bonds issued pursuant to Section 142(d) of the IRC to finance a qualified residential rental project.

for this determination (42(m) application) must be submitted to Minnesota Housing at least 60 days prior to the issuance of the tax-exempt volume limited bonds sufficient, together with any tax-exempt volume limited bonds issued previously for the same project, to finance at least 50% of the aggregate basis of the building(s) and land it is located on. Applications that are not submitted within this timeframe may be considered late and subject to a fee (refer to Chapter 8).

The threshold type requirements in Chapter 5.A. do not apply to projects not receiving HTCs counted in the HTC credit ceiling for the state.

To receive the preliminary determination described above, the applicant must submit to Minnesota Housing all documents required for an application for HTCs as established by the Minnesota Housing QAP and any additional information requested. These documents are those required for an application for HTCs under Chapter 6.A. incorporated into the Application Checklist in the Multifamily Customer Portal and any additional information required by Minnesota Housing. The developer must also submit to Minnesota Housing the required application fees identified. See Appendix A for additional guidance.

B. Pre-Application for Projects Seeking an Allocation of Tax-Exempt Volume Limited Bonds from Minnesota Management and Budget (MMB)

Applicants may receive a Predictive Cost Model and scoring determination prior to requesting preliminary determination via the pre-application process. Pre-application is strongly encouraged in order to receive a determination prior to seeking an allocation of a portion of the state ceiling for tax-exempt volume limited bonds.

Preliminary Predictive Cost Model Determination

A Predictive Cost Model analysis can be pursued earlier than the submission of the 42(m) application. Applicants must submit the Predictive Cost Model determination document and will receive a determination letter upon review. The letter will consist of Minnesota Housing's determination, the expiration date of the determination, the project's current percentage of the Predictive Cost Model and the project cap, beyond which a board action may be required, for per-unit costs. Developments with costs above the Predictive Cost Model will be notified and, if requested by the developer, will follow Minnesota Housing's process to determine if approval will be granted.

Preliminary Scoring Determination

Applicants **must** submit all required pre-application documentation a minimum of 30 days prior to the 42(m) application submittal in order for staff to make a preliminary determination of eligibility. Failure to submit all required pre-application materials may result in rejection of the pre-application.

Pre-application Documents:

1. Multifamily Workbook;
2. Self-Scoring Worksheet – Corresponding with the year in which bond issuance sufficient to meet the 50% test is anticipated; and
3. Scoring Documentation.

If the project is determined to be eligible for the required minimum points, the applicant will receive a Preliminary Scoring Determination letter from Minnesota Housing that details the points awarded. This letter is to be submitted with the complete 42(m) application. The 42(m) application may only be submitted following an allocation of a portion of the state ceiling for tax-exempt volume limited bonds.

C. Application for Issuance of Preliminary Determination Letter

For projects in which Minnesota Housing is the Allocating Agency, the developer must submit an application fee (review fee) (refer to Chapter 8). In addition, if the issuer of the bonds is not Minnesota Housing, the 42(m) application must include evidence from the issuer that the project received an approval of an allocation of a portion of the state ceiling for tax-exempt volume limited bonds from the state of Minnesota and a preliminary determination issued by the issuer of the bonds addressing the HTC dollar amount and project costs pursuant to Section 42(m)(2)(D) of the IRC.

In addition to complying with the requirements for HTC allocation, Section 42(m)(2)(D) provides that in order for a project to receive an Award of HTCs through the issuance of tax-exempt volume limited bonds, the governmental unit that issues the bonds (or on behalf of which the bonds were issued) and the Allocating Agency must make a determination that the HTC amount to be claimed does not exceed the amount necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the HTC period.

For projects to which the Minnesota Housing QAP applies, the determination by the issuer must be made in a manner consistent with Minnesota Housing's QAP. Evaluation of the issuer and Allocating Agency must consider in accordance with Section 42:

1. The sources and uses of funds and the total financing planned for the project;
2. Any proceeds or receipts expected to be generated by reason of tax benefits;
3. The percentage of the HTC dollar amount used for project costs other than the cost of intermediaries; and
4. The reasonableness of the developmental and operational costs of the project.

Section 42(h)(6)(C)(ii) provides that the HTC amount claimed for buildings financed by tax-exempt volume limited bonds by the taxpayer/owner under Section 42(h)(4) may not exceed the amount necessary to support the applicable fraction specified in the LURA for the buildings.

Based upon the submission of the 42(m) application, Minnesota Housing will prepare a letter with its preliminary determination pursuant to Section 42(m)(1)(D) as to whether the project satisfies the requirements and any additional conditions identified for an Award of HTCs under the QAP. A preliminary determination fee must be submitted to Minnesota Housing prior to release of the letter (refer to Chapter 8). **This process may take eight weeks or more from the time the full application package is submitted. All applicants should develop their timelines and schedules accordingly.**

D. Placed in Service/Application for Issuance of IRS Form 8609

Placed in service dates for HTC purposes must be established for all buildings using HTCs, including acquisition HTCs, which are treated as a separate building for HTC purposes. Generally, the placed in service date for a newly constructed building or for rehabilitation expenditures in an existing building, is the date when the first unit in the building is certified as available for occupancy. The placed in service date for acquisition HTCs is generally the date of the acquisition of the building. It is highly recommended that owners/developers of projects financed with the proceeds of tax-exempt volume limited bonds seek the appropriate legal and bond professional advice on these matters.

Subsequent to the project being placed in service and prior to Minnesota Housing issuing an IRS Form 8609 for the project, the owner must submit an application for the issuance of IRS Form 8609 to Minnesota Housing.

The application must contain all documents identified in this Chapter 7.G. and under Chapter 6.C., in addition to any other submissions deemed necessary and requested by Minnesota Housing. All required application materials are incorporated into the 8609 checklist in the Multifamily Customer Portal. The Owner must also submit an IRS Form 8609 fee based upon the requested annual HTC amount (refer to Chapter 8). See Appendix A for additional guidance.

A Minnesota Housing-approved IRS Form 8609 must contain the signature of the authorized Minnesota Housing representative. Minnesota Housing will make reasonable efforts to issue an approved IRS Form 8609 within 60 days after all of the following items have been received by Minnesota Housing in a satisfactory form and substance. Issuance of the Minnesota Housing approved IRS Form 8609 is to be done only by Minnesota Housing or, as applicable, an authorized Suballocator. An approved IRS Form 8609 must not be created by any other entity. The owner/agent must not file an IRS Form 8609 with the IRS in advance of the owner/agent’s receipt of the Minnesota Housing signed version of the approved IRS Form 8609. In addition, the owner/agent must not electronically file an IRS Form 8609 with the IRS that does not accurately reflect the information contained on Minnesota Housing’s signed version of the approved IRS Form 8609 or information contained in the preliminary determination. (Also refer to Chapter 2.J. Unacceptable Practices.)

To optimize timely processing of requests for issuance of IRS Form 8609, it is recommended the owner make every effort to submit the complete 8609 application package to Minnesota Housing no later than 30 days following completion of the project and at least 60 days in advance of any required filing deadline. Applications that are not submitted within this timeframe may be considered late and subject to a fee (refer to Chapter 8).

If a complete 8609 application package is not received within 15 days of the last day of the first year of the HTC period, the application will be considered late and may be subject to a fee (refer to Chapter 8).

Chapter 8 – Fees

For estimates of HTC fees, reference the Multifamily Loan Programs and Housing Tax Credit Fee Schedule on the Minnesota Housing website. All fees are non-refundable and will not be adjusted if the final HTC amount is reduced or recaptured or the HTCs are returned or unused.

A. Application Fee

An application fee must be submitted with all applications. For dual applications, Minnesota Housing will require a single fee. For multi-building projects, Minnesota Housing will require only one application and a single fee.

B. Supplemental Application Fee

A fee for projects requesting supplemental HTCs. This fee will be charged to projects that resubmit their proposals in Round 2 of the allocation year and were underwritten by Minnesota Housing in Round 1.

1. A non-selected project will be required to submit a new application package as described in Chapter 2.P.
2. A selected project (must have been selected in the same year) requesting additional HTCs will be required to submit a new application package as described in Chapter 2.O.

C. Reservation Fee

After the project has been selected to receive HTCs from the state's HTC credit ceiling, a reservation fee must be paid to Minnesota Housing. An additional reservation fee must also be paid for any additional HTCs allocated through carryover and must be paid following issuance of the Carryover Agreement.

D. Allocation Fee – Carryover, 8609, Reallocation

At the time the taxpayer/owner submits an application for a carryover allocation or for issuance of IRS Form(s) 8609 (whichever occurs earlier), an allocation fee will be due. Refer to Section C. (immediately above) for fee information relating to additional HTCs allocated at carryover.

A reallocation fee must be submitted to Minnesota Housing for projects requesting a return and reallocation of HTCs.

E. Application Late Fee – 42M, Carryover, 8609

42M or 8609 applications that are not submitted for processing within the applicable timeline set out in this QAP (refer to Chapter 7.A and Chapter 6.C) may be considered late and subject to a fee.

A Taxpayer/owner submitting a carryover application or, if an owner has elected not to request a carryover, an 8609 application prior to the end of the year of allocation for which the reservation was issued who does not submit a carryover/8609 application by the established due date and time (refer to Chapter 7.B), submits a substantially incomplete carryover/8609 application by the established due date and time or does not submit the carryover CPA final certification by the established due date and time may be subject to a fee plus an additional penalty fee for each business day from the original due date and time through the date on which Minnesota Housing receives a substantially complete carryover/8609 application.

The fee will not be allowed as an eligible cost in carryover/8609 basis and must be paid at the time the carryover/8609 application is substantially complete.

F. Preliminary Determination Fee

A preliminary determination fee must be submitted to Minnesota Housing prior to issuance of a preliminary determination letter for projects for which Minnesota Housing is the Allocating Agency.

G. Monitoring Fee

Minnesota Housing will charge a per-unit monitoring fee beginning with the first credit year. The fee will be due annually throughout the compliance period and extended use period. Refer to Sections 4.02 and 9.05 of the Housing Tax Credit Compliance Guide for details on the fee amount. Minnesota Housing reserves the right to adjust the fee depending upon the requirements of the U.S. Treasury, IRS or Minnesota Housing's increased cost to monitor. The fee will be due in a manner and time as prescribed by Minnesota Housing.

H. Transfer of Ownership Fee

Projects that have a transfer of ownership subject to Minnesota Housing approval, as described in Chapter 2.I., may be subject to a transfer of ownership fee.

If the transfer occurs after Allocation and prior to the issuance of IRS Form 8609, a transfer of ownership fee must be submitted to Minnesota Housing. After the issuance of IRS Form 8609, owners must submit an RFA for transfer of ownership and may be subject to an RFA fee. Refer to the Servicing page on Minnesota Housing's website (also refer to Chapter 2.J.– Unacceptable Practices) for further details on Transfer of Ownership.

I. Check Cashing Procedure

Applicant’s payments for fees (in the form of checks) will be held pending verification of the accuracy of the amount tendered and submitted materials.

J. Right to Adjust Fees

Minnesota Housing reserves the right to adjust fees due to changing circumstances in order to cover its costs associated with producing and delivering Minnesota’s HTC Program.

K. Appraisal Fee

If the as-is appraisal is ordered by Minnesota Housing, all costs will be the responsibility of the applicant. The appraisal fee will be determined based on fees charged by the appraiser to complete Minnesota Housing’s requirement for an as-is appraisal. These fees are subject to change at Minnesota Housing’s sole discretion based upon changes in fee structures found in the appraisal marketplace and on the type of appraisal required by Minnesota Housing for a particular application type.

Chapter 9 – Tentative Allocation Schedule of Critical Dates

A. Allocation Dates

A list of important allocation dates is identified in the Multifamily RFP Standards available on the Minnesota Housing website.

B. Previous Year's Allocation of HTCs

8609 application: To optimize timely processing of requests for issuance of IRS Form 8609, it is recommended that the owner make every effort to submit the complete application for 8609 to Minnesota Housing no later than 30 days following completion of the project.

At the latest, complete 8609 application packages are due no later than 15 days after the last day of the first year of the HTC period. Section 42 states the owner must elect the first year of the HTC period in the year the project is placed in service or the year following.

C. Compliance Dates

Annual Owner Certifications, compliance reporting and monitoring fees are due February 15 (or the next business day if February 15 is not a business day) of each year.

When filed with IRS: Completed first year IRS Form 8609 with Part II completed.

Chapter 10 – Index of HTC Forms

A. Application Materials

All HTC Application Forms are available on Minnesota Housing's website and in the Multifamily Customer Portal.

B. Post-Selection Materials

All Post-Selection materials are available on Minnesota Housing's website and in the Multifamily Customer Portal.

Appendix A: Carryover Allocations, 42M and Placed in Service/Issuance of IRS Form 8609 Application Requirements

The table below outlines certain application requirements for carryover, 42M and Placed in Service/Application for Issuance of IRS Form 8609. For additional information, refer to the help text found in the Multifamily Customer Portal and other resources found on Minnesota Housing's website. See descriptions of the application requirements below the table.

Table 1: Application Requirements for Housing Tax Credits

Application Requirements	Chapter 6B Carryover Application	Chapter 7C 42M Application	Chapter 6C Placed in Service 8609 9% HTC	Chapter 7H Placed in Service 8609 4% HTC
Market Study	Yes	Yes	Not applicable	Not applicable
Owner Certification/Application for Carryover Allocation	Yes	Not applicable	Not applicable	Not applicable
Election of Applicable Percentage	Not applicable (Election completed at Reservation)	Yes	Not applicable- (Election completed at Reservation)	Yes
Building Information (HTC 5)	Yes	Yes	Not applicable	Not applicable
Attorney's Opinion Letter	Yes	Not applicable	Yes	Yes
Certified Public Accountant Certification	Yes	Yes (50% Test Verification Letter)	Yes	Yes
Gross Rent Floor Election	Yes	Yes	Yes	Yes
Affirmative Fair Housing Marketing Plan	Yes	Yes	Yes	Yes
Tenant Selection Plan	Yes	Yes	Yes	Yes
Identity of Interest	Yes	Yes	Yes	Yes
Determination of Bond Issuer	Not applicable	Yes	Not applicable	Yes
Placed in Service Evidence	Not applicable	Not applicable	Yes	Yes
Utility Allowance	Yes	Yes	Yes	Yes
Reserves, Contingencies and any Cash Savings	Yes	Yes	Yes	Yes

Application Requirements	Chapter 6B Carryover Application	Chapter 7C 42M Application	Chapter 6C Placed in Service 8609 9% HTC	Chapter 7H Placed in Service 8609 4% HTC
Minnesota Housing Declaration of Land Use Restrictive Covenants (LURA)	Not applicable	Not applicable	Yes	Yes
8609 Certification by Owner/Application Form	Not applicable	Not applicable	Yes	Yes
Final Loan or Grant Documents	Not applicable	Not applicable	Yes	Yes
Partnership/Operating Agreement	Yes, if available	Yes	Yes	Yes
Building Map Form	Not applicable	Not applicable	Yes	Yes
Evidence of Tax-Exempt Volume Limited Bonds	Not applicable	Yes	Not applicable	Yes

Carryover Allocations, 42M and Placed in Service/Issuance of IRS Form 8609 Application Requirements Descriptions

Market Study

Minnesota Housing will conduct a market study review to determine the housing needs of low-income individuals in the area to be served by the project. Minnesota Housing will evaluate the market study and in-house occupancy data to determine the marketability of the proposed project. For market consideration, applicants are responsible for providing evidence to document market feasibility. Minnesota Housing may contact the applicant if there is a question as to the marketability of the proposed projects.

Minnesota Housing may consult with local communities, Public Housing Authorities (PHAs), Housing and Redevelopment Authorities (HRAs), RD and HUD to determine the marketability of projects. If, in the opinion of Minnesota Housing, the issuance of the HTCs to a project could be detrimental to existing rental property, Minnesota Housing may choose not to issue HTCs to the applicant. Proposed projects that do not appear marketable and do not modify their proposal may not receive further consideration.

Owner Certification/Application for Carryover Allocation

Provide a signed Owner Certification/Application for Carryover Allocation Form.

Election of Applicable Percentage

Section 42 of the IRC requires that the owner make an election to determine the applicable percentage for the project. The applicable percentage will, by default, be the appropriate percentage for the month that the building is placed in service, unless the owner makes an alternate, timely election. For Allocations of 9% HTC, the owner may elect the month in which the owner and Allocating Agency enter into the reservation agreement. For Awards of 4% HTC, the owner may elect the month in which the tax-exempt volume limited bonds are issued. Such an election must be made no later than the 5th day after the close of the month in which the bonds were issued. . Once made, the election is irrevocable.

Building Information (HTC 5)

Provide a completed Building Information Form.

Attorney's Opinion Letter

Provide an attorney's opinion letter in the approved Minnesota Housing form applicable to the application stage. The approved form of opinion can be found in the Multifamily Customer Portal and on Minnesota Housing's Tax Credits webpage.

Certified Public Accountant Certification

Provide a written certification in the approved Minnesota Housing form applicable to the application stage. The approved forms of certification can be found in the Multifamily Customer Portal and on Minnesota Housing's Tax Credits webpage.

Gross Rent Floor Election

The gross rent floor date will, by default, be the date of allocation (for 9% HTC) and the date that the preliminary determination letter is issued (for 4% HTC), unless the owner makes an alternate, timely election. By election, owners may choose to set the gross rent floor date as the date the building is placed in service. To make such an election, the completed election form must be received by Minnesota Housing no later than the date the project is placed in service. Supply a fully executed Statement of Election of Gross Rent Floor and include each building of the development in which there are HTC units. Once made, the election is irrevocable.

Affirmative Fair Housing Marketing Plan

It is the policy of Minnesota Housing to take affirmative action to provide equal opportunity in all of its endeavors. Complete, execute and return the Affirmative Fair Housing Marketing Plan (AFHMP) describing the marketing strategies that the owner will use including, but not limited to, special efforts the owner will make to attract people who are least likely to apply, in addition to a broad cross section of the local population without regard to protected classes under federal fair housing law: race, color, religion, sex, national origin, disability or familial status; or under Minnesota law: marital status, status with regard to public assistance, creed and sexual orientation.

Tenant Selection Plan

Provide a written Tenant Selection Plan (TSP) describing the tenant selection policy that the owner will use. The TSP should be in place prior to closing but in any case, must be submitted and reviewed by Minnesota Housing prior to the issuance of IRS Form 8609. The TSP must be developed and implemented in accordance with Minnesota Housing's Tenant Selection Plan Guidelines document, which is published on Minnesota Housing's website.

Identity of Interest

Provide a written disclosure as to any and all Identity of Interest parties (refer to Chapter 2.L. and 2.M.).

Determination of Bond Issuer

If the issuer of the bonds is not Minnesota Housing, provide evidence from the issuer that the project received an allocation of a portion of the state ceiling for tax-exempt volume limited bonds from the state of Minnesota and the issuer's determination, preliminary or final as applicable to the application stage, that the HTC amount to be claimed does not exceed the amount necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the HTC period. The issuer must consider the sources and uses of funds and the total financing planned for the project; any proceeds or receipts expected to be generated by reason by tax benefits; the percentage of the HTC dollar amount used for project costs other than the cost of intermediaries; and the reasonableness of the developmental and operational costs of the project.

Placed in Service Evidence

Provide evidence that all buildings have been placed in service. Submit a copy of the Certificate of Occupancy or Temporary Certificate of Occupancy provided by the local governmental authority having jurisdiction for each building. If not available from the local government, a Certificate of Substantial Completion prepared by the architect will be accepted. For acquisition and rehabilitation, the developer must provide supporting documentation for the elected date(s).

Utility Allowance

Provide a current utility allowance in a manner consistent with the options provided in IRS Treasury Regulation 1.42-10 (i.e., as appropriate, a utility allowance from RD, HUD, a PHA/HRA, a local utility company, an Agency Estimate Minnesota Housing Average of Actual Consumption using the methodology described in the HUD published Multifamily Notice H-2015-4, a HUD utility Schedule Model, an Energy Consumption Model). Include a breakdown of the utilities that a tenant pays directly or through a submetering arrangement (heat, electricity, etc.), the utility allowance for each type of utility (gas, electric, etc.), for the various unit types (one-bedroom, two-bedroom, etc.) and housing types (apartments, townhomes, etc.). Also include a list of each unit type, total tenant paid utilities, contract rent and gross rent (refer to Chapter 3.I.). For utilities paid through a submetering arrangement, Minnesota Housing may require additional documentation.

Reserves, Contingencies and any Cash Savings

Provide a signed and dated statement documenting the amount and disposition of reserves, contingencies and any cash savings. If any of the above reverts back to developer/owner, general partner/managing member or any entity with an ownership interest in the project, Minnesota Housing will consider them deferred developer fees and, for purposes of the HTC Allocation or Award, restrict the developer fees as specified in the Underwriting Standards.

Minnesota Housing Declaration of Land Use Restrictive Covenants (LURA)

The LURA must be completed, executed and recorded before the end of the first year of the HTC period to preserve the HTCs allocated or awarded to the project. Check with your tax advisor as to timing of filing and claiming of HTCs. HUD may require that certain riders be attached to your HTC LURA if your development has primary financing via a HUD direct insured loan. Check with your financing and legal advisors to determine if this may be required of your development. Minnesota Housing will amend and restate and record all LURAs that have been executed and recorded prior to submission of the 8609 application.

8609 Certification by Owner/Application Form

Provide a completed and executed 8609 Certification by Owner/Application Form (HTC 3), verifying:

1. The placed in service date as defined in IRS Notice 88-116 for each building and/or type of HTC. The month and year must correspond with the Placed In Service evidence (see above).
    a. If the month and year do not correspond, submit a written statement indicating the reason.
    b. It is highly recommended that owners/developers of projects financed with the proceeds of tax- exempt volume limited bonds seek the appropriate legal and bond professional advice on these matters.
2. Compliance with all applicable design requirements.
3. Compliance with all requirements of this QAP, Selection and additional or special conditions of reservation, commitment or carryover or the preliminary determination letter issued by Minnesota Housing on the project.

Final Loan or Grant Documents

Provide copies of the final executed permanent loan and/or grant documents for all sources of funds (loan/grant agreements, mortgage and note) that support the amount, terms and conditions stated on the Multifamily Workbook. Minnesota Housing must evaluate all final sources of funds to help ensure the amount of HTCs allocated or awarded to a project does not exceed the amount necessary for financial feasibility. Therefore, Minnesota Housing will not issue an IRS Form 8609 prior to the execution of the final permanent loan documents, or its equivalent, for all funding sources.

Partnership/Operating Agreement

Provide a copy of the partnership/operating agreement. The executed final agreement and amendments must be submitted at 8609.

Building Map Form

Provide a completed Building Map Form for each building. The applicable fraction on the building map must be the same applicable fraction for each respective BIN on Exhibit B of the LURA.

Evidence of Tax-Exempt Volume Limited Bonds

If the issuer of the bonds is not Minnesota Housing, submit evidence from the issuer of the bonds that the project received an allocation and issuance, as applicable, of a portion of the state ceiling for the issuance of tax-exempt volume limited bonds from the state of Minnesota.

2026-2027 Self-Scoring Worksheet

Housing Tax Credits and Deferred Projects[1]

Last Updated: November 2024

1 Includes all 4% and 9% Housing Tax Credit (HTC) projects and deferred funds awarded through the annual Multifamily Consolidated Request for Proposals (RFP) as well as available financing throughout the year.

Table of Contents

Instructions and Requirements

The Self-Scoring Worksheet sets the selection criteria and funding priorities that Minnesota Housing will use to prioritize applications requesting 4% and 9% Housing Tax Credits (HTCs) and/or deferred funds that are selected through the Multifamily Consolidated Request for Proposals (RFP) or on a pipeline basis for available financing that may be available throughout the year.

Applicants must meet the requirements outlined in the Self-Scoring Worksheet, Qualified Allocation Plan (QAP), Scoring Guide, and Methodology Guide documents to be eligible for points. In the event of any conflict between the Self-Scoring Worksheet and the Scoring Guide or Methodology Guide, the Self-Scoring Worksheet controls. To submit the Self-Scoring Worksheet for an application, all applicants must use the Scoring Wizard in the Multifamily Customer Portal website. All documents referenced in this Self-Scoring Worksheet can be found on Minnesota Housing's website or in the Multifamily Customer Portal.

When selecting projects for funding in the Multifamily Consolidated RFP/HTC Round 1 and HTC Round 2, Minnesota Housing considers the total amount of points achieved in conjunction with such factors as feasibility, amount of total funding requested, available resources, geographic distribution and ability to complete the development in a timely manner.

A. Strategic Priority

1. All projects must meet at least one of the HTC statutory strategic priorities or a strategic objective contained in Minnesota Housing's current Strategic Plan as published on the Minnesota Housing website. Applicants must demonstrate how the project meets the Strategic Plan in the Multifamily Rental Housing Narrative.
2. Residential rental housing projects financed with an allocation of tax-exempt bonds under Minnesota Statutes, chapter 474A are the highest strategic priority for tax credits in accordance with Minnesota Statutes, section 462A.222, subdivision 3(d), and such projects are not required to meet a separate strategic priority.

B. Pre-Application

A pre-application may be required for specific selection preferences or selection criteria. The applicant must provide the required pre-application prior to the application deadline according to the due date established by Minnesota Housing and published on Minnesota Housing's website. Failure to submit required pre-application materials may result in rejection of the pre-application.

C. Preference for Eventual Tenant Ownership

HTC projects are eligible for homeowner conversion. These projects will receive a preference during the selection process when reviewing tie breakers. The Declaration of Land Use Restrictive Covenants (LURA) may contain provisions ensuring compliance with these ETO commitments by the owner, including a right of first refusal allowing tenants to purchase their units.

☐ The project will have an ETO component and agrees to follow the requirements of the ETO Guide.

D. Minimum Point Requirements

1. Requests for Minnesota Housing-administered 9% HTCs from the state's HTC credit ceiling must demonstrate the project is eligible for no fewer than 80 points, excluding projects funded through the Rural Development/Small Projects set-aside.
2. Requests for Minnesota Housing-administered 4% HTCs in association with tax-exempt volume limited bonds must demonstrate the project is eligible for no fewer than 40 points.
3. Minnesota Housing reserves the right to reject applications not meeting its project selection requirements as contained in the QAP, to revise proposal features and associated scoring and to help ensure the project meets the requirements.

E. Claiming of Points

An award and/or allocation is based upon the information provided in the application. The project is required to comply with all selection criteria that are claimed and awarded. This includes any due diligence/reporting requirements after selection and for the term of the declaration. Failure to comply could result in the loss of the award and/or allocation as well as the assessment of penalty points.

F. Documentation of Points

Scoring is submitted in the Multifamily Customer Portal via the Scoring Wizard. In the Scoring Wizard, mark the selection criteria expected for your project. **Where indicated in the Minnesota Housing Self-Scoring Worksheet, the applicant must also submit documentation that clearly supports the points claimed. Refer to the Scoring Guide and Multifamily Customer Portal for additional details. Minnesota Housing will determine the eligible points; points may not be awarded unless the required documentation is provided along with the application to justify the points claimed.**

During the competitive process, Minnesota Housing's review of the submitted Self-Scoring Worksheet is only to validate that the points claimed are eligible, to reduce points claimed if not eligible and to determine points awarded. Minnesota Housing will not award additional points that are not initially claimed by the applicant. Many performance obligations are created by the claiming of certain scoring points. As such, Minnesota Housing will not assume the position of creating any such performance obligations on behalf of the applicant.

G. Documentation of Units

In the Scoring Wizard, mark the number of units for each selection criteria expected for your project. Minnesota Housing will not award points if the necessary number of units is not included in the Self-Scoring Worksheet. The number of units will also be validated in the Multifamily Workbook and may result in a loss of points if the documentation is not consistent. When calculating a percentage for the criterion, all units must be rounded up to the next full unit.

H. Extended Duration

Request for Minnesota Housing-administered HTCs from the state's HTC credit ceiling and in association with tax-exempt volume limited bonds must maintain the low-income use for a minimum of 30 years or longer, if a longer duration is selected. The owner agrees that the Qualified Contract provisions of Internal Revenue Code, sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provisions would permit the owner to terminate the LURA at the end of the compliance period in the event Minnesota Housing does not present the owner with a Qualified Contract for the acquisition of the project) do not apply to the project, and the owner also agrees the Section 42 income, rental and occupancy restrictions must apply for the term of the LURA.

I. Design Standards

The project must meet the requirements in the Minnesota Housing Rental Housing Design/Constructions Standards. Additional design requirements will be imposed if points are claimed/awarded that require specific design elements (e.g., Innovative Construction Techniques, Universal Design, Enhanced Sustainability).

J. Declarations

1. A LURA covering the income and rent restrictions and occupancy requirements presented at selection may be recorded against the property.
2. A deferred loan declaration covering the income and rent restrictions and occupancy requirements presented at selection may be recorded against the property.

K. Deeper Rent Targeting

All applicants must meet the minimum deeper rent targeting unit requirements outlined below.

1. Requests for Minnesota Housing deferred financing or Minnesota Housing-administered HTCs from the state’s credit ceiling or in association with tax-exempt volume limited bonds must restrict at least 2% of the total units, with a minimum number of one unit, to rents at or below the county 30% Multifamily Tax Subsidy Project (MTSP) rent limit. Units with project-based rental assistance count toward this requirement. Projects where 100% of the units include project-based rental assistance are exempt from this requirement.

   Number of Units: _____

2. Requests for Minnesota Housing deferred financing or Minnesota Housing-administered HTCs from the state’s credit ceiling or in association with tax-exempt volume limited bonds must restrict at least 3% of the total units, with a minimum number of one unit, to rents at or below the Housing Assistance Payment (HAP) payment standard as determined by the responsible entity in the jurisdiction. The units must generally be evenly distributed by bedroom type. Projects that are 100% project-based rental assistance or are located on Tribal Reservations, Dakota Communities and Tribal trust lands are exempt from this requirement.

   0 Bedroom Units: _____
   1 Bedroom Units: _____
   2 Bedroom Units: _____
   3 Bedroom Units: _____
   4 Bedroom Units: _____
   5 Bedroom Units: _____
   6 Bedroom Units: _____

   Total Number of Units: _____

L. Hold Harmless Provision

Applicants that apply but that are not selected for funding in the 2025 Multifamily Consolidated RFP/2026 HTC Round 1 and/or 2026 HTC Round 2 (First Cycle) can reapply in the 2026 Multifamily Consolidated RFP/2027 HTC Round 1 and/or 2027 HTC Round 2 (Second Cycle) using EITHER the scores from the First Cycle OR new scores from the Second Cycle for the Increasing Housing Choice selection criteria (3.A, 3.B, and 3.C). Applicants may not mix and match scores from the First Cycle and scores from the Second Cycle.

Round 1 – Minimum Threshold Requirements

In accordance with Minnesota Statutes, section 462A.222, subdivision 3(e), all 9% HTC applications submitted statewide in HTC Round 1 must meet one of the following threshold types. Please indicate the threshold item your project meets:

A. In the Metropolitan Area[2]

1. ☐ New construction or Substantial Rehabilitation in which, for the term of the extended use period (term of the LURA), at least 75% of the total HTC units are single-room occupancy, efficiency or one-bedroom units with rents affordable to households whose income does not exceed 30% of the area median income (AMI);
2. ☐ New construction or Substantial Rehabilitation family housing projects that are not restricted to persons 55 years old or older in which, for the term of the extended use period (term of the LURA), at least 75% of the total HTC units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms;
3. ☐ Substantial Rehabilitation projects in neighborhoods targeted by the city for revitalization;

B. Outside the Metropolitan Area

1. ☐ Projects which meet a locally identified housing need and which are in short supply in the local housing market, as evidenced by credible data submitted with the application;

C. People with Disabilities (Inside or Outside Metropolitan Area)

1. ☐ Projects that are not restricted to persons of a particular age group and in which, for the term of the extended use period (term of the LURA), a percentage of the units are set aside and rented to persons:
   a. With a serious and persistent mental illness as defined in Minnesota Statutes, section 245.462, subdivision 20, paragraph (c);
   b. With a developmental disability as defined in the United States Code, Title 42, Section 6001, paragraph (8), as amended through December 31, 1990;

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[2] As set out in Minnesota Statutes, section 473.121, subdivision 2, Metropolitan Area means the area over which the Metropolitan Council has jurisdiction, including the counties of Anoka, Carver, Dakota (excluding the cities of Northfield and Cannon Falls), Hennepin (excluding the cities of Hanover and Rockford), Ramsey, Scott (excluding the city of New Prague) and Washington.

c. Who have been assessed as drug dependent persons as defined in Minnesota Statutes, section 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes, section 254A.02, subdivision 2;
d. With a brain injury as defined in Minnesota Statutes, section 256B.093, subdivision 4, paragraph (a);
e. With permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules, chapter 1341;

NOTE:

- Minnesota Housing considers accessible units to be Type A and/or Type B units as identified in the referenced Chapter 1341, also known as the Minnesota Accessibility Code.
- This definition is not limited to persons with mobility impairment.

D. Preserve Existing Subsidized Housing (Inside or Outside Metropolitan Area)

1. ☐ Projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the use of HTCs is necessary to (1) prevent conversion to market rate use; or (2) to remedy physical deterioration of the project, which would result in loss of existing federal subsidies; **OR**

E. Rural Development (Inside or Outside Metropolitan Area)

1. ☐ Projects financed by United States Department of Agriculture (USDA) Rural Development (RD), which meet statewide distribution goals.

2026 – 2027 Housing Tax Credit and Deferred Funding Selection Criteria

1. Greatest Need Tenant Targeting

A. Large Family Housing (12 to 15 Points)

1. The proposal is for a project that provides family housing that is not restricted to persons 55 years old or older. The owner agrees to market to families with minor children.

   Select all that apply:

   a. ☐ At least 75% of the total units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms. **(12 points)**
   Number of units with:
   2 Bedrooms: _____
   3 Bedrooms: _____
   4 Bedrooms: _____
   5 Bedrooms: _____
   6 Bedrooms: _____

   b. ☐ If eligible under 1.a. above, at least one-third of three or more bedrooms required above must contain four or more bedrooms. **(3 points)**
   Number of units with:
   4 Bedrooms: _____
   5 Bedrooms: _____
   6 Bedrooms: _____

B. Senior Housing (2 to 8 Points)

1. The proposal is for a project that provides housing that is restricted to persons 55 years of age or older.

   a. ☐ Select one:

      i. ☐ 100% of the total units **(4 points)**
      Number of Units: _____

      ii. ☐ 90% to 99.99% of the total units **(3 points)**
      Number of Units: _____

      iii. ☐ 80% to 89.99% of the total units **(2 points)**
      Number of Units: _____

b. ☐ Projects eligible under 1.a. above that agree to restrict the units to households with incomes at or below the county 30% MTSP income limit. The applicant agrees that if units are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities, will be restricted to at or below the county 30% MTSP rent limit.

Select one:

i. ☐ 30% to 100% of the total units **(4 points)**
Number of Units: _____
ii. ☐ 20% to 29.99% of the total units **(3 points)**
Number of Units: _____
iii. ☐ 10% to 19.99% of the total units **(2 points)**
Number of Units: _____
iv. ☐ 5% to 9.99% of the total units **(1 point)**
Number of Units: _____

NOTE: The Senior Housing selection criterion 1.B.1.b. cannot be claimed for units that are claimed under the Rental Assistance selection criterion 2.B. Further Restricting Rental Assistance.

C. Permanent Supportive Housing for Households Experiencing Homelessness (7 to 37 Points)

1. High Priority Homeless (HPH)[3] **(7 to 30 Points)**

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[3] **Specific performance requirement relief provisions are available for projects eligible for the Permanent Supportive Housing for High Priority Homeless selection criterion for "HPH Units."** Reference Chapter 6.A. of the QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property. Alternative referral and prioritization options are available with approval from Minnesota Housing when there is not an eligible household on the Coordinated Entry waiting list. Reference the relief provisions in Chapter 6.A. of the QAP for additional details.

A minimum of 5% of the total units, but no fewer than four units, are set aside for and rented to High Priority Homeless households, who are households prioritized for permanent supportive housing by the Coordinated Entry System[4] (HPH Units).

Minnesota Housing, at its sole discretion, in consultation with the owner of a selected project and the local community, will consider alternative referral and prioritization processes for populations that have a demonstrated need for supportive housing but are not included in the Coordinated Entry System.

Select one:

a. ☐ 50% to 100% of the total units, but no fewer than 20 units **(30 points)**
   Number of Units: _____
b. ☐ 10% to 49.99% of the total units, but no fewer than 7 units **(10 points)**
   Number of Units: _____
c. ☐ 5% to 9.99% of the total units, but no fewer than 4 units **(7 points)**
   Number of Units: _____

NOTE: The Permanent Supportive Housing for High Priority Homeless (1.C.1.) and People with Disabilities (1.D.) selection criteria cannot be claimed for the same units.

2. Other Homeless **(5 to 7 Points)**

   Projects that are eligible for the High Priority Homeless selection criterion 1.C.1. and agree to set aside and rent additional units to serve Other Homeless households which includes individuals leaving institutions that do not have a permanent residence or other homeless populations not referred by the Coordinated Entry System. The criterion is based upon the total number of Permanent Supportive Housing units for Households Experiencing Homelessness in the project.

   Select One:

   a. ☐ 100% of the total units set aside and rented to HPH and Other Homeless Households **(7 points)**
      Number of Other Homeless Units: _____

[4] Coordinated Entry System is defined by the statewide Coordinated Entry standards and protocol as adopted by the local Continuum of Care, or such successor system as determined by Minnesota Housing.

b. ☐ 75% - 99.9% of the total units set aside and rented to HPH and Other Homeless Households **(5 points)**
Number of Other Homeless Units: _____

Requirements for High Priority Homeless and Other Homeless

The applicant agrees to pursue and continue the renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available. If units set aside for High Priority Homeless or Other Homeless are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities, cannot exceed the greater of 30% of the household's monthly income or the most current Supportive Housing Standard for the unit size, as published annually by Minnesota Housing in the Multifamily Underwriting Standards in the Supportive Housing Standards section. The owner must establish and implement policies and procedures to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.

The documentation requirements to be eligible for Permanent Supportive Housing points is based upon the percentage of total units that are HPH, PWD and Other Homeless households in the project.

The classification determines the Supportive Housing application materials that must be submitted, including the narratives, forms, certifications and submittals identified in the Application Checklist in the Multifamily Customer Portal.

Projects are classified as either:

- Primarily Supportive Housing: 50% or more of the total units will serve HPH, PWD or Other Homeless households.
    - The market need for the proposed HPH units must be verified and documented on the Continuum of Care (CoC) Confirmation form. Minnesota Housing, at its sole discretion, will determine if there is market need for HPH units based upon a number of factors including location, household type, Coordinated Entry waiting list, pending projects, resources etc.
- Partially Supportive Housing: Less than 50% of the total units will serve HPH, PWD or Other Homeless households.
    - Minnesota Housing, at its sole discretion, will determine if there is a market need for HPH units based upon a number of factors including location, household type, Coordinated Entry waiting list, pending projects, etc. This will be verified with the local Continuum of Care during the application review process. If Minnesota Housing determines that there is not a need for additional HPH units within the local market, the applicant agrees that Minnesota Housing may remove the proposed HPH units from the

project and convert the proposed units to units with rent restricted to 30% MTSP and maintain a priority to serve homeless households.

A proposal that claims this criterion and is selected will be required to comply with any due diligence/reporting requirements after selection and for the term of the declaration. Failure to comply could result in the loss of the award and/or allocation as well as the assessment of penalty points. The LURA and Minnesota Housing loan documents may contain performance requirements related to these permanent supportive housing units for High Priority Homeless and Other Homeless may be recorded with the property.

D. People with Disabilities (PWD) (7 to 19 Points)

1. Tier 1: Permanent supportive housing proposals that **are not restricted to persons of a particular age group** and in which a minimum of 5% of the total units, but no fewer than four units, are set aside and rented to **people with a disability as defined below**. The applicant agrees that the units are restricted to households with incomes at or below the county 30% MTSP income limit.

   The applicant agrees that if units set aside for People with Disabilities are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities, cannot exceed the greater of 30% of the household's monthly income or the most current Supportive Housing Standard for the unit size, as published annually by Minnesota Housing in the Multifamily Underwriting Standards in the Supportive Housing Standards section. The owner must establish and implement policies and procedures to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.

   Select one:

   a. ☐ 15% to 25% of the total units, but no fewer than six units **(10 points)**
      Number of Units: _____
   b. ☐ 10% to 14.99% of the total units, but no fewer than five units **(9 points)**
      Number of Units: _____
   c. ☐ 5% to 9.99% of the total units, but no fewer than four units **(7 points)**
      Number of Units: _____

OR

2. Tier 2: People with Disabilities (PWD) units that will use Housing and Urban Development Section 811 Project-Based Rental Assistance (HUD Section 811 PRA): Permanent housing proposals that are not restricted to people of a particular age group and in which a minimum of

5% of the total units, but no fewer than four units, are set aside and rented to **people with a disability as defined below**. The applicant agrees that the units are restricted to households with incomes at or below the county 30% MTSP income limit.

Projects that are applying for HUD Section 811 PRA and do not have a current eligibility determination must **provide the required HUD Section 811 PRA pre-application by the established deadline.** Failure to submit all required pre-application materials may result in rejection of the pre-application. Minnesota Housing will further evaluate the feasibility of the HUD Section 811 PRA units during the formal application review process and reserves the right not to award the PWD points for HUD Section 811 PRA units.

Select the number of units set aside for People with Disabilities that will use HUD Section 811 PRA. The total number of HUD Section 811 PRA units **cannot** exceed 11 units. HUD Section 811 program requirements limit the percentage of supportive housing units. The total number of supportive housing units (HPH, homeless, PWD) in the project **cannot** exceed 25% of the total units.

Select one:

a. ☐ 15% to 25% of the total units, but no fewer than six units **(19 points)**
Number of Units: _____
b. ☐ 10% to 14.99% of the total units, but no fewer than five units **(17 points)**
Number of Units: _____
c. ☐ 5% to 9.99% of the total units, but no fewer than four units **(15 points)**
Number of Units: _____

Requirements for Tier 1 and Tier 2

A percentage of the units are set aside and rented to persons with any of the following disabilities:[5]

1. A serious and persistent mental illness as defined in Minnesota Statutes, section 245.462, subdivision 20, paragraph (c);
2. A developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (8), as amended through December 31, 1990;

[5] **Specific performance requirement relief provisions are available for projects that meet the People with Disabilities selection criterion for "PWD Units."** Reference Chapter 6.A. of the QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property.

3. Assessed as drug dependent as defined in Minnesota Statutes, section 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes, section 254A.02, subdivision 2;
4. A brain injury as defined in Minnesota Statutes, section 256B.093, subdivision 4, paragraph (a); **OR**
5. Permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules, chapter 1341.

NOTE:

- Projects that claim Round 1 Minimum Threshold C.5. (persons with physical disabilities) and meet any other Round 1 Minimum Threshold Requirement serving People with Disabilities, may count any units rented to persons with a physical disability in their total units, even if the statutory 50% requirement of Threshold C.5. is not met.
- Projects that meet the Round 1 Minimum Threshold only with Threshold C.5. must meet the statutory requirement that 50% of units be accessible. Minnesota Housing considers accessible units to be Type A and B units as identified in the referenced Minnesota Rules Chapter 1341, also known as the Minnesota Accessibility Code.
- If the minimum threshold is not required, then the statutory requirement pertaining to accessible units is not applicable.
- The definition of permanent physical disability is not limited to people with mobility impairment.
- The Permanent Supportive Housing for High Priority Homeless (1.C.1) and People with Disabilities (1.D.) selection criteria may not be claimed for the same units. These units cannot be layered; they must be separate and distinct.
- Projects with unit(s) that are age restricted cannot claim the People with Disabilities (1.D.) selection criterion.

The project must submit documentation that meets all of the following conditions:

1. The applicant must submit the forms and submittals identified in the Application Checklist in the Multifamily Customer Portal.
2. The population, market need and resource plan for the PWD units will be determined after selection in consultation with the county or Tribal human services.
3. The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available.

A proposal that claims and is eligible for the People with Disabilities selection criterion and is selected will be required to comply with any due diligence/reporting requirements after selection and term of the declaration. Failure to comply could result in the loss of the award and/or allocation as well as the assessment of penalty points. The LURA and Minnesota Housing loan documents may contain performance requirements related to these permanent supportive housing units for People with Disabilities and may be recorded with the property.

2. Serves Lowest Income for Long Durations

Projects with existing rental assistance that has been in place for 15 years or more can only take points under Preservation (2.A.). Projects with new rental assistance that has been in place for less than 15 years can only take points under Rental Assistance (2.B.). The Serves Lowest Income selection criterion (2.C.) can only be claimed for units that do not have rental assistance. The definitions explained below determine which criteria the project qualifies for, and the project is only eligible for points in those criteria.

The earliest starting point for the reference to 15 years or more is the following:

- For projects applying in the 2025 Multifamily Consolidated RFP/2026 HTC Round 1, the Year 1 must be 2010 or earlier.
- For projects applying in the 2026 HTC Round 2 and/or the 2026 Multifamily Consolidated RFP/2027 HTC Round 1, Year 1 must be 2011 or earlier.
- For projects applying in 2027 HTC Round 2, Year 1 must be 2012 or earlier.

A. Preservation (15 to 45 Points)

Thresholds

Applicants seeking points under the Preservation (2.A.) selection criterion must read the descriptions and then select one of the following three thresholds:

1. ☐ Risk of Loss Due to Market Conversion
    a. Expiration of contract/use-restrictions
        i. Existing property at risk of conversion to market rate housing within five years of application date, and conversion is not prohibited by existing financing or use restrictions; **OR**
        ii. Existing HTC projects eligible to exercise their option to file for a Qualified Contract that have not previously exercised their option; **AND**
    b. Risk of market conversion evidenced by a low physical vacancy rate (4% or lower) for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing's sole discretion); **AND**
    c. Risk of market conversion evidenced by one or more of the following:
        i. For properties with Section 8 contracts, a Rent Comparability Study acceptable to Minnesota Housing staff and reviewers that was completed within a year of

the application date that shows current rents are below comparable market rents;

ii. A market study approved by Minnesota Housing completed within a year of the application date that shows current rents are below comparable market rents and that the property has a comparable location(s), amenities and condition to convert to market rate; **OR**

iii. Other verifiable third-party data on comparable properties (dated within one year of application due date) approved by Minnesota Housing.

NOTE: Minnesota Housing, at its sole discretion, must agree that a market exists for a conversion to market rate housing.

2. ☐ Risk of Loss Due to Critical Physical Needs
   a. Critical Physical Needs identified by third party assessment to support one of the following conclusions:
      i. Identified scope of Critical Physical Needs, consistent with the definition in the Minnesota Housing Rental Housing Design/Construction Standards, exceeds the available annual cash flow and reserves, as evidenced by documentation submitted with the application. In the case of distressed properties with negative cash flow, the negative cash flow will offset the reserves balance in the calculation.
      ii. 50% or more of the units within the project are condemned or determined to be no longer habitable, as evidenced by official documentation from a local building official.

NOTE: Minnesota Housing may conduct an inspection of the project and must agree with applicant scope of work, severity levels and cost estimates.

3. ☐ Risk of Loss Due to Ownership Capacity/Program Commitment
   a. One of the following four conditions exist:
      i. Existing conditions created by the current owner such as bankruptcy, insolvency, default, foreclosure action, unpaid taxes and assessment, ongoing lack of compliance with lenders or terms of the existing federal assistance or self-determination by a nonprofit board are severe enough to put the property at significant risk of not remaining decent, safe and affordable. Ownership must be transferred to an unrelated party;
      ii. The property has been or will be acquired from an unrelated party within three years of the application date after being offered for sale on the open market after an opt-out notice for the HAP contract has been submitted to Minnesota Housing;

iii. The property has been or will be acquired from an unrelated party within three years of the application date as a result of a Preservation Affordable Rental Investment Fund (PARIF) Right of First Refusal being exercised; **OR**

iv. The acquisition of a property with USDA RD rental assistance has occurred or will occur when the current or previous owner intends or intended to allow the existing USDA RD mortgage to mature and has turned down offers from USDA RD to re-amortize the mortgage. Must apply within five years of maturity date and within three years of acquisition.

NOTE: Minnesota Housing, at its sole discretion, must agree that a change in ownership is necessary for units to remain decent, safe or affordable.

Criteria

Applicants that meet one of the above thresholds must select either Tier 1: Existing Federal Assistance – Projects with Existing Project-Based Rental Assistance or Tier 2: Other Existing Federal Assistance and Critical Affordable Units to be eligible for points under Preservation. Applicants that select either Tier 1 or Tier 2 may also claim points under selection criterion 2.A.1.3: Severity of Critical Physical Needs.

1. ☐ Tier 1: Existing Federal Assistance – Projects with Existing Project-Based Rental Assistance **(20 to 40 points)**

   This includes projects receiving project-based rental assistance or operating subsidies under a program of U.S. Department of Housing and Urban Development (HUD), USDA RD or the Native American Housing Assistance and Self Determination Act (NAHASDA). Properties that have converted their type of federal rental assistance through the Rental Assistance Demonstration Program (RAD), Component 2 (RAD 2) and RAD for Project Rental Assistance Contracts (PRAC) are eligible. Project-based voucher contracts through a local public housing authority or housing and redevelopment authority are eligible. Such assistance must have been committed to the property at least 15 years prior to the year of application.

   For eligible projects, 15 or more years must have passed since the award of the federal project based rental assistance.

   The owner will continue renewals of the existing project-based rental assistance contract(s) for as long as the assistance is available. Except for "good cause," the owner will not evict existing subsidized residents and must continue to renew leases for those residents.

   Developments with qualified existing federal assistance and which have secured additional federal rental assistance (including through a Section 8bb transfer) must count the total number of assisted units below. Such units are not eligible to be counted under Rental Assistance (2.B).

Select one:

a. Existing Federally Assisted Units:
   i. ☐ 50.01% to 100% of the total units are federally assisted **(40 points)**
      Number of Units: _____
   ii. ☐ 50% or Less of the total units are federally assisted **(20 points)**
      Number of Units: _____

NOTE:

- The Rental Assistance (2.B.) selection criterion cannot be claimed if the project is of a type covered under Preservation – Tier 1: Existing Federal Assistance, even if the project is not claiming Preservation points because it does not meet a risk of loss threshold.
- Rental assistance for preservation projects under the Rental Assistance Demonstration Program (Component I) or the Public Housing Program are not eligible under Preservation - Tier 1: Existing Federal Assistance. Any public housing repositioning for preservation projects that results in project-based vouchers or project-based rental assistance is also not eligible.
- The Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) cannot be claimed for units that have new or existing rental assistance. This would include People with Disabilities – Tier 2 – HUD Section 811 PRA (1.D.2.), Preservation – Tier 1 and Tier 2 (2.A.1. and 2.A.2.) and Rental Assistance (2.B.).

OR

2. ☐ Tier 2: Other Existing Federal Assistance and Critical Affordable Units **(15 points)**

   This includes rental housing with existing federal, state, local or intermediary funding with a current recorded deed restriction that limits rents for at least 50% of the total units to at or below the county 60% MTSP limit (or utilizes another rent limitation whose current maximum is at or below the 60% MTSP limit) without long-term project-based rental assistance. This may include units with HTCs, RD units without Rental Assistance, other existing federal assistance not described above or a loan funded by federal, state, local or intermediary sources. This includes current and former public housing units converted under RAD Component I or under Section 18 Demolition and Disposition and any other successor programs developed for public housing. Applicants who claim these points must agree to continue to limit the rents to at or below 60% MTSP for the term of the deferred declaration or the LURA.

For eligible projects, 15 or more years must have passed since the award of the existing federal assistance, the most recent HTC placed in service date or the closing of the loan that created rent restrictions.

AND

3. ☐ Severity of Critical Physical Needs **(3 to 5 points)**

   Projects that are eligible for 2.A.1 and 2.A.2 and have documented critical physical needs that meet the requirements of the Risk of Loss Due to Critical Physical Needs threshold may also claim points based on particularly severe Critical Physical Needs. This applies to Tier 1 and 2, regardless of the Risk of Loss.

   Select one:

   a. ☐ Critical Physical Needs greater than $25,000 per unit **(5 points)**
   b. ☐ Critical Physical Needs greater than $15,000 per unit **(3 points)**

NOTE:

- The Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) cannot be claimed for units that have new or existing rental assistance. This would include People with Disabilities – Tier 2 –HUD Section 811 PRA (1.D.2.), Preservation – Tier 1 and Tier 2 (2.A.1. and 2.A.2) and Rental Assistance (2.B.).
- Preservation – Tier 2 (2.A.2) and the Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) may not be claimed for the same units. These units cannot be layered; they must be separate and distinct.

B. Rental Assistance[6] (6 to 26 Points)

1. Project-Based Rental Assistance

For projects that have a commitment for project-based rental assistance. This includes:

- New or transferred project-based rental assistance that was executed within the past 15 years.

[6] **Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion 2.B. for "RA Units."** Reference Chapter 6.A. of the QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property.

- Transfers of existing Section 8 contracts under the 8bb notice to new construction projects or existing developments that currently have no existing federal assistance. Refer to the 15 years definition at the beginning of the Preservation selection criterion.

The binding commitment is project-based by written contract or for project-based vouchers awarded in accordance with 24 Code of Federal Regulations, Chapter IX, Section 983.51. For the purposes of this category, project-based rental assistance is defined as a project-specific funding stream that supports the operations of the property, reduces the tenant rent burden and provides for the tenant paid portion of rent to be no greater than 30% of household income.

The project agrees to continue renewals of the existing project-based rental assistance contract(s) for a minimum of 15 years from the later of the last placed-in-service date for any building in the property or loan closing. The applicant agrees that rents will remain affordable at the county 50% MTSP income limit for a 15-year period if the rental assistance is not available for the full period.

Minnesota Housing, at its sole discretion, will consider rental assistance programs with alternative rent structures as proposed by the applicant, where households may pay more than 30% of their household income when the program goals align with the needs of low-income populations such as with the Moving to Work and site-based Housing Support programs. For all other types of rental assistance programs with an alternative rent structure, the applicant must submit commitment documentation that includes details regarding the rent structure, tenant-paid portion of rent as a percentage of household income, program structure, goals and population served.

The list below includes potential programs that may be considered project-based rental assistance, but the list is not all-inclusive:

- Moving to Work
- Site-based Housing Support[7]
- Project-based McKinney Vento Continuum of Care funding will be considered project-based rental assistance.

[7] Formerly known as Group Residential Housing.

- Project-based rental assistance provided by a Tribe, Tribally designated housing[8] entity or Tribal corporate entity[9].
- Native American Housing Assistance and Self Determination Act (NAHSDA)
- A past award of existing rental assistance, including HUD Section 811 PRA, will be counted toward meeting the required percentages.

Minnesota Housing has determined that the following do not qualify for this selection criterion:

- An operating subsidy will not be considered project-based rental assistance.
- Privately funded rental assistance does not qualify an applicant to claim this criterion.
- A current request for rental assistance, such as HUD Section 811 PRA, does not qualify an applicant to claim this criterion. The HUD Section 811 PRA letter of determination letter is only a notice of eligibility determination and is not a commitment.

Select one:

a. ☐ 100% of the total units will have project-based rental assistance **(19 points)**
Number of Units: _____

b. ☐ 51.1% to 99.9% of the total units **(16 points)**
Number of Units: _____

c. ☐ 20.1% to 51% of the total units **(13 points)**
Number of Units: _____

d. ☐ 10.1% to 20% of the total units, but no fewer than four units **(10 points)**
Number of Units: _____

e. ☐ 5% to 10% of the total units, but no fewer than four units **(7 points)**
Number of Units: _____

f. ☐ Fewer than 5% of the total units, but no fewer than four units **(6 points)**
Number of Units: _____

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[8] Tribally designated housing entities are entities designated by the Tribe to administer its housing programs funded by HUD.

[9] For purposes of this Self-Scoring Worksheet, "Tribal corporate entity" means a business entity formed by a Tribe under Tribal, state, or federal law and wholly owned by such Tribe.

2. **Further Restricting Rental Assistance**

   Projects that are eligible under 2.B.1. a-f above that agree to further restrict units to households whose incomes do not exceed the county 30% MTSP income limit for a 15-year period.

   Select one:

   a. ☐ 75.1% to 100% of the total units **(7 points)**
      Number of Units: _____
   b. ☐ 50.1% to 75% % of the total units **(6 points)**
      Number of Units: _____
   c. ☐ 25.1% to 50% of the total units **(5 points)**
      Number of Units: _____
   d. ☐ 15.1% to 25% of the total units **(4 points)**
      Number of Units: _____
   e. ☐ 5% to 15% of the total units, but no fewer than four units **(3 points)**
      Number of Units: _____

NOTE:

- The Rental Assistance (2.B.) selection criterion cannot be claimed if the project is of a type covered under Preservation - Tier 1 criterion Existing Federal Assistance (2.A.1), even if the project is not claiming Preservation points because it does not meet a risk of loss threshold. Rental assistance for preservation projects under the Rental Assistance Demonstration Program (Component I) or the Public Housing Program are also not eligible. Any public housing repositioning for preservation projects that results in project-based vouchers or project-based rental assistance is also not eligible.
- The Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) cannot be claimed for units that qualify as units that have new or existing rental assistance. This would include units that meet the requirements of People with Disabilities – Tier 2 – HUD Section 811 PRA (1.D.2.), Preservation – Tier 1 – Existing Federal Assistance (2.A.1.) or Rental Assistance (2.B.).

C. Serves Lowest Income Tenants/Rent Reduction (8 to 20 Points)

1. The project agrees to restrict the rents for a percentage of the units in the project. Eligible units **cannot** have project-based rental assistance, and the rents must be based on the monthly gross rent level, including tenant paid utilities. Rents will be affordable to households whose incomes do not exceed the county 30% MTSP or 50% MTSP income limit as published by HUD. MTSP rent limits are available on Minnesota Housing's website.

The applicant agrees to maintain the deeper rent structuring for which selection points are requested for the term of the LURA or deferred declaration.

This selection will restrict rents only. (Tenant incomes will not be restricted to the county 50% MTSP income limit by claiming this selection criterion).

Select one:

a. ☐ 100% of the total units will restrict rents at or below the county 50% MTSP rent limit. **(13 points)**
   Number of Units: _____
b. ☐ At least 50% of the total units will restrict rents at or below the county 50% MTSP rent limit. **(8 points)**
   Number of Units: _____

2. ☐ Projects that are eligible for 1.a. or 1.b. above and agree to further restrict the following percentage of units to the county 30% MTSP rent limit:

Select one:

a. ☐ 30% to 40% of the total units **(7 points)**
   Number of Units: _____
b. ☐ 20% to 29.99% of the total units **(6 points)**
   Number of Units: _____
c. ☐ 10% to 19.99% of the total units **(5 points)**
   Number of Units: _____
d. ☐ 5% to 9.99% of the total units **(4 points)**
   Number of Units: _____

NOTE: The Serves Lowest Income Tenants/Rent Reduction (2.C.) selection criterion cannot be claimed for units that qualify for units that have new or existing project-based rental assistance. This would include units that meet the requirements of People with Disabilities – Tier 2 –HUD Section 811 PRA (1.D.2.), Preservation – Tier 1 – Existing Federal Assistance (2.A.1.) or Rental Assistance (2.B.).

D. Long-Term Affordability (8 to 9 Points)

1. For an HTC project, the owner agrees to extend the long-term affordability of the project by agreeing to extend the term of the LURA beyond 30 years by choosing an option below. The owner also agrees that the Qualified Contract provisions of IRC Sections 42(h)(6)I(i)(II) and 42(h)(6)(F) (which provisions would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not

present the owner with a Qualified Contract for the acquisition of the project) do not apply to the project for the term of the LURA.

For a deferred loan project, the owner agrees to extend the term of the Declaration beyond 30 years.

Select one:

a. ☐ The HTC project will extend the term of the LURA and waive the right to a Qualified Contract for a minimum of 50 years and/or the deferred loan project will extend the term of the deferred loan Declaration to 50 years. **(9 points)**
b. ☐ The HTC project will extend the term of the LURA and waive the right to a Qualified Contract for a minimum of 40 years and/or the deferred loan project will extend the term of the deferred loan Declaration to 40 years. **(8 points)**

3. Increasing Housing Choice

A. Access to More Affordable Housing (2 to 6 Points)

1. Projects located in communities where there is a low share of affordable rental housing compared to all housing options or a large share of renters that are cost burdened by their rent, as outlined in the Access to More Affordable Housing Methodology in the Methodology Guide. Projects that were previously not selected may be eligible for Hold Harmless provisions. See Section 1.L of the Self-Scoring Worksheet and Methodology Guide for additional details.

   Select one:

   a. ☐ The proposed housing is in a Tier 1 Tract or City(ies), Tribal Reservation(s), Dakota Communities or Tribal trust lands**:** Those in the 66.67th percentile or higher for the share of cost burdened renters or in the 0 to 33.33rd percentile for having a low share of affordable rental housing compared to all housing options in a community. Tribal Reservations, Dakota Communities and Tribal trust lands are also considered Tier 1 for having a need for more affordable housing. **(6 points)**
   b. ☐ The proposed housing is in a Tier 2 Tract or City(ies)**:** Those in the 33.34th to 66.66th percentile for the share of cost burdened renters or in the 33.34th to 66.66th percentile for having a low share of affordable rental housing compared to all housing options in a community. **(4 points)**
   c. ☐ The proposed housing is in a Tier 3 Tract or City(ies): Those in the 0 to 33.33rd percentile for the share of cost burdened renters or in the 66.67th to 100th percentile for having a low share of affordable rental housing compared to all housing options in a community. **(2 points)**

B. Workforce Housing Communities (3 to 6 Points)

1. Projects located in or near a city or township needing workforce housing (communities having a large number of jobs or job growth, individual employer growth or having a large share of their workforce commuting long distances, as outlined in the Workforce Housing Communities Methodology in the Methodology Guide). Projects that were previously not selected may be eligible for Hold Harmless provisions. See Section 1.L of the Self-Scoring Worksheet and Methodology Guide for additional details.

   Select one:

   a. ☐ The proposed housing is in a Top Job Center or Net Five Year Job Growth Community. **(6 points)**
   b. ☐ The proposed housing is in an Individual Employer Growth Community where an individual employer has added at least 100 net jobs (for permanent employees of the company) in that community during the previous five years, as evidenced by documentation signed by an authorized representative of the company, subject to validation by Minnesota Housing. **(6 points)**
   c. ☐ The proposed housing is in a Long Commute Community. **(3 points)**

In the Metropolitan Area, project locations must be within five miles of a workforce housing city or township. In Greater Minnesota, project locations must be within ten miles of a workforce housing city or township.

C. Transit and Walkability (1 to 9 Points)

Communities with access to transit, either fixed route or demand response and/or walkable areas with nearby amenities.

If applicants would like to request revisions of a location's Walk Score, they should email Walk Score directly with details of the request to mhfa-request@walkscore.com. Walk Score staff will review the request and make any necessary adjustments to scoring with 45 business days. If an address cannot be found in the Walk Score tool, use the closest intersection within one-quarter mile of the proposed location.

Projects that were previously not selected may be eligible for Hold Harmless provisions. See Section 1.L of the Self-Scoring Worksheet and Methodology Guide for additional details.

Select one:

1. ☐ **Metropolitan Area.** For projects in the Metropolitan Area, indicate if the project is located in a community with transportation, access to transit and/or walkability.

a. Access to Transit: To claim access to transit in the Metropolitan Area, a project must be (Select one):
   i. ☐ Located within one-half mile of a planned or existing Light Rail Transit (LRT), Bus Rapid Transit (BRT), commuter rail station or a Metro Transit Hi-Frequency Network transit stop. Planned stations include those eligible for Metropolitan Council Livable Communities Demonstration Account (LCDA) Transit Oriented Development (TOD) Grants but does not include express bus stations; **(7 points)**
   ii. ☐ Located within one-quarter mile of a high service public transportation fixed route stop, which is defined as those with service from 6 a.m. to 7 p.m. that have a frequency of service approximately every half hour during that time, located within one-half mile of an express bus route stop or located within one-half mile of a park and ride lot; or **(4 points)**
   iii. ☐ Served by demand response/dial-a-ride with prior day notice. This excludes Metro Transit's Transit Link Service. Transit service must be available daily, Monday through Friday, for a minimum of 8 hours per day. **(2 points)**

b. Walkability: To claim walkability in Minneapolis and Saint Paul, a project must be (Select one):
   i. ☐ Located in an area with a Walk Score of 80 or more according to www.walkscore.com; or **(2 points)**
   ii. ☐ Located in an area with a Walk Score between 60 and 79 according to www.walkscore.com. **(1 point)**

c. Walkability: To claim walkability in Metropolitan Area communities other than Minneapolis and Saint Paul (Suburban Communities), a project must be (Select one):
   i. ☐ Located in an area with a Walk Score of 60 or more according to www.walkscore.com; or **(2 points)**
   ii. ☐ Located in an area with a Walk Score between 50 and 59 according to www.walkscore.com. **(1 point)**

2. ☐ **Greater Minnesota Urbanized Areas.** For projects in Greater Minnesota urbanized areas (population greater than 50,000), indicate if the project is located in a community with transportation, access to transit and/or walkability.

   Urbanized areas are defined by the U.S. Census as places with populations greater than 50,000, and urbanized areas in Greater Minnesota are defined by the Minnesota Department of Transportation (MnDOT) (Greater Minnesota Transit Investment Plan) as areas in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato and St. Cloud.

a. Access to Transit: To claim access to transit, a project in a Greater Minnesota urbanized area must be (Select one; refer to the Transit and Walkability Methodology of the Methodology Guide to determine points):
   i. ☐ Located within one-quarter mile of a planned or existing public transportation fixed route stop. For a planned transit stop to be eligible, applicants must provide detailed location and service information, including time and frequency of service, along with evidence of service availability from the transit authority providing service. Both planned and existing stops must be available daily, Monday through Friday, and provide service every 60 minutes for a minimum of 10 hours per day. **(7 points)**
   ii. ☐ Located between one-quarter mile and one-half mile of a planned or existing public transportation fixed route stop. For a planned transit stop to be eligible, applicants must provide detailed location and service information, including time and frequency of service, along with evidence of service availability from the transit authority providing service. Both planned and existing stops must be available daily, Monday through Friday, and provide service every 60 minutes for a minimum of 10 hours per day. **(4 points)**
   iii. ☐ Located less than one-half mile from an express bus route stop or park and ride lot. **(4 points)**

b. Walkability: To claim walkability, a project in a Greater Minnesota urbanized area must be (Select one):
   i. ☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com; or **(2 points)**
   ii. ☐ Located in an area with a Walk Score between 50 and 69 according to www.walkscore.com. **(1 point)**

3. ☐ **Greater Minnesota Rural and Small Urban Areas.** For projects in Greater Minnesota rural and small urban areas (population fewer than 50,000), indicate if the project is located in a community with transportation, access to transit and/or walkability.

According to the U.S. Census, rural and small urban areas are places with populations fewer than 50,000.

For rural and small urban areas, applicants may claim Location Efficiency by having access to route deviation service or demand response/dial-a-ride and walkability. Route deviation service is different from fixed route transit in that the vehicle may leave its predetermined route upon request by passengers to be picked up or returned to destinations near the route, after which the vehicle returns to the predetermined route. Passengers may call in advance for route deviations similar to that of demand response/dial-a-ride or access the service at designated route stops without advance notice. Demand response usually involves curb-to-curb or door-to-door service with trips scheduled in advance (also known as “Dial-A-Ride”).

a. Access to Transit: To claim access to transit, a project in a Greater Minnesota rural and small urban area must be (Select one):
   i. ☐ Within one-half mile of a designated transit stop **OR** served by demand response/dial-a-ride **OR** within one-half mile of a commuter rail station, and the applicable transit option is available daily, Monday through Friday, providing same day service. Commuter rail stations include the Elk River and Big Lake Stations serviced by Metro Transit’s Northstar Commuter Rail. **(7 points)**
   ii. ☐ Served by demand response/dial-a-ride with prior day or greater notice needed, and service is available daily, Monday through Friday. **(4 points)**
b. Walkability: To claim walkability, a project in a Greater Minnesota rural and small urban area must be (Select one):
   i. ☐ Located in an area with a Walk Score of 50 or more according to www.walkscore.com; or **(2 points)**
   ii. ☐ Located in an area with a Walk Score between 30 and 49 according to www.walkscore.com. **(1 point)**

4. Supporting Community and Economic Development

A. Community Development Initiative (3 Points)

1. ☐ The project contributes to the **active implementation** of a Community Development Initiative to address locally identified needs and priorities, with active engagement by local stakeholders. The initiative can be created by, and involve engagement from, a wide variety of public and private local community development partners such as cities, counties, employers, private foundations, public housing authorities or other community stakeholders. The initiative must contain more components than the project itself.

Applicants must complete the Community Initiative Narrative (using the Minnesota Housing template). The narrative must clearly identify the Community Development Initiative and articulate how the applicant’s proposed project contributes to the active implementation of that Community Development Initiative. Applicants must also provide a full copy of at least one of the Community Development Initiative supporting documents (CDI Documentation) referenced in the Community Development Initiative Narrative. Acceptable forms of CDI Documentation includes neighborhood plans, city or county plans, charters, or comprehensive plans. To qualify for the points under this selection criterion, the CDI Documentation must meet the requirements set forth in Table 1 and Table 2, as applicable, below.

Table 1: CDI Documentation Requirements

Required Elements of CDI Documentation	Description of Requirement
Description and Map of Targeted Geographic Area	The CDI Documentation must describe the geographic area to be targeted by the Community Development Initiative (Targeted Geographic Area) and include a map of the Targeted Geographic Area. The Targeted Geographic Area boundaries must be larger than the proposed rental project site, yet within a measurable impact area. For larger geographic areas, the Targeted Geographic Area must be small enough that one municipality or county (or a small conglomerate of municipalities or counties) can exercise jurisdiction over it.
Current Implementation Plan	The CDI Documentation must describe an implementation plan with goals or outcomes specific to the need(s) identified by the Community Development Initiative. Within the Community Development Initiative Narrative, describe milestones or steps of the plan that are: 1. Completed; 2. Underway; and 3. Planned.
Affordable Housing as a Key Strategy	The CDI Documentation must clearly identify affordable housing, not housing generally, as a key strategy of the Community Development Initiative.
List of Stakeholders and Their Roles	The CDI Documentation must list local stakeholders involved and a description of their role in the active implementation of the Community Development Initiative.

Table 2: CDI Documentation Requirements – Additional Requirements for Projects in a QCT

Required Element of CDI Documentation	Description of Requirement
Public or Private Investment (non-housing) Required if the Project is Located in a QCT	The CDI Documentation must demonstrate a strategy for obtaining commitments of public or private investment (or both) in non-housing infrastructure, amenities or services that could include, but are not limited to: • Commercial/retail development; • Economic development; • Education-related initiative/ development; • Environmental clean-up; • Public works/infrastructure; • Parks, green space and recreation; and • Transit-oriented development or transit initiatives.

B. Equitable Development (3 Points)

1. ☐ The project will address the needs of a Community Most Impacted (CMI) by housing disparities and a Qualified Stakeholder Group (QSG), with meaningful participation from that CMI, has a significant role in the project proposal as defined below. Occupancy restrictions or services provided as a result of the selection criteria are excluded.

A QSG:

- Is not required to be a registered nonprofit organization and could consist of a group of community members, advocates, people with lived experiences, etc.;
- Must demonstrate meaningful and inclusive representation and participation of a CMI;
- Must include at least three participants who belong to the CMI the project is proposing to serve; and
- Must be an independent body separate and apart from the proposed project owner, sponsor, developer, development team, service provider and management agent of record for the project. The developer or other members of the development team may initiate or convene a QSG, but the participants and opinions of the group must be independent of the development team organizations.
    - Federally Recognized Tribes of Minnesota or Tribally designated housing entities or Tribal corporate entities developing on Tribal Reservations, Dakota Communities or Tribal trust lands meet the definition of a QSG and are not required to be an independent body separate and apart from the proposed project owner, sponsor,

developer, development team, service provider and management agent of record for the project due to the Tribal ownership structure.

Examples of a QSG include:

- A local nonprofit organization that serves the needs of indigenous individuals and families;
- A neighborhood organization concerned about healthcare access and inequities;
- A parent group formed to influence a youth-centered development;
- A group of individuals with lived experience of homelessness informing the service model of a supportive housing development; and
- Tenants of an existing building, either a tenant association or individual tenants organized, informing on the rehabilitation of an existing building or construction of a new development.

To be eligible for Equitable Development, applicants must complete the Equitable Development Narrative and submit documentation into the Multifamily Customer Portal that meets all the following threshold criteria:

1. Housing Disparity Addressed by the project.
    a. Identity which of the following CMI(s) this project proposes serving. If the project is focused on serving multiple populations, select the CMI(s) participating in the QSG that have a significant role in the proposal.
        i. Lowest Income (e.g., <= 30% of MTSP);
        ii. People of Color;
        iii. Indigenous People;
        iv. LGBTQ+ People;
        v. People Experiencing Homelessness;
        vi. People with Disabilities;
        vii. Immigrants;
        viii. Large Families;
        ix. Seniors; and/or
        x. Families with Children.
2. Meaningful Participation of Communities Most Impacted: A QSG must have meaningful participation of the CMI that is the focus of the project proposal as documented in the narrative.
    a. Describe the QSG's mission and purpose in elevating the voices of the identified CMI.
    b. Identify and describe what leadership and/or advisory roles people belonging to the identified CMI have in the QSG, which must include one or more of the following:
        i. A paid leadership position; list position (if applicable);
        ii. A member of the board (if applicable);

iii. A paid staff position (if applicable);
iv. A member role, such as serving on an advisory committee; and/or
v. Other meaningful role, such as a volunteer (describe).

c. Provide a list of the QSG's previous activities related to the identified CMI and community development. If there have been no previous activities, describe who formed the QSG and why.

3. Meaningful Engagement with the Identified CMI through the QSG: The development team must evidence that the QSG and specifically the CMI participants have been meaningfully engaged in the project concept by conducting, at minimum, two engagement opportunities with the same QSG prior to submission of the current application. Engagement opportunities can be in person or virtual and may include meetings, focus groups, surveys, or similar venues where the QSG is participating in the development process.
   a. Documentation must be provided to evidence attendance and engagement. Acceptable evidence of attendance includes sign-in sheets or attendance confirmation. Acceptable evidence of engagement includes meeting minutes, meeting notes, survey results, presentation slides, etc.
   b. **NOTE:** Any in-process engagement with the QSG must include a detailed timeline for work done to-date, next steps and future completion.
4. Significant Involvement of the QSG**:** The developer or other members of the development team must partner with the QSG and the identified CMI to develop the project proposal. Identify and submit a narrative explaining how the QSG was involved in one or more of the following aspects of the development, the specific input they provided and how the project addresses or responds to that input. These must be in addition to any mandatory minimum requirements of the QAP and in addition to the minimum requirements for which points are claimed in other selection criteria, such as Serves Lowest Income Tenants and/or Large Families. Applicants may select more than one of the following:
   a. Design;
   b. Services;
   c. Community Benefits: An agreement, between the developer and local community, to provide a benefit as identified by CMI(s). (i.e., projects that support paying a competitive wage, employing union workers and/or individuals from the neighborhood, or participating in a Worker-Driven Social Responsibility compliance and monitoring system, community services, training, shared green space, etc.); and/or
   d. Other (describe in the narrative).
5. Provide a signed letter from the QSG. The letter must be signed by group participants who are willing to sign the document. The letter must address each of the following questions:

a. How has the developer or other members of the development team engaged with the QSG and the identified Communities Most Impacted to create a project responsive to the vision of the group and needs of the CMI?
b. How will this project help in fulfilling a need in your community?
c. How often did the QSG engage with the developer or other members of the development team and what was discussed?
d. How has the project changed in response to the input from the QSG?
e. If the development is selected, what are your expectations for the QSG's continued involvement in the project?

C. Rural/Tribal (4 to 8 Points)

1. Projects located in Rural/Tribal Designated Areas outside of the Metropolitan Area as defined by the 2026-2027 QAP and urbanized areas in Greater Minnesota. Urbanized areas in Greater Minnesota are areas with population over 50,000. They include Duluth, East Grand Forks, La Crescent, Mankato, Moorhead, Rochester and St. Cloud. Projects that were previously not selected may be eligible for Hold Harmless provisions. See Section 1.L of the Self-Scoring Worksheet and Methodology Guide for additional details.

   Select one:

   a. ☐ Tier 1: The project is located in a Rural/Tribal Designated Area that is outside of the Metropolitan Area and within a community that has a population fewer than or equal to 2,000. Tribal Reservations, Dakota Communities and Tribal trust lands are also considered Tier 1. **(8 points)**
   b. ☐ Tier 2: The project is located in a Rural/Tribal Designated Area outside of the Metropolitan Area and within a community that has a population between 2,001 and 5,000. **(6 points)**
   c. ☐ Tier 3: The project is located in a Rural/Tribal Designated Area outside of the Metropolitan Area and within a community that has a population between 5,001 and 10,000. **(5 points)**
   d. ☐ Tier 4: The project is located in a Rural/Tribal Designated Area outside of the Metropolitan Area and within a community that has a population greater than 10,000. **(4 points)**

D. Qualified Census Tracts/Community Revitalization or Tribal Equivalent Areas (3 Points)

Select one:

1. ☐ The proposed housing is located in a Qualified Census Tract (QCT)/Community Revitalization Area. To be eligible as a QCT/Community Revitalization component, the project must be in a Qualified Census Tract (refer to Qualified Census Tract – Reference Materials Index on the Minnesota Housing website) **and** be part of a concerted plan that provides for community revitalization consistent with the definition described in the Community Development Initiative selection criteria. **(3 points)**

2. ☐ The proposed housing is located in a Tribal Equivalent Area. Projects located in a Tribal Equivalent Area are eligible for the criteria solely based on geographic location. **(3 points)** Projects that were previously not selected may be eligible for Hold Harmless provisions. See Section 1.L of the Self-Scoring Worksheet and Methodology Guide for additional details.

E. Multifamily Award History (4 Points)

1. ☐ Projects located in communities that have not received an award or allocation of funding or HTCs from Minnesota Housing for a resource offered through the Multifamily Consolidated RFP/HTC Round 1, HTC Round 2, in any pipeline funding round if the funding source is available in the RFP/HTC Round 1 or for projects receiving an allocation of bonding authority from Minnesota Management and Budget (MMB) with an award of 4% Minnesota Housing HTCs in the last five years. Projects that received Low and Moderate Income Rental (LMIR)-only financing are excluded. Refer to the Multifamily Award History Methodology in the Methodology Guide for more information. **(4 points)**

F. Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprises (1 to 20 Points)

Projects that include business entities that are owned or led by individuals who are Black-, Indigenous or other Person of Color or business entities that are owned or led by one or more women. A Person of Color includes a person from Native and Indigenous North and South American, Black and African-descendant, Hispanic or Latinx, Asian and Pacific Islander and other non-white communities.

A Black-, Indigenous-, People of Color-owned Business Enterprise is a Tribe, Tribally designated housing entity, Tribal corporate entity or other entity which is at least 51% owned by one or more individuals that are Black, Indigenous or other Person of Color.

A Women-owned Business Enterprise is an entity which is at least 51% owned by one or more women.

This includes nonprofits and governmental entities where the executive director or equivalent is Black, Indigenous or other Person of Color, or a woman, as applicable. The individual(s) must also control and manage the daily business operations.

1. Provide documentation demonstrating that the entity meets the definition. This should include an organization chart and must include one or more of the following: a signed and dated certification statement, qualification form(s), ownership documentation or third-party verification.

   a. **Ownership and Sponsorship**

      Select one:

      i. ☐ The project owner and sponsor is a Tribe, Tribally designated housing entity, Tribal corporate entity or for-profit Black-, Indigenous-, People of Color-owned Business Enterprise. **(8 points)**
      ii. ☐ The project owner and sponsor is a for-profit Women-owned Business Enterprise. **(5 points)**
      iii. ☐ The project owner and sponsor is a nonprofit Black-, Indigenous-, People of Color-owned Business Enterprise or a nonprofit Women-owned Business Enterprise. **(4 points)**

   b. **Development Team**

      The developer*, general contractor, architect, service provider, management agent or development consultant, with primary responsibility for the applicable development team function, is a Black-, Indigenous-, People of Color-owned Business Enterprise or a Women-owned Business Enterprise. Eligibility will be determined at the time of application and will be monitored through the deferred loan construction completion and/or 8609.

      Select one:

      i. ☐ Two or more entities are each a Black-, Indigenous-, People of Color-owned Business Enterprise. **(7 points)**
      ii. ☐ Two or more entities are each a Women-owned Business Enterprise or a combination of one Black-, Indigenous-, People of Color-owned Business Enterprise and one Women-owned Business Enterprises. **(4 points)**
      iii. ☐ One entity is a Black, Indigenous, People of Color-owned Business Enterprise or a Women-owned Business Enterprise. **(1 point)**

***NOTE:** If there is an identity of interest between the project owner and sponsor and the developer, an applicant cannot BOTH claim points based on the owner and sponsor under Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprises (4. F.1.a) AND based on the developer under Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprises (4. F.1.b) selection criteria.

c. Capacity Building Partnership

The project owner and sponsor, developer, general contractor, architect, service provider or management agent partners with a Black-, Indigenous-, People of Color-owned Business Enterprise or a Women-owned Business Enterprise with the goal of building that entity's capacity to develop, manage, construct, design or own affordable housing in the future. Documentation must show that the partnership is necessary to help build the entity's capacity. Minnesota Housing, at its sole discretion, must agree that the partnership will increase the entity's capacity.

Provide an agreement executed between the partnering entities that defines the division of specific duties and roles, ownership, profit, fee structure and/or cashflow projection if applicable based on the ownership structure. The agreement must be specific to the applicant's proposed project and explicitly state the goal of building the Black-, Indigenous-, People of Color-owned Business Enterprise or Women-owned Business Enterprise's capacity to develop, manage, construct, design or own affordable housing in the future. The agreement must meet one or more of the following criteria:

i. ☐ The project owner and sponsor agree to partner with a Black-, Indigenous-, People of Color-owned Business Enterprise or a Women-owned Business Enterprise sponsor that will have at least a 50.1% stake in all aspects of the development including, but not limited to, ownership in the general partner(s)/managing member(s), fee structure and/or cash flow and voting rights; **(4 points) OR**

ii. ☐ The project owner and sponsor agree to partner with a Black-, Indigenous-, People of Color-owned Business Enterprise or a Women-owned Business Enterprise owner and sponsor that will have at least a 30% stake in all aspects of the development including, but not limited to, ownership in the general partner(s)/managing member(s), fee structure and/or cash flow and voting rights; **(2 points) AND/OR**

iii. ☐ The project developer, general contractor, architect, service provider or management agent agrees to partner with a Black-, Indigenous-, People of Color-owned Business Enterprise or a Women-owned Business Enterprise entity to perform a defined portion of the contracted work. **(1 point)**

NOTE:

- An applicant may claim either 4.F.1.c.i or 4.F.1.c.ii but not both.
- If there is an identity of interest between the project owner and sponsor and the developer, an applicant cannot BOTH claim points based on the project owner and sponsor under Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprises (4. F.1.c.i/4. F.1.c.ii) AND based on the developer under Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprises (4. F.1.c.iii).

5. Efficient Use of Scarce Resources and Leverage

A. Financial Readiness to Proceed/Leveraged Funds (4 to 16 Points)

1. Applicants who have secured funding commitments for one or more **permanent capital funding sources** at the time of application must count the source in this calculation. Funding can only be included in the calculation if funds are committed, not the subject of a current request.

   Calculate your total using the formula below. Exclude any commitments for the amortizing first mortgage financing and any anticipated syndication proceeds from the current HTC request.

   Total eligible funding secured, awarded or committed (excluding amortizing first mortgages and any anticipated proceeds from the current HTC request. If applicable, the Tax Increment Financing (TIF) amount provided by the city can be included as a commitment).

   $_____ divided by Total Development Costs $_____ equals Percentage of Permanent Capital Funding Sources Committed _____% (round to the nearest tenth):

   a. ☐ 10.51% or more of funding secured, awarded or committed **(16 points)**
   b. ☐ 9.01% to 10.5% of funding secured, awarded or committed **(14 points)**
   c. ☐ 7.51% to 9.0% of funding secured, awarded or committed **(12 points)**
   d. ☐ 6.01% to 7.5% of funding secured, awarded or committed **(10 points)**
   e. ☐ 4.51% to 6.0% of funding secured, awarded or committed **(8 points)**
   f. ☐ 3.01% to 4.5% of funding secured, awarded or committed **(6 points)**
   g. ☐ 1.51% to 3.0% of funding secured, awarded or committed **(4 points)**

For scoring purposes, the documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval or statement of agreement or eligibility. Commitment documentation must state the amount and be executed or approved by the lender or contributor. Commitments must contain no contingencies other than receipt of an HTC allocation or award from Minnesota Housing or the applicable conditions with which any recipient of similar funds would have to comply with to receive such funding. Documentation containing words synonymous with "consider" or "may," (as in "may award") regarding the commitment will not be acceptable.

Funding commitments, or an equivalent commitment, must be maintained and cannot be eliminated or reduced.

The list below includes potential Financial Readiness/Leveraged Funding Commitments, but the list is not all inclusive:

- Syndication proceeds due to previously allocated or awarded HTCs: Syndication proceeds from HTCs allocated or awarded in a previous cycle/round may be included if verification is included in the application. Acceptable verification is a letter from the allocating agency and an executed syndicator agreement or executed Letter of Intent from the syndicator that is acceptable to Minnesota Housing. The executed Letter of Intent must be current within 30 days of submission of the application.
- Monetary grants/donations
- The portion of the amortizing first mortgage supported by payments in lieu of taxes (PILOT): PILOT is only available for owners that are unit of local government. Be aware that Minnesota Housing may disallow points if the application is considered for a structure in which the project owner will not be a unit of local government, such as a structure with HTCs.
- Tax Increment Financing (TIF) and/or Property Tax Abatement: Provide satisfactory documentation that the contribution is committed to the project at the time of application. The documentation must include a resolution from the local government unit indicating its intention to provide TIF or property tax abatement assistance. The anticipated amount must be included in the resolution or a letter from the local government unit.
- Deferred loans
- Grants from nonprofit charitable organizations converted to deferred loans. An award letter from the nonprofit charitable organization contributor must be provided at the time of application verifying the contribution. Documentation must evidence that the contribution is restricted for housing development uses and the contribution must be included as a project source.
- Historic Tax Credits: In addition to the commitment documentation, at the time of application, provide written documentation of eligibility through evidence of Historic Register listing or Part 1 – Evaluation of Significance form that is certified and signed by the National Park Service (NPS), along with a syndicator/investor Letter of Intent. NPS must check a box on the form indicating that the property contributes to the significance or appears to contribute to the significance.
- General Partner (GP) commitments can count if satisfactory documentation is provided. Commitments cannot be eliminated or reduced. Examples include:

    - GP cash: Information provided in the applicant's Multifamily Workbook is satisfactory documentation and is considered a commitment.
    - Seller loans: Information provided in the applicant's Multifamily Workbook is satisfactory documentation and is considered a commitment, unless it is a third-party seller. In the case of a third-party seller, commitment documentation must also be provided.
    - Deferred developer fee: Information provided in the applicant's Multifamily Workbook is satisfactory documentation and is considered a commitment. For a committed deferred developer fee that cannot be paid back within 10 years on a pro forma basis (based on the pro forma submitted with the application), approval by the syndicator/investor is required.
    - Interim income and purchased reserves: Provide satisfactory documentation to demonstrate that the identified amount of reserves are available and will be purchased with the property and a commitment that they will be used as a permanent capital source. The documentation could include a purchase agreement or financial statements, along with a commitment letter from the applicant.
    - Energy or Sales Tax Rebate: Information provided in the applicant's Multifamily Workbook is satisfactory documentation and is considered a commitment.
- State Housing Tax Credit (SHTC):
    - A project expecting to receive a SHTC designated contribution at a later date: A commitment from a prospective SHTC contributor at application is similar to other funding commitments from an outside party. The third party is committing to contribute a certain amount of funds to the project. A commitment may not include a contingency regarding the availability of SHTC. All funding commitments, or an equivalent commitment, must be maintained and cannot be eliminated or reduced. The expectation is that the funds will be disbursed to the project whether or not the funds are received via from the SHTC program.
    - A project that was designated as a designee of a designated contribution or received an SHTC award through an RFP process: All funding commitments, or an equivalent commitment, must be maintained and cannot be eliminated or reduced. The expectation is that the funds will be disbursed to the project whether or not the funds are received via from the SHTC program. Submit the SHTC letter from Minnesota Housing with the amount.
- Funder commitments to modify existing debt will not be counted in this criterion.

NOTE: The Financial Readiness to Proceed/Leveraged Funds (5.A.) and Other Contributions (5.B.) selection criteria cannot be claimed for the same sources.

B. Other Contributions (2 to 10 Points)

1. For projects that receive **non-capital contributions**: Contributions can come from any entity, including the federal government; a local unit of government; an area employer; and/or a private philanthropic, religious or charitable organization. This is a non-capital contribution to the development budget unless specified below. Calculate your total using the formula below and select the appropriate option.

   This calculation is based on Total Development Costs. Do not use any exclusions. Total "Other" non-capital funding contributions and sources $_____ divided by Total Development Costs $_____ equals Other Contributions (rounded to the nearest tenth):

   a. ☐ 6.00% and above **(10 points)**
   b. ☐ 4.50% to 5.99% **(8 points)**
   c. ☐ 3.00% to 4.49% **(6 points)**
   d. ☐ 1.5% to 2.99% **(4 points)**
   e. ☐ .01% to 1.49% **(2 points)**

At the time of application, written documentation from the contributor justifying the amount and the terms of the contribution must be provided and be consistent with current market comparable costs. The documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval, statement of agreement or eligibility or memorandum of understanding.

For scoring purposes, the documentation must state the amount and must be executed or approved, at a minimum, by the contributor. Commitments must contain no contingencies other than receipt of a funding selection from Minnesota Housing or the applicable conditions with which any recipient of similar funds would have to comply with to receive such funding. Documentation containing words synonymous with "consider" or "may" (as in "may award") regarding the contribution will not be acceptable.

The list below includes potential Other Contributions, but the list is not all inclusive:

- Land donation or write-down of the project site: Documentation used to determine the as-is market value must be submitted. This could include an appraisal, assessment information, broker opinion with comparable properties or other data deemed acceptable by Minnesota Housing. If submitting a purchase agreement, the purchase agreement must reflect the reduced price.
- In-kind work and materials that benefit the project are donated at a lower or no cost value.
- Local government reduction, donation or waiver of project specific costs, assessments or fees (e.g., Sewer/Water Access Charge [SAC/WAC], Park Dedication Fees).

- Reservation land not subject to local property taxes: Documentation must include the amount and term (up to term of the Minnesota Housing deferred loan or LURA). Calculate net present value (NPV) by using NPV discounted by the applicable federal rate (AFR) for the term. This can be a contribution to the operating budget.
- Land with long-term low-cost leases: Calculate net present value (NPV) of the cumulative lease payments by using NPV discounted by applicable federal rate (AFR) for the term of the deferred loan/LURA or the term of the land lease, whichever is later. The contribution amount is determined by deducting the NPV amount and any capitalized acquisition costs from the value of the property. Documentation must include the proposed terms of the lease, including the length of lease and any annual payments required. Documentation used to determine the market value must be submitted. This could include an appraisal, assessment information, broker opinion with comparable properties or other data deemed acceptable by Minnesota Housing. The final land lease must be equal to or exceed the term of the LURA or the deferred loan and must be approved by Minnesota Housing prior to closing. This can be a contribution to the operating budget.
- Tax Increment Financing (TIF) and/or Property Tax Abatement for properties that cannot support an amortizing first mortgage. In this situation, the TIF or Property Tax Abatement is generally provided in the form of an operating subsidy. Calculate the net present value (NPV) using the applicable federal rate (AFR) for the term of the TIF or Property Tax Abatement. Provide satisfactory documentation that the contribution is committed to the project at the time of application. The documentation must include a resolution from the local unit of government indicating its intention to provide TIF and/or Property Tax Abatement assistance. The anticipated amounts must be included in the resolution or a letter from the local unit of government. The documentation should include the TIF or Property Tax Abatement analysis from the local unit of government or its consultant. This can be a contribution to the operating budget.
- Payments in lieu of taxes (PILOT) for properties that cannot support an amortizing first mortgage: PILOT is only available for owners that are unit of local government. Be aware that Minnesota Housing may disallow points if the application is considered for a structure in which the project owner will not be a unit of local government, such as a structure with HTCs. Documentation must include the amount and term (up to the term of the Minnesota Housing deferred loan or LURA). Calculate the net present value (NPV) using the applicable federal rate (AFR) for the term of the abatement (up to the term of the Minnesota Housing deferred loan or LURA). This can be a contribution to the operating budget.
- Funder commitments to modify existing debt will not be counted in this criterion.

NOTE: The Financial Readiness to Proceed/Leveraged Funds (5.A) and Other Contributions (5.B.) selection criteria cannot be claimed for the same resources.

C. Intermediary Costs (1 to 4 Points)

1. Intermediary costs are third-party service costs related to the project development. Costs excluded from Intermediary costs include Park Dedication Fees; Surveys; Soil Borings; Payment and Performance Bond Premium; Sewer/Water Access Charge (SAC/WAC); Fixtures, Furnishing and Equipment (FFE); Hazard and Liability Insurance; and Building Permits.

   This calculation is based upon the amount of intermediary costs on a sliding scale based on the percentage of Total Development Costs. For selected projects, this percentage may be enforced at the time of closing for deferred loans or at issuance of IRS Form 8609 for HTC developments. Calculate your total using the formula below.

   Intermediary cost amount $_____ divided by Total Development Costs $_____ equals Intermediary Percentage _____% (rounded to the nearest tenth):

   a. ☐ 0.0% to 15% **(4 points)**
   b. ☐ 15.1% to 20% **(3 points)**
   c. ☐ 20.1% to 25% **(2 points)**
   d. ☐ 25.1% to 30% **(1 point)**

6. Building Characteristics

A. Innovative Construction Techniques (3 points)

1. ☐ The project will use Innovative Construction Techniques (ICT).

   To be eligible for the ICT selection criterion, a proposed project pre-application and final application submittal must meet all of the following conditions:

   a. The proposed technique will achieve one or both of the following goals, or it will pilot a technique that has the potential to achieve the goal(s) in the future after it is tested, and implementation issues have been worked out:
      i. Reduce total construction cost by at least 10%; and/or
      ii. Reduce the time a project is under for construction by at least 20%.
   b. The proposed technique is one that Minnesota Housing typically does not see in projects that receive Minnesota Housing resources. For example, conventional wood frame construction with panelized walls is a construction technique often used in Minnesota and is not an alternative way to frame this condition. The proposed technique needs to be new and innovative.

c. The proposed technique is feasible, can be replicated in future projects and has the potential to be brought to scale and used to meet different housing needs and in different settings. The technique has wide applicability.
d. The development team is required to write and publicly release a report after the project has been completed, outlining lessons learned, such as: What worked well with the technique? What did not work well? What challenges and barriers did the development team run into, and how did it overcome them? How can future projects more effectively implement and use the construction technique, outlining promising practices and lessons learned?
e. The use of the proposed technique is appropriate for the project and will not hinder its ability to provide quality housing on a timely basis, will last a long time and will meet the needs of tenants. The technique makes sense for this development.
f. The project complies with Minnesota Housing’s design standards and guidance. Minnesota Housing may grant waivers if they will allow particularly promising techniques to be tested, and the waivers will not substantially impact the quality and durability of the housing.

The applicant must provide the required pre-application documentation by the required pre-application deadline. The due date will be established prior to the application deadline for the Multifamily Consolidated RFP or HTC Round 2. Failure to submit all required pre-application materials may result in rejection of the pre-application. Applicants must complete the ICT narrative and submit documentation via the pre-application process to demonstrate how the project meets the requirements outlined in the ICT narrative. Provide Minnesota Housing’s innovative construction techniques confirmation letter with the application.

Projects applying via 4% HTC Only Round are not required to submit a pre-application and can submit the materials as part of the application.

B. Universal Design (3 Points)

1. The project will incorporate Universal Design Features. A Universal Design unit is a unit that includes all Minimum Essential Universal Design Features, along with eight Optional Features for units in a new construction or adaptive re-use project, and four Optional Features for units in a rehabilitation project. Type A accessible units (as referenced in Minnesota Housing’s Rental Housing Design and Construction Standards) also meet the definition of a Universal Design Unit.

   The Universal Design Worksheet must be included with the application. A list of the required Minimum Essential Universal Design and Optional Features can be found in the Universal Design Worksheet.

Select one:

a. ☐ An elevator building with 100% of the total units meeting the definition of a Universal Design Unit **(3 points)**
Number of units: _____

b. ☐ A non-elevator building with at least 10% of the total units meeting the definition of a Universal Design Unit **(3 points)**
Number of units: _____

C. Enhanced Sustainability (2 to 12 Points)

The project will incorporate additional sustainability criteria into its design. **The applicant must complete the "How Will Criteria Be Implemented" column within the applicable year's Multifamily Intended Methods Worksheet and clearly explain how each selected Optional Criteria point and alternative building performance pathway (Tier 3 and Tier 4) will be implemented.** The selected Optional Criteria point total on the Multifamily Intended Methods Worksheet must reconcile with the minimum number of Optional Criteria points required for the applicable tier, if claiming Tier 1 or Tier 2 points.

Applicants can select just Tier 1, Tier 2, Tier 3 or Tier 4; or a combination of Tiers 1 and 3, Tiers 2 and 3, Tiers 1 and 4 or Tiers 2 and 4 for a maximum of 12 points. Please note all buildings in the project with residential units, regardless, if claiming or not claiming point(s) for enhanced sustainability, must be certified through the ENERGY STAR Residential New Construction Program using ENERGY STAR Multifamily New Construction (MFNC), ENERGY STAR Manufactured Homes and/or ENERGY STAR Certified Homes as relevant. Refer to applicable MN Overlay for additional information regarding baseline requirements. Actual enrollment of project with Enterprise Green Communities Criteria (EGCC) is not required for any selected tier or combination of tiers.

1. ☐ Tier 1: The project will include at least two times the minimum number of Optional Criteria points, in addition to the Required Mandatory Criteria, as outlined within the applicable year's Minnesota Overlay to Enterprise Green Communities Criteria (EGCC) and as claimed in the Multifamily Intended Methods Worksheet. **(2 points)**
2. ☐ Tier 2: The project will include at least three times the minimum number of Optional Criteria points, in addition to the Required Mandatory Criteria, as outlined within the applicable year's Minnesota Overlay to EGCC and as claimed in the Multifamily Intended Methods Worksheet. **(4 points)**
3. ☐ Tier 3: The project will conform to at least one of the following alternative building performance pathways as claimed in the Multifamily Intended Methods Worksheet: **(6 points)**

a. Pathway 1[10] (applicable to new construction and rehabilitation (rehab) projects): The project meets Minnesota B3 Sustainable Building 2030 (SB 2030) Energy Standard.
b. Pathway 2[11] (applicable to new construction projects only): Certify the project with the Department of Energy (DOE)Zero Energy Ready Home (ZERH) program.
c. Pathway 3 (applicable to rehabilitation (rehab) projects only): The project meets the 2020EGCC – Criterion 5.1b Building Performance Standard. To receive points for Pathway 3, the project must follow the Performance Pathway as described in the applicable year's Minnesota Overlay to EGCC – Criterion 5.1b by providing an Energy Rater Index (ERI) Pathway by achieving one of the following ERI thresholds:
    i. An ERI score of 80 or less for properties built in or after 1980;
    ii. An ERI score of 100 or less for properties built before 1980; or
    iii. A post-rehab ERI score at least 15% less than the pre-rehab ERI score.

4. ☐ Tier 4: The project will be certified by one of the following alternative building performance pathways as claimed in the Multifamily Intended Methods Worksheet **(8 points)**:
    a. Passive House Institute (PHI) Classic;
    b. Passive House Institute United States (PHIUS); or
    c. PHI EnerPHit (applicable to rehabilitation projects only)
    d. PHIUS CORE/Zero REVIVE (applicable to rehabilitation projects only)
    e. One of the following 2020 Enterprise Green Communities Criteria, Criterion 5.4 Achieving Zero Energy, Option 2 programs:
        i. PHIUS + Source Zero;
        ii. PHI Plus;
        iii. PHI Premium;
        iv. International Living Future Institute's Zero Energy Petal;
        v. Zero Carbon Petal; or
        vi. Living Building Challenge.

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[10] Follow Minnesota B3 Sustainable Building 2030 (SB 2030) Energy Standard. Compliance with SB 2030 Standard is achieved by a combination of on-site renewable energy generation and energy efficiency. Projects meeting SB 2030 Standard are evaluated for compliance during design, during construction and for a period of 10 years of occupancy. Compliance will be monitored through the B3-MSBG Tracking Tool. All buildings with residential units in the project must be certified through the ENERGY STAR Residential New Construction Program. Refer to applicable MN Overlay for additional information regarding baseline requirements.

[11] Follow 2020 EGCC – Criterion 5.2b Moving to Zero Energy: Near Zero Certification.

7. Unacceptable Practices

Minnesota Housing may impose penalty points for unacceptable practices as set forth in Chapter 2.J. of the QAP. **(-1 to -35 points)**

AFFORDABLE HOUSING PLAN

2024–2025

MINNESOTA HOUSING

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SUMMARY

2024–2025 AT A GLANCE

The Affordable Housing Plan (AHP) identifies key activities that Minnesota Housing will carry out over the next two years and provides an estimate of the financial resources we expect to make available. This $4.5 billion plan is our largest ever, and we expect to serve between 70,000 and 85,000 households in each of the two years.

These housing investments are as critical as ever. Minnesota continues to face persistent housing challenges, including a significant shortage of housing that is affordable, some of the country's worst housing disparities, and the growing problem of people facing homelessness and sleeping outside.

We need to

Go Big So Everyone Can Go Home.

Table 1: Expected Investments by Activity in 2024-2025

Program Category	2024-2025 Estimated Resources Available
Homebuyer Financing and Home Refinancing	$2,498,000,000
Homebuyer/Owner Education and Counseling	$7,369,000
Home Improvement Lending	$75,544,000
Single Family Production - New Construction and Rehabilitation	$120,513,000
Manufactured Housing	$44,071,000
Other Single Family	$5,000,000
Rental Production - New Construction and Rehabilitation	$398,747,700
Rental Assistance Contract Administration	$472,000,000
Housing Stability for Vulnerable Populations	$292,910,000
Multiple Use Resources	$447,750,000
Other	$67,202,000
COVID-19 Housing Recovery	$104,264,000
Total	**$4,533,370,700**

To achieve our strategic objectives, over the next two years, we will focus on:

Deploying the $1.3 billion the 2023 Legislature made available for 2024 and 2025, which is a major investment above the more typical $115 million base budget from the previous biennium. These funds will supplement the other $3.2 billion we will make available from federal, Agency and bond resources.

Creating and launching the 18 new programs that the legislature created with the new resources, adding to our 39 existing programs and hiring at least 50 new staff to conduct the expanded work.

Creating a more inclusive, equitable and just housing system that prioritizes the people and places most impacted by housing instability. This will require us to authentically engage and partner with community, particularly people who have been historically excluded, raise their voices and vision, co-create solutions that respond to their needs, and achieve meaningful results. This work has begun at the Agency and will take additional time and resources.

Developing green, energy-efficient, climate-resilient, sustainable housing. Housing development and rehabilitation are contributors to energy and material waste, and residential housing accounts for a sizable share of energy consumption and greenhouse gas emissions. In addition, high home energy bills disproportionately affect people with low incomes.

ALLOCATION OF RESOURCES

Minnesota Housing is constrained in how it allocates funds across the activities listed in Table 1. In most cases, we cannot transfer funds from one program to another. First, the State Legislature and Congress appropriate funds for specific uses, and we can only use the funds as authorized. Second, the source of funding plays a role in how the funds are used. For the most part, the funds that we borrow (primarily from the bond market) can only be used to finance mortgages with monthly principal and interest payments so that we can use those payments to pay back with interest the bondholders from whom we borrowed the funds. Our home mortgage lending (an estimated $2.2 billion in 2024 and 2025) comes primarily from bond financing. These funds cannot be used for programs that provide grants or zero-interest, deferred loans because they do not involve monthly principal and interest payments. Appendix A of the Affordable Housing Plan outlines the sources of funds and how those funds are allocated by program. Third, our mortgage lending (homeownership and rental) is demand driven. The funding estimates in the Affordable Housing Plan for mortgage lending are based on expected demand, not on a fixed budget. If there is a demand for these mortgages, we find a way to finance it, assuming the borrower can meet the financing terms.

CHAPTER 1

GOING BIG EQUITABLY

The 2024-2025 Affordable Housing Plan (AHP) is Minnesota Housing's business plan for implementing the first two years of our 2024-2027 Strategic Plan. The AHP covers October 1, 2023 through September 30, 2025 and provides information on the policy, program and operational initiatives we plan to carry out over the next two years. It also provides estimates of the financial resources we expect to make available through each of our programs.

HOUSING NEEDS FOR THE NEXT TWO YEARS

For more than a decade, Minnesota has confronted several persistent housing challenges.

In Minnesota, 640,000 households are cost burdened, meaning they pay more than 30% of their gross income on housing.[1] In particular, over 258,000 households make less than $50,000 a year and pay over 50% of their income on housing.[2] These households are likely one financial setback, even relatively minor, from missing a housing payment.

The supply of housing that is affordable is very limited throughout the state.

- In Minneapolis and St. Paul, the vacancy rate for rental units affordable to households with incomes at or below 30% of the area median income (AMI) is effectively 0%, whereas a healthy vacancy rate is about 5%.[3]
- In the 16 counties in and around the Twin Cities metro area, the months-supply of homes selling for $300,000 or less is only one month, whereas a healthy supply is about five months.[4]
- Employers in cities across Greater Minnesota are adding jobs, but there is not enough housing, and programs that finance market-rate housing are not sufficiently large enough to address the need.

Newly constructed housing is not affordable for typical renters or homeowners.

- Only 32% of newly constructed rental units in the last five years are affordable to renters with incomes at or below 80% of AMI when 70% of renters have incomes at or below 80% of AMI.
- Without rental assistance, only 1% of new rental units are affordable to households with incomes at or below 30% of AMI, while 28% of renters have incomes at or below 30% AMI.[5]
- Most homeowners cannot afford a modest, newly constructed home. In today's market, a new 1,600 square-foot starter home can cost $400,000 or more while a household with the median homeowner income can only afford a $300,000 home.

More than
258,000
households make less than $50,000 a year and pay more 50% of their income on housing

There exists only a
1 Month
supply of homes in the 16 counties in and around the Twin Cities metro area selling for $300,000 or less

Minnesota has the fourth largest homeownership-rate disparity between non-Latino white households and Indigenous, Black and households of color. While 77% of non-Latino white households in Minnesota own their homes, only 49% of Indigenous, Black and households of color do. The homeownership rate for Black households is egregiously low at 29%.[6] That rate is significantly lower than the 46% rate realized by Black households in 1950.[7]

In 2023, about 8,393 people in Minnesota experienced homelessness on a given night, which is a 9% increase since 2017. The increase has been very large for people living outside and unsheltered, with a 51% increase in that period.[8] In addition, a Native American in Minnesota is over 28 times more likely to experience homelessness than non-Latino whites.

Between 2023 and 2038, the number of Minnesotans who are age 65 or older is expected to grow by 21%, while Minnesota's overall population is only expected to grow by 8%.[9] As older Minnesotans from the Baby Boom generation (born between 1946 and 1964) become less independent over time, the need will rise for home modifications and housing with service connections.

In addition to the challenges faced by renters and homeowners throughout the state, **high interest rates, volatile construction costs and other market factors are creating challenges for our partners**, requiring persistence and dedication to develop the housing and deliver the housing assistance.

To address these challenges for the last four years, Minnesota Housing has been following the guiding phrase GOING BIG SO EVERYONE CAN GO HOME, and we indeed went bigger between 2018 and 2022.

Our home mortgage lending increased by 21%, from 4,622 to 5,595 loans, during a period when the inventory of affordable homes for sale declined by 67%.

Our financing of new rental housing increased by 12% from 758 units to 851.

We created new emergency housing programs that supported people facing COVID-related hardships and distributed hundreds of millions of dollars.

Even with these increases, the persistence of the housing challenges demonstrates we have much more to do. **New challenges have arisen since 2018 as well, including rising interest rates, higher construction costs and other market factors**, which means the Agency will need more resources to achieve the type of results we reached during the previous period.

GOING BIG

Fortunately, we received a historic one-time investment from the Legislature, and the Agency can go even bigger, providing more resources to partners and helping more people. For program years 2024 and 2025 combined, we expect to make available $4.5 billion from a combination of federal, state, Agency and bond resources to finance our 57 current programs, which is our largest Affordable Housing Plan ever. This includes the 2023 Minnesota Legislature's $1.3 billion in housing investments, far more than our typical base budget of $115 million for the biennium. The funding tables, household/unit forecasts and graphs in Chapter 2 outline how these funds will be used and the impact they will have by activity area and program.

In our largest ever Affordable Housing Plan, we expect to make available

$4.5B

to finance our 57 current programs

The following program areas summarize the increase by activity area:

Home Mortgage Lending	$215 million
Primarily downpayment assistance for first generation homebuyers	
Homebuyer Education	$2 million
Manufactured Housing & Communities	$35 million
Funds for: (a) community ownership, and (b) infrastructure repair, and (c) home purchase, renovation, repair and/or removal	
Housing Development and Rehabilitation	$640 million
Development of new owner-occupied and rental housing	
Preservation, rehabilitation and/or remediation of existing affordable housing, including naturally occurring affordable housing (without previous government subsidies and income/rent restrictions)	
Rental Assistance and Homelessness Supports	$225 million
State-funded rental assistance and homelessness prevention resources	
Other	$58 million
Multiple uses, but most of the assistance going to nonprofit developers for organizational support	

Deploying the $1.3 billion is a major undertaking. Coming into 2024, Minnesota Housing had 39 programs. The 2023 Legislature added 18 new programs. Table 2 in Chapter 2 lists all 57 programs and their expected funding levels. Each of the new programs will need:

- Staff to implement them,
- Program procedures and documents developed, including program guides, requests for proposals, selection criteria and procedures, and contracts/grant agreements, and
- Compliance, monitoring and reporting procedures created.

While creating these new systems is significant, we expect to have nearly all the new programs operational by the end of calendar year 2024, which will entail hiring over 50 new staff in a challenging hiring market. The work has already begun, which includes committing nearly $50 million through the new Stable Housing Organizational Relief Program in October 2023. This program provides financial support to nonprofits that own or control housing units that are experiencing significant detrimental financial impacts due to recent economic and social conditions.

Recognizing the state's significant housing needs, we are taking steps to get these funds into community and focusing on deploying the resources as effectively and equitably as possible.

As our 2024-2027 Strategic Plan outlines, we are prioritizing the people and places most impacted by housing instability. Effectively engaging and serving these communities takes a little more time, which is one of the key lessons learned during our operation of RentHelpMN and HomeHelpMN, our two primary COVID emergency housing recovery programs.

With program infrastructure already in place, we will be able to award the increased funding for existing programs faster than the new programs. For example, we awarded over half of the Economic Development and Housing Challenge funds and Housing Infrastructure resources (two of our primary housing development programs with a combined biennial appropriation of $325 million) in December 2023.

The extensive effort of gearing up to deploy these additional resources, along with our base funding, will be one of our two primary tasks. The other primary task will be deploying those resources effectively and equitably.

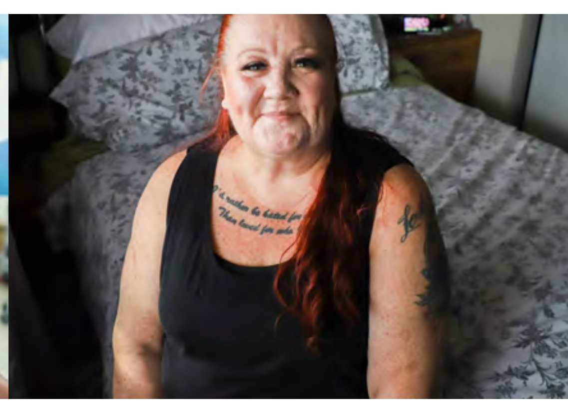
DEPLOYING RESOURCES EFFECTIVELY AND EQUITABLY

A core part of our 2024-2027 Strategic Plan is creating a more inclusive, equitable and just housing system that prioritizes the people and places most impacted by housing instability. This requires the Agency to be very deliberate in how we engage with community and deliver our work and with whom the Agency partners to deliver the resources.

THE STRATEGIC PLAN CALLS FOR THE AGENCY TO:

- Co-create solutions with community
- Support community voices and vision
- Hire consultants with lived expertise
- Expand community partnerships and share power
- Diversify the partners who administer our programs
- Build capacity
- Provide technical assistance
- Increase awareness of housing programs
- Reduce and eliminate barriers to programs and housing
- Simplify and streamline programs and processes
- Increase flexibility in program eligibility and use of funds
- Expand housing choices and affordability

Effectively carrying out each of these tasks across all our programs will take time and resources. While we have been moving in this direction organizationally, we are still developing the capacity and skills to do it well and comprehensively. For example, authentically engaging communities, building trust and co-creating solutions takes time, dedication and practice. The goal is to continue developing these skills and ways of doing business over the next four years.


A critical part of this work is better serving the communities most impacted by housing instability.

To define this work, we hired 12 consultants with lived expertise in navigating housing instability and barriers to co-create our 2024-2027 Strategic Plan. The consultants had diverse experiences and perspectives, ranging from people who had experienced homelessness to first-time homebuyers. They provided key insights and strategies for improving the housing system. When people face housing instability, especially when their lives are in crisis, knowing where to turn to get quick access to resources is vital for establishing and maintaining housing stability. The consultants told us that when people face a housing crisis they do not know where to turn for assistance or what their options are; however, if they are able to identify and find assistance, the process of getting the assistance can be full of barriers and feel overwhelming. We need to create housing programs and a system that are designed to effectively meet the needs and assist people in housing crisis.

A critical first step will be training staff throughout the Agency in human-centered design, which is an approach for designing/redesigning products, services, processes and systems that puts the customer at the center of the design process to create results that resonate with and are tailored to the customer's needs. Our goal is to have all our programs go through a human-centered design/redesign process over the next four years as staff carry out their regular and ongoing reviews and assessments of the Agency's programs, processes and systems. After that, staff will regularly get feedback from customers (our program partners and the Minnesotans they serve) about their experiences and take action to achieve continuous improvement to remove barriers, increase access to the Agency's programs and achieve better and more equitable outcomes.

PURSUING ENERGY EFFICIENCY AND CLIMATE RESILIENCY

A key strategic objective in our 2024-2027 Strategic Plan is to develop green, energy-efficient, climate-resilient, sustainable housing. Housing development and rehabilitation is a significant contributor to energy and material waste, and housing creation and maintenance is a driver of hazardous material use. At the same time, higher home energy bills are disproportionately affecting people with low incomes. Renters and Minnesotans with fewer financial resources are less able to make money-saving home energy and climate-resiliency upgrades, maintain their indoor air quality and safety and affordably heat and cool their homes.

TO DEVELOP GREEN, ENERGY-EFFICIENT, CLIMATE-RESILIENT, SUSTAINABLE HOUSING, WE WILL:

- Provide owners, developers and property managers equitable access to information and technical assistance;
- Provide owners and developers equitable access to financial support to make energy-efficient and climate-resilient improvements; and
- Align and leverage resources and programs, including raising awareness about and leveraging the clean-energy funds made available through the federal Inflation Reduction Act and other sources.

THIS WILL INCLUDE:

Actively participating in the following initiatives of the Walz/Flanagan Administration:

- The One Minnesota Plan and its climate resiliency goals,
- The Climate Subcabinet and Climate Action Framework, and
- The Minnesota Climate Innovation Finance Board of Directors;

Developing an internal climate action plan that will be the roadmap for decarbonizing affordable housing subsidized housing in Minnesota;

Updating our building and sustainability standards, including the selection criteria and incentives incorporated into our process for selecting housing developments for funding;

Exploring ways to provide technical assistance and funding through our Publicly Owned Housing Program (POHP) to increase the energy efficiency, renewable energy, electrification and climate resiliency of public housing;

Pursuing sustainability funding in partnership with the Minnesota Department of Commerce from sources such as:

- The Energy Efficiency Community Block Grant to support an interest rate reduction for energy improvements funded by our home improvement program,
- The federal Solar for All funds, and
- The U.S. Department of Energy's High Efficiency Electrification Home Rebates and Home Energy Performance-Based Whole House Rebates;

Supporting the Minnesota Pollution Control Agency's application for the EPA's Climate Pollution Reduction Grants, which will likely include affordable housing decarbonization resources; and

Pursuing other federal climate opportunities.

FINISHING COVID HOUSING RECOVERY

Our RentHelpMN and HomeHelpMN programs played a large role in the Agency's overall operations over the last two and half years. The initial phase of RentHelpMN distributed about $430 million to renters who were behind on their rental payments because of a COVID-related hardship; and HomeHelpMN distributed about $110 million to homeowners who were behind on their mortgage or other housing payments. The initial phase of RentHelpMN stopped taking new applications in January 2022, and HomeHelpMN stopped taking new applications in July 2023. While HomeHelpMN has disbursed its last funds, RentHelpMN still has over $75 million of assistance to disburse, largely from reallocations from the federal government that we received for effectively deploying the initial allocations. We expect about half of the remaining funds will go out as renter assistance to targeted populations, and about half will be allocated to the development or rehabilitation of rental housing that is affordable.

Under the American Rescue Plan (ARP), Minnesota Housing is also receiving an allocation of approximately $31 million in HOME Investment Partnerships funding (HOME-ARP) to assist individuals or households who are experiencing or are at risk of homelessness, along with other vulnerable populations. Ten percent of those funds will be used for administrative costs, with the remaining funds ($28 million) dedicated to assistance. We anticipate using these funds as housing development resources for individuals and families experiencing homelessness and sleeping outside. This funding allocation is separate from our regular annual HOME appropriation.

The initial phase of RentHelpMN distributed about

$430M

to renters who were behind on their rental payments because of a COVID-related hardship

HomeHelpMN distributed about

$110M

to homeowners who were behind on their mortgage or other housing payments

$28M

will be distributed to individuals or households who are experiencing or are at risk of homelessness, along with other vulnerable populations

CHAPTER 2

RESOURCES FOR OUR WORK

For 2024 and 2025, we are currently estimating we will make available $4.5 billion for program investments, our largest allocation ever. We expect to serve between 70,000 and 85,000 households in each of the two years. Because we will likely award more of the increased resources the first year, we will serve closer to 85,000 households in the first year and closer to 70,000 in the second year.

These resources include state, federal, Agency and bond funds and encompass funds that are: (1) newly available, (2) made available in previous AHPs but went unused, and (3) repayments of loans.

OVERVIEW OF OUR PROGRAM INVESTMENT PLAN

Through our programs, we provide a wide continuum of tools for financing affordable housing and related services, ranging from grants for homelessness prevention and rental assistance to mortgages for home purchases and improvements. As shown in Table 2, nine of our 57 programs account for nearly 80% of the estimated investment plan.

- Home Mortgage Loans *(line 1)* will involve an estimated $2.2 billion in lending over the two-year period, supporting about 4,500 homebuyers in each of the two years.

- Downpayment Assistance for First-Generation Homebuyers *(lines 4 and 5)* will provide over the two years $150 million to assist first-time homebuyers whose parents were not homeowners or had experienced foreclosure. Minnesota Housing will administer $50 million, and Midwest Minnesota Community Development Corporation (MMCDC) will administer the other $100 million. The two programs combined will serve roughly 4,670 homebuyers over the next two years.

- Multifamily First Mortgages – Low- and Moderate-Income Rental (LMIR) *(line 20)* will provide over the two years an estimated $160 million for rental housing development, rehabilitation and refinancing, which will help finance 700 to 1,100 rental units in each of the two years. This will be a mix of permanent financing and bridge/construction loans. This financing is driven by demand and can vary from year to year.

- Low-Income Housing Tax Credits *(line 22)* is one of our primary programs for developing and rehabilitating affordable rental housing. The nearly $24 million of 9% credits from the federal government over the two years should generate approximately $200 million in private equity for the construction or rehabilitation of roughly 380 units of affordable rental housing in each of the next two years.

- Section 8 Rental Assistance Contract Administration *(line 31)* will provide an estimated $472 million of federal project-based rental assistance over the two years and annually support nearly 30,000 of the state's lowest-income households. With this assistance, households generally spend no more than 30% of their income on rent and utilities.

- Bring It Home Rental Assistance *(line 35)* will provide over the two years an estimated $124 million for rental assistance, which will be administered by local Public Housing Authorities (PHAs) and Housing and Redevelopment Authorities (HRAs) and modeled after the federal Housing Choice Vouchers. However, Bring It Home will allow the maximum subsidized rents to be 20% higher than allowed for Housing Choice Vouchers. We estimate that the program will annually assist about 4,700 when fully operational.

- Family Homeless Prevention and Assistance Program (FHPAP) *(line 37)* will provide over the two years $92.5 million (which is significantly higher than the two-year base budget of $20.5 million) to families and individuals who are homeless or about to become homeless. We expect these resources to assist about 15,900 households in 2024 and 10,600 in 2025. Demand for this program exceeds even these additional resources, and partners plan to assist more households earlier in the biennium. In a typical year, FHPAP serves about 4,500 households.

- Economic Development and Housing Challenge (EDHC) *(line 40)* will provide nearly $125 million over the two years and support the development, rehabilitation and gap financing of roughly 830 owner-occupied and rental housing units in 2024 and 450 in 2025. This is an existing program with expanded funding, and we expect to award most of the funds in the first year.

- Housing Infrastructure *(Line 41)* will provide $214 million of resources over the two years and support the development and rehabilitation of roughly 1,900 owner-occupied and rental housing units in 2024 and about 470 in 2025. This is also an existing program with expanded funding, and we expect to award over half of the funds in the first year. The Legislature can provide Housing Infrastructure funds through bonding or appropriated cash. In addition, the 2023 Legislature appropriated $200 million for Housing Infrastructure activities, and these appropriated funds provide additional flexibility in how we finance the housing developments compared with bond resource. We also have about $14 million of unused bonding authority from previous bonding bills.

We will also use portions of our tax-exempt private activity bond allocation for multifamily projects to generate private equity from 4% housing tax credits. Some of these projects also utilize our deferred loan resources, so the units produced by these jointly funded projects are already included in our overall unit count for 2024 and 2025.

4% TAX CREDITS

While not in our program investment plan, we allocate 4% credits to rental housing developments that are financed with tax-exempt private activity bonds, which are regulated by the Internal Revenue Service and can be used by states for a variety of purposes. Unlike 9% credits, awards of 4% credits are not directly capped, but there are statewide volume limitations on the use of tax-exempt private activity bonds for housing. On a yearly basis, the use of 4% credits generates a significant amount of private equity for affordable housing.

In Table 2, we have identified the 18 new programs with an asterisk (*) next to the program.

Table 2: Overview of 2024-2025 Program Investment Plan

		2024-2025 Resources to be Made Available	2021-2022 Actual Disbursement / Deployment of Resources	Activity	Median Income Served (2022)	Share BIPOC (2022)
	Homebuyer Financing and Home Refinancing	$2,498,000,000	$2,578,161,207			
1	Home Mortgage Loans	$2,200,000,000	$2,448,673,609	First Mortgage	$66,906	39.9%
2	Deferred Payment Loans	$92,000,000	$75,998,154	Downpayment and Closing Cost Loans	$57,645	40.6%
3	Monthly Payment Loans	$46,000,000	$53,489,444	Downpayment and Closing Cost Loans	$89,162	39.5%
4	First-Generation Homebuyer Assistance Program - Minnesota Housing *	$50,000,000	N/A	Downpayment Assistance	N/A	N/A
5	Community-Based First-Generation Homebuyers Assistance *	$100,000,000	N/A	Downpayment Assistance	N/A	N/A
6	NeighborWorks Fee-Based Home Purchasing *	$10,000,000	N/A	Downpayment Assistance	N/A	N/A
	Homebuyer/Owner Education and Counseling	$7,369,000	$4,813,237			
7	Homebuyer Education, Counseling & Training (HECAT)	$4,369,000	$2,637,729	Education & Counseling	$43,000	52.1%
8	Homeownership Capacity	$3,000,000	$2,175,508	Education & Counseling	$40,800	89.7%
	Home Improvement Lending	$75,544,000	$72,403,719			
9	Home Improvement Loan Program	$60,000,000	$63,292,604	Home Improvement Loan	$83,498	15.3%
10	Rehabilitation Loan Program (RLP)	$15,544,000	$9,111,115	Home Improvement Loan	$16,186	13.3%
	Single Family Production - New Construction and Rehabilitation	$120,513,000	$2,000,889			
11	Single Family Interim Lending	$20,000,000	$1,601,965	Construction Loans	$48,004	65.0%
12	Workforce & Affordable Homeownership Development Program	$60,513,000	$398,924	Loans and Grants	N/A	N/A

Continued next page

Table 2: Overview of 2024-2025 Program Investment Plan *(Continued)*

		2024-2025 Resources to be Made Available	2021-2022 Actual Disbursement / Deployment of Resources	Activity	Median Income Served (2022)	Share BIPOC (2022)
13	Homeownership Investment Grants *	$40,000,000	N/A	Grants for Affordable Housing Lending	N/A	N/A
	Manufactured Housing and Communities	$44,071,000	$4,893,504			
14	Manufactured Home Community Financing	$7,000,000	$2,775,000	Amortizing and Deferred Loans	N/A	N/A
15	Manufactured Home Community Redevelopment Grants	$17,071,000	$2,055,554	Grants	N/A	N/A
16	Manufactured Home Park Cooperative Acquisition *	$10,000,000	N/A	Grant for Revolving Loan Fund	N/A	N/A
17	Manufactured Home Lending Grants *	$10,000,000	N/A	Grants for Lending Services	N/A	N/A
18	Manufactured Home Relocation Trust Fund	$0	$62,950	Relocation Assistance	N/A	N/A
	Other Single Family	$5,000,000	$0			
19	BuildWealth 9,000 Equities *	$5,000,000	N/A	Grant for a Targeted Loan Pool	N/A	N/A
	Rental Production - New Construction and Rehabilitation	$398,747,700	$241,983,971			
20	Multifamily First Mortgages - Low- and Moderate-Income Rental (LMIR)	$160,000,000	$138,765,149	Amortizing Loans	$27,469	48.7%
21	Flexible Financing for Capital Costs (FFCC)	$0	$8,182,671	Primarily Deferred Loans	N/A	N/A
22	Low Income Housing Tax Credits (LIHTC) - 9%	$23,633,700	$23,926,536	Investment Tax Credits	$23,370	49.7%
23	National Housing Trust Fund	$11,583,000	$800,000	Deferred Loans and Operating Grants	N/A	N/A
24	HOME	$30,560,000	$16,799,000	Deferred Loans	$13,291	51.5%
25	Preservation Affordable Rental Investment Fund (PARIF)	$24,362,000	$33,735,123	Deferred Loans	$13,692	50.7%
26	Asset Management	$0	$2,917,000	Loans	N/A	N/A

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Table 2: Overview of 2024-2025 Program Investment Plan *(Continued)*

		2024-2025 Resources to be Made Available	2021-2022 Actual Disbursement / Deployment of Resources	Activity	Median Income Served (2022)	Share BIPOC (2022)
27	Rental Rehabilitation Deferred Loan Pilot (RRDL)	$10,617,000	$1,410,000	Deferred Loans	$19,200	14.9%
28	Publicly Owned Housing Program (POHP) - GO Bonds	$88,794,000	$11,372,391	Deferred Loans	$12,347	32.4%
29	Workforce Housing Development Program	$39,198,000	$4,076,101	Deferred Loans and Grants	N/A	N/A
30	High-Rise Sprinkler Grants *	$10,000,000	N/A	Grants	N/A	N/A
	Rental Assistance Contract Administration	$472,000,000	$436,701,012			
31	Section 8 - Project-Based Rental Assistance	$472,000,000	$436,701,012	Rental Assistance	$13,164	38.9%
	Housing Stability for Populations Needing Extra Support	$292,910,000	$55,949,377			
32	Housing Trust Fund (HTF)	$31,183,000	$22,693,231	Rental Assistance and Operating Support	$9,000	62.5%
33	Homework Starts with Home	$5,500,000	$4,363,803	Rental Assistance and Other Supports	$16,800	77.8%
34	Bridges	$10,676,000	$7,268,295	Rental Assistance	$10,800	32.2%
35	Bring It Home Rental Assistance *	$124,000,000	N/A	Rental Assistance	N/A	N/A
36	Section 811 Supportive Housing Program	$2,930,000	$2,085,547	Rental Assistance	$11,063	50.6%
37	Family Homeless Prevention and Assistance Program (FHPAP)	$92,538,000	$19,065,861	Grants	$12,948	56.2%
38	Housing Opportunities for Persons with AIDS (HOPWA)	$1,083,000	$472,640	Grants	$23,184	52.0%
39	Strengthen the Supportive Housing System *	$25,000,000	N/A	Grants	N/A	N/A
	Multiple Use Resources	**$447,750,000**	**$175,458,195**			
40	Economic Development and Housing Challenge (EDHC)	$124,850,000	$27,385,133	Loans and Grants	MF: N/A SF: $47,639	MF: N/A SF: 62.8%
41	Housing Infrastructure Resources	$214,100,000	$146,186,729	Primarily Deferred Loans	MF: $8,526 SF: $47,310	MF: 53.5% SF: 76.0%
42	State Housing Tax Credit Program	TBD	N/A	Deferred Loans	N/A	N/A

Continued next page

Table 2: Overview of 2024-2025 Program Investment Plan *(Continued)*

		2024-2025 Resources to be Made Available	2021-2022 Actual Disbursement / Deployment of Resources	Activity	Median Income Served (2022)	Share BIPOC (2022)
43	Community Stabilization *	$90,000,000	N/A	Grants or Loans	N/A	N/A
44	Greater Minnesota Housing Infrastructure *	$8,000,000	N/A	Grants	N/A	N/A
45	Lead-Safe Homes *	$4,000,000	N/A	Grants	N/A	N/A
46	Local Housing Trust Fund Grants *	$6,800,000	N/A	Grants	N/A	N/A
47	Strategic Investments / Loans	$0	$1,886,333	Loans	N/A	N/A
	Other	**$67,202,000**	**$3,057,525**			
48	Technical Assistance and Operating Support	$8,702,000	$3,057,525	Grants	N/A	N/A
49	Disaster Recovery and Relief Contingency Fund	$0	$0	Grants	N/A	N/A
50	Stable Housing Organizational Relief Program *	$50,000,000	N/A	Grants	N/A	N/A
51	Housing Mediation Grant Programs *	$3,000,000	N/A	Grants	N/A	N/A
52	Local Housing Aid Grants (Grants to Tier 2 cities) *	$4,500,000	N/A	Grants	N/A	N/A
53	Grant to City of Minneapolis *	$1,000,000	N/A	Grant	N/A	N/A
	COVID Housing Recovery	**$104,264,000**	**$522,185,444**			
54	COVID-19 Housing Assistance Program (CHAP)	$0	$62,727,252	Renter and Homeowner Assistance	N/A	N/A
55	Emergency Rental Assistance (ERA) - Regular RentHelpMN	$0	$448,217,605	Renter Assistance	$15,418	66.1%
56	Emergency Rental Assistance (ERA) - Targeted Assistance	$37,140,000	$0	Renter Assistance	N/A	N/A
57	Emergency Rental Assistance (ERA) - Capital Funding	$39,100,000	$0	Primarily Deferred Loans	N/A	N/A
58	Homeowner Assistance Fund (HAF) - HomeHelpMN	$0	$11,240,587	Homeowner Assistance	$50,219	45.3%
59	HOME - ARP (American Rescue Plan)	$28,024,000	$0	Loans and Grants	N/A	N/A
	Total	**$4,533,370,700**	**$4,097,608,080**			

To provide context, Table 2 describes the type of funding provided under each program, with more detailed descriptions of each program provided in Appendix B. Table 2 also provides the funding that we disbursed in 2021 and 2022, which are our two most recently completed program years with fully reported data. The 2024-2025 AHP numbers reflect the amounts that we anticipate making available for new awards over the next two years, while the 2021-2022 numbers reflect actual funds disbursed in two recent years. Some programs move quickly from awards to disbursement, while others, particularly housing development, can take around two years.

Table 2 also shows, by program, the median incomes of the low- and moderate-income households that we served in 2022 (the most recent year for which complete data is available), which ranged from $8,526 to $83,498. According to HUD, the statewide median family income in 2022 was $104,000.

Sample of Programs	Median Income(s)
Rental assistance programs (lines 31-36)	$9,000 to $16,800
Rehabilitation Loan Program (line 10)	$16,186
Low-Income Housing Tax Credits (line 22)	$23,370
Single-Family Economic Development and Housing Challenge (line 40)	$47,639
Home Mortgage Loans (line 1)	$66,906
Home Improvement Loan Program (line 9)	$83,498

ANNUAL HOUSEHOLD AND UNIT PROJECTIONS

As shown in Table 3, we expect the resources in this AHP will assist between 70,000 and 85,000 households or housing units in each of the next two years. Our household and housing unit estimates assume that all the resources shown in this AHP will be deployed. In the end, we will probably fall short for some programs but may also exceed the resource estimates for other programs. Our Home Mortgage Loans, Multifamily First Mortgages and Home Improvement Loans are demand-driven and financed with resources that are less limited.

The household and housing unit estimates for the 18 new programs are quite uncertain. Particularly for new programs where there is a wide range of uses and costs, such as Local Housing Trust Fund Grants, it is unclear how much funding will be provided to support each household or housing unit. It is also not always clear the extent to which these funds will be paired with and leverage other funding sources. If combined with other resources, the funds included in the AHP will be able to assist more households and housing units. Finally, the timing of when these new programs will be launched and fully operational is clear. Thus, the following figures for new programs should be viewed as order of magnitude estimates. The new programs are identified with an asterisk (*).

Table 3: 2024-2025 Forecast of Households or Housing Units Annually Assisted, by Program

	Program	2024 Households or Units	2025 Households or Units
	Homebuyer Financing and Home Refinancing	**7,200**	**4,500**
1	Home Mortgage Loans	4,500	4,500
2	Deferred Payment Loans	Included in First Mortgage Count	Included in First Mortgage Count
3	Monthly Payment Loans		
4	First-Generation Homebuyer Assistance Program - Minnesota Housing *		
5	Community-Based First-Generation Homebuyers Assistance *	2,600	0
6	NeighborWorks Fee-Based Home Purchasing *	100	0
	Homebuyer/Owner Education and Counseling	**8,300**	**8,300**
7	Homebuyer Education, Counseling & Training (HECAT)	7,300	7,300
8	Homeownership Capacity	1,000	1,000
	Home Improvement Lending	**1,260**	**1,260**
9	Home Improvement Loan Program	1,000	1,000
10	Rehabilitation Loan Program (RLP)	260	260
	Single Family Production - New Construction and Rehabilitation	**1,710**	**980**
11	Impact Fund - EDHC and Housing Infrastructure Resources	1,200	470

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Table 3: 2024-2025 Forecast of Households or Housing Units Annually Assisted, by Program *(Continued)*

	Program	2024 Households or Units	2025 Households or Units
12	Single Family Interim Lending	Included with Impact Fund	Included with Impact Fund
13	Workforce & Affordable Homeownership Develop-ment Program	380	380
14	Homeownership Investment Grants *	130	130
	Manufactured Housing and Communities	**2,090**	**410**
15	Manufactured Home Community Financing	100	100
16	Manufactured Home Community Redevelopment Grants	1,700	260
17	Manufactured Home Park Cooperative Acquisition *	240	0
18	Manufactured Home Lending Grants *	50	50
19	Manufactured Home Relocation Trust Fund	TBD	TBD
	Other Single Family	**20**	**0**
20	BuildWealth 9,000 Equities *	20	0
	Rental Production - New Construction and Rehabilitation	**6,990**	**5,840**
21	Multifamily RFP/LIHTC/Pipeline Production	1,600	900
22	Multifamily First Mortgage - Low-and Moderate-Income Rental (LMIR)	Part of RFP/ LIHTC/ Pipeline Total	Part of RFP/ LIHTC/ Pipeline Total
23	Flexible Financing for Capital Costs (FFCC)		
24	Low-Income Housing Tax Credits (LIHTC) - 9%		
25	National Housing Trust Fund		
26	Housing Infrastructure Bonds (HIB) - Multifamily RFP		
27	Economic Development and Housing Challenge (EDHC)		
28	HOME		
29	Preservation Affordable Rental Investment Fund (PARIF)		
30	Emergency Rental Assistance (ERA) RentHelpMN Capital		
31	HOME - ARP (American Rescue Plan)	90	90
32	Asset Management	0	0
33	Rental Rehabilitation Deferred Loan (RRDL)	40	270
34	Publicly Owned Housing Program (POHP)	3,700	3,700
35	Workforce Housing Development Program	560	560
36	High-Rise Sprinkler Grants *	1,000	320
	Rental Assistance Contract Administration	**29,500**	**29,500**
37	Section 8 - Project-Based Rent Assistance	29,500	29,500
	Housing Stability for Populations Needing Extra Support	**20,240**	**19,080**
38	Housing Trust Fund (HTF)	2,300	2,300
39	Homework Starts with Home	350	350
40	Bridges	610	610

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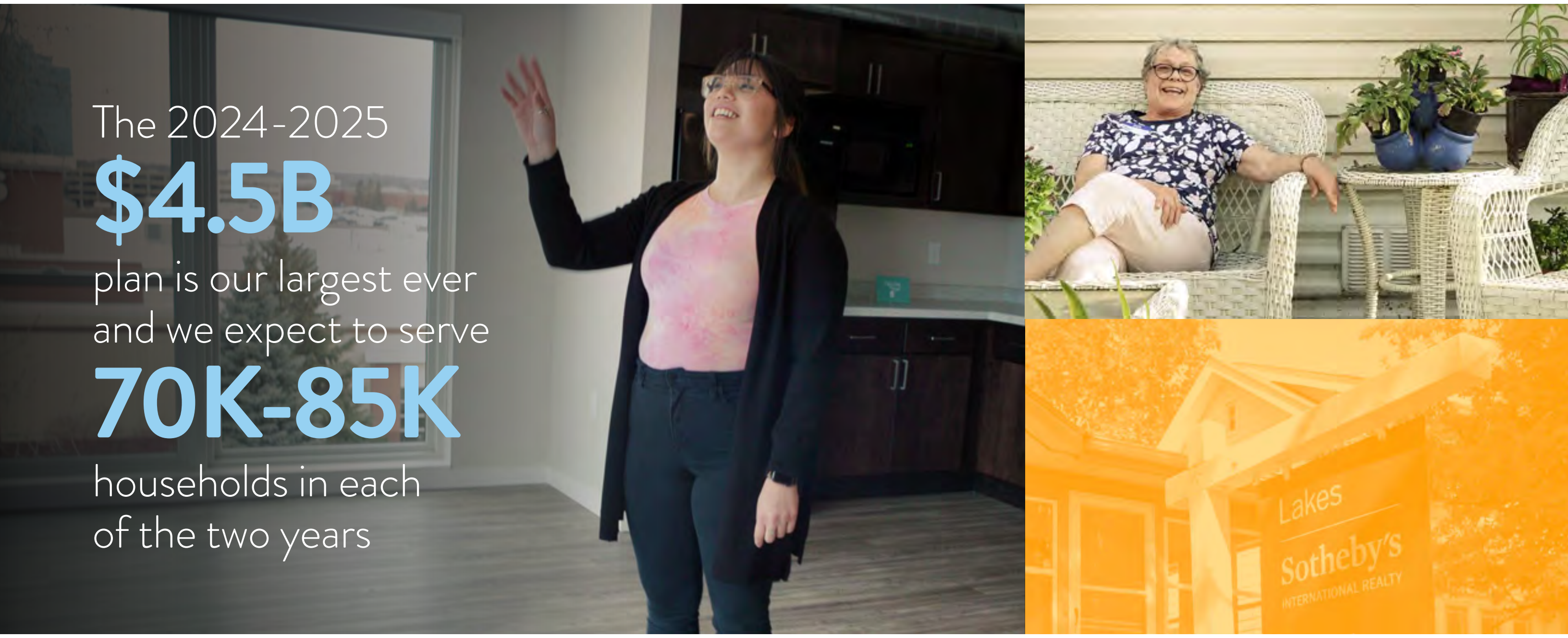
Table 3: 2024-2025 Forecast of Households or Housing Units Annually Assisted, by Program *(Continued)*

	Program	2024 Households or Units	2025 Households or Units
41	Bring It Home Rental Assistance *	470	4,700
42	Section 811 Supportive Housing Program	170	210
43	Family Homeless Prevention and Assistance Program (FHPAP)	15,900	10,600
44	Housing Opportunities for Persons with AIDS (HOPWA)	440	310
45	Strengthen the Supportive Housing System *	TBD	TBD
	Multiple Use Resources	**810**	**1,380**
46	Community Stabilization *	110	680
47	Greater Minnesota Housing Infrastructure *	260	260
48	Lead-Safe Homes *	360	360
49	Local Housing Trust Fund Grants *	80	80
50	Strategic Investments / Loans	TBD	TBD
	Other	**240**	**40**
51	Local Housing Aid Grants (Tier 2 Cities) *	40	40
52	Grant to City of Minneapolis *	200	0
	COVID Housing Recovery	**5,300**	**0**
53	Emergency Rental Assistance (ERA) - Targeted Assistance	5,300	0
	Total	**83,660**	**71,290**

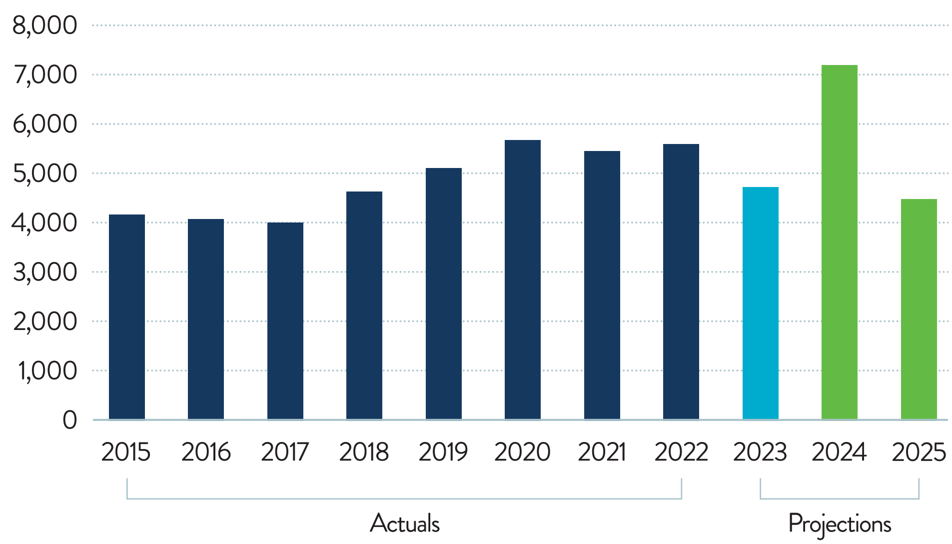


The following graphs show the number of households that we served in 2015 through 2022 (dark blue bars), and the households that we are projecting to serve in 2023 through 2025. The 2023 figures (light blue bars) are based on current projected awards, and the 2024 and 2025 figures (green bars) are based on the funds that we estimate will be available under this AHP. Particularly for the housing development programs, projects can take two years for funds to be used after being selected for funding. Thus, some of these funds will not assist households until after 2025, but we show them in 2024 and 2025 to reflect the number of households that will eventually be assisted with funds awarded in those years.

HOMEBUYER FINANCING AND HOME REFINANCING

Figure 1 shows our historical home mortgage lending, which served around 4,000 households annually in 2015 through 2017. Production increased in 2018 through 2020, reaching nearly 5,700 households 2020 and leveled off through 2022. For 2023, we expected to serve about 4,700 households, recognizing the rise in interest rates and very limited inventory of affordable homes have dampened lending activity. With the additional funds provided during the 2023 legislative session for first-generation homebuyers, we expect the home lending that we support to increase significantly in program year 2024. This is not only the home mortgages that we finance but also the home mortgages that will be supported by the Community-Based First-Generation Homebuyers Assistance that will be administered by the Midwest Minnesota Community Development Corporation.

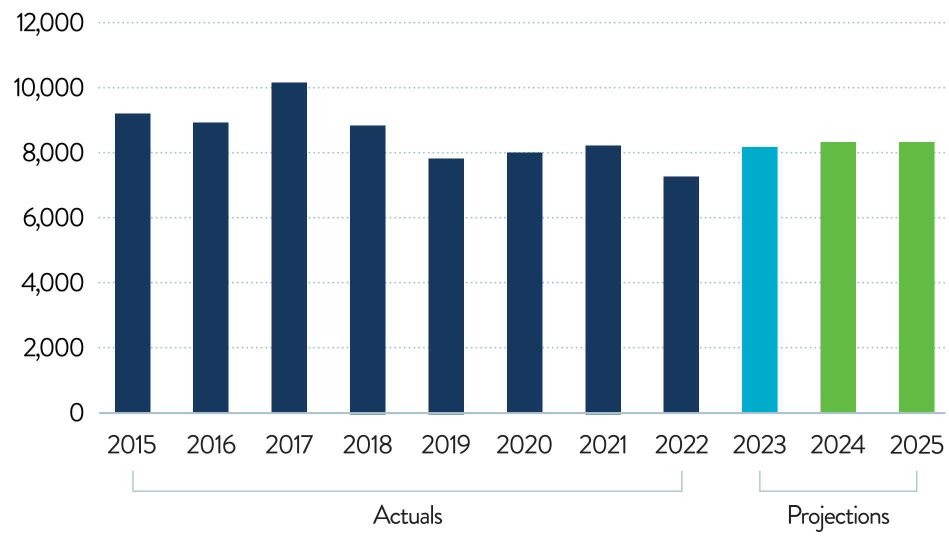
Figure 1: Households/Homes Assisted – Homebuyer Financing and Home Refinancing



HOMEBUYER/OWNER EDUCATION, COUNSELING AND COACHING

As shown in Figure 2, education and counseling that we directly fund has been relatively steady over the past few years. (Figure 2 includes Homebuyer Education, Counseling and Training (HECAT) and the Homeownership Capacity.)

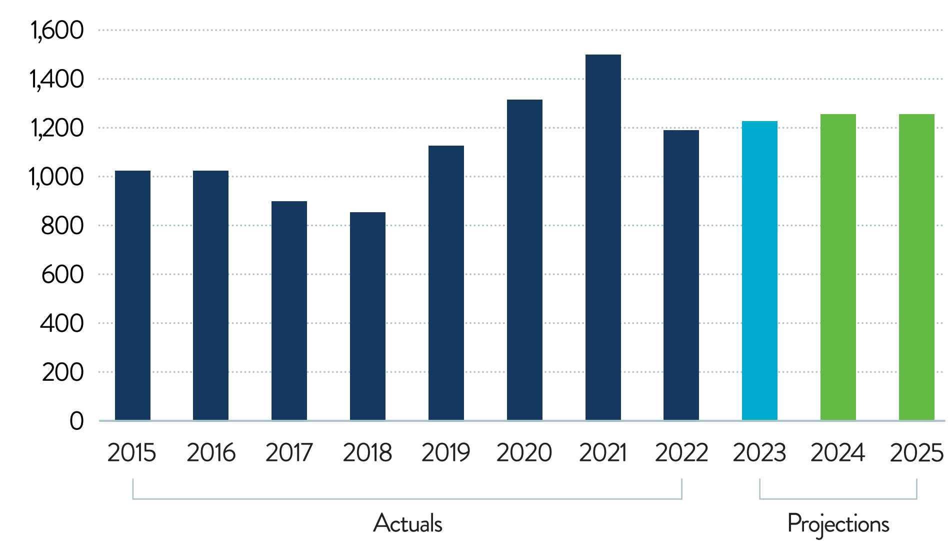
Figure 2: Households Assisted – Homebuyer/Owner Education, Counseling and Coaching



HOME IMPROVEMENT LENDING

For several years, demand for our home improvement programs (installment loans) was reduced with the availability of home equity lines of credit and cash from mortgage refinancing that was driven by low interest rates. With program changes a few years ago that made our program more desirable for borrowers and easier to administer, our lending volume increased. Lending was particularly high in 2021 but then dropped off a bit. There may have been some COVID-related home improvement activity in 2020 and 2021 with people spending more time at home. In addition, construction costs, interest rates and supply/contractor issues created headwinds for the past couple of years. (Figure 3 includes both the Home Improvement Loan Program and the Rehabilitation Loan Program.)

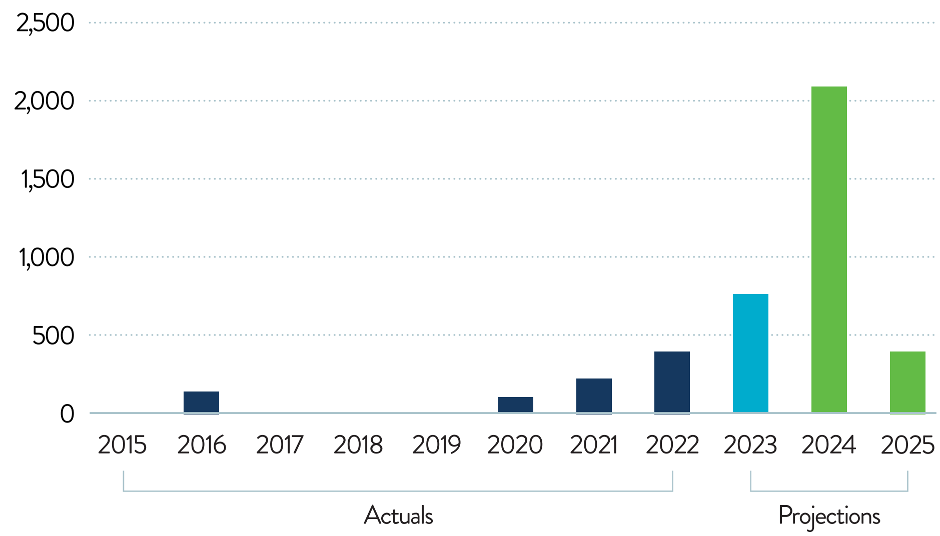
Figure 3: Households/Homes Assisted – Home Improvement Programs



MANUFACTURED HOUSING AND COMMUNITIES

Over the past few years, Minnesota Housing has been expanding its manufactured housing activities, as reflected in Figure 4. With the funds made available during the 2023 legislative session, we will see a large increase in activity in 2024. Activity may then drop back down closer to 2023 levels, depending on funding availability. (Figure 4 includes Community-Owned Manufactured Home Parks, Manufactured Home Park Redevelopment Grants, Manufactured Home Park Acquisition and Manufactured Home Lending Grants.)

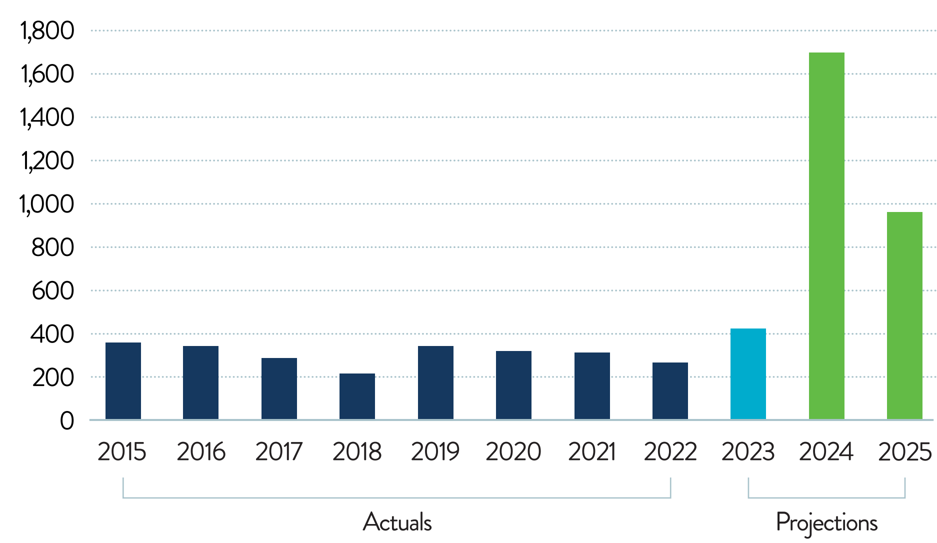
Figure 4: Households/Homes Assisted – Manufactured Housing and Communities



SINGLE FAMILY NEW CONSTRUCTION, REHABILITATION AND GAP FINANCING ASSISTANCE

Typically, we see about 350 single-family homes financed each year. The Go Big investment will dramatically increase production. (Figure 5 includes the single-family portion of the Economic Development and Housing Challenge program and Housing Infrastructure Bond proceeds along with Single-Family Interim Lending, Workforce and Affordable Homeownership Development and Homeownership Investment Grants.)

Figure 5: Households/Homes Assisted – Single Family Housing New Construction, Rehabilitation and Support

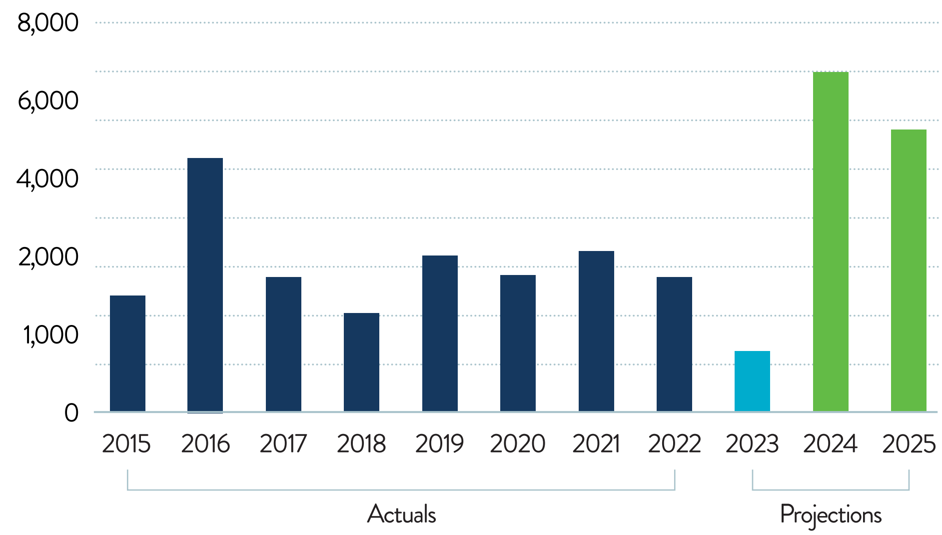


RENTAL NEW CONSTRUCTION AND REHABILITATION

In a typical year, the rental new construction and rehabilitation that we finance varies between 2,000 and 3,000 units. Production is particularly high in years that have a large amount of state general obligation (GO) bond resources to finance the rehabilitation of public housing through our Publicly Owned Housing Program (POHP). Because the funding per unit is quite low for this program (often around $10,000 per unit), we can rehabilitate a large number of units.

In the past couple of years, the cost of construction, rising market interest rates and volatile pricing for low-income housing tax credits have limited the number of new development and rehabilitation units we can finance. The 2023 Legislature increased funding for the Economic Development and Housing Challenge program, Housing Infrastructure resources and the Publicly Owned Housing Program. Additional capital funding is also available from COVID Housing Recovery Funds (Emergency Rental Assistance – Capital Funding and HOME American Rescue Program funds). (Figure 6 captures all of the programs in the rental production area, the multifamily portion of the Economic Development and Housing Challenge program and Housing Infrastructure resources, and capital funding from COVID Housing Recovery Funds.)

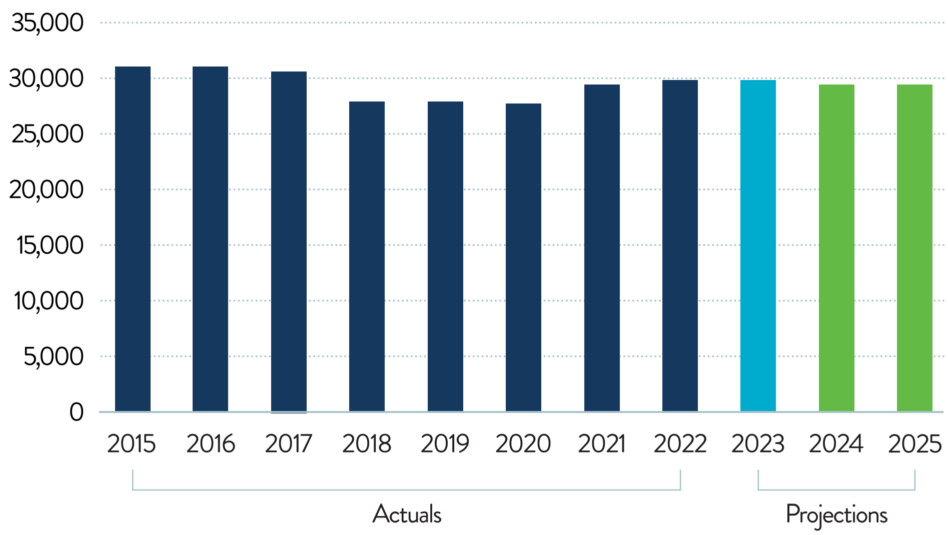
Figure 6: Units Assisted - Rental New Construction and Rehabilitation



RENTAL ASSISTANCE CONTRACT ADMINISTRATION

Activity in Section 8 contract administration has been very steady (Figure 7) for years. These are ongoing project-based Section 8 contracts that we administer on behalf of HUD, and the number of households served does not vary significantly from year to year. The number dropped slightly several years ago and then came back up. Due to federal budget uncertainties, HUD decided to take over the administration of 24 Section 8 properties, but we have since regained administration of those contracts. The households in these 24 properties continued to receive Section 8 assistance, but we did not administer it for a period.

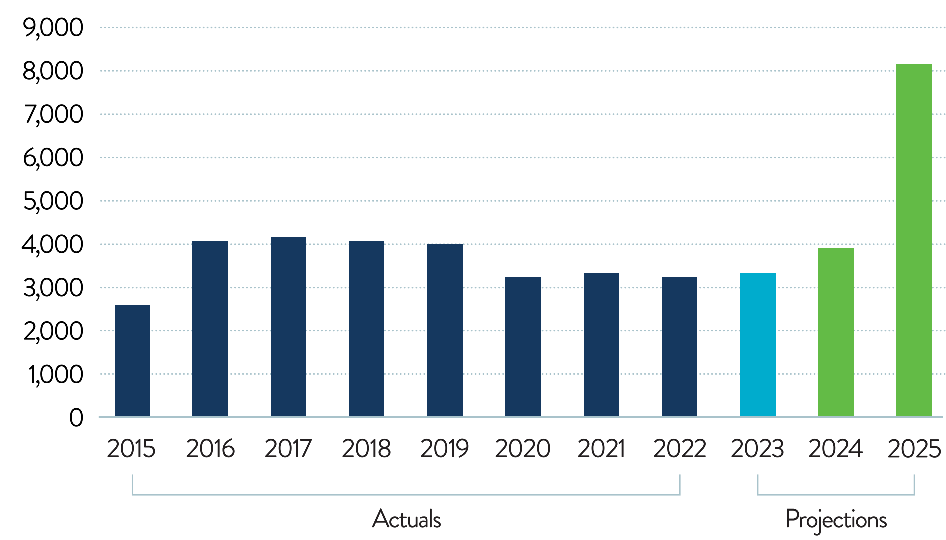
Figure 7: Households Assisted – Rental Assistance Contract Administration



HOUSING STABILITY FOR POPULATIONS NEEDING EXTRA SUPPORTS

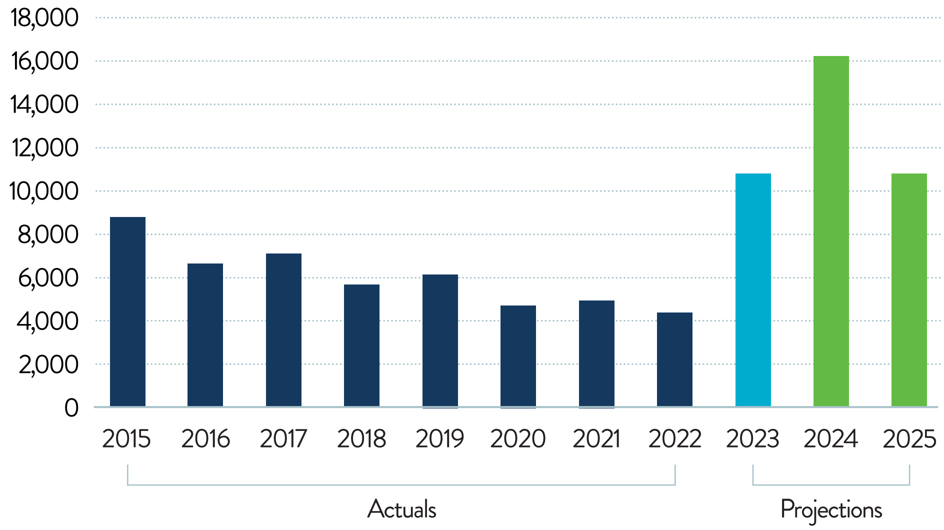
As shown in Figure 8, overall activity in rental assistance and operating subsidies declined after 2019 when the Minnesota Department of Human Services took over the administration of some operating subsidies in supportive housing developments that we had previously administered for them. With the creation of the Bring It Home Rental Assistance Program, we will see an additional 4,700 households assisted by 2025. The program will first become operational in 2024 and ramp up to be fully operational during 2025. (Figure 8 includes our five rental assistance programs and Housing Trust Fund operating subsidies.)

Figure 8: Households/Units Assisted – Agency Rental and Operating Assistance



The number of households assisted by the Family Homeless Prevention and Assistance Program (FHPAP) and Housing Opportunities for Persons with AIDS (HOPWA) (Figure 9) has declined in recent years because FHPAP has targeted clients needing more support, which requires more funding per household. However, the 2023 Legislature made available $115.5 million for FHPAP, which is $95 million more than the base appropriation for a two-year biennium. About $23 million of this was made available and disbursed in program year 2023, leaving $92.5 million for 2024 and 2025. Demand for FHPAP exceeds even these expanded resources, and we will work with our program grantees to get these funds to families and individuals as quickly as possible, serving the most households in 2024.

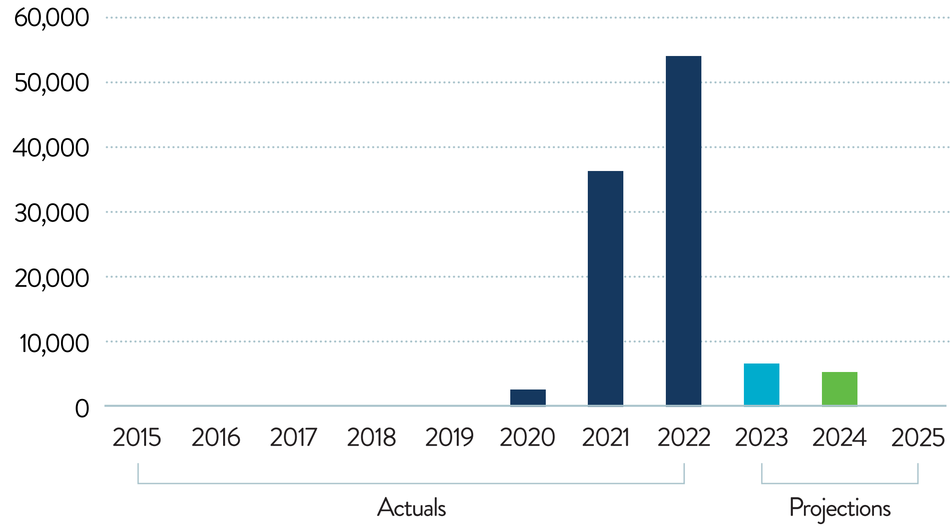
Figure 9: Households Assisted – Targeted Assistance – FHPAP and HOPWA



COVID HOUSING RECOVERY

Our COVID Housing Recovery efforts started in the summer of 2020 and reached peak activity in 2022, when we served more than 50,000 households who were behind on their rent or mortgage payments because of a COVID-related hardship. We will be administering the last of the COVID funds in 2024 and 2025, largely from reallocations that we received from the U.S. Department of Treasury for effectively deploying our original rental assistance. Some of the COVID recovery funds (Emergency Rental Assistance – Capital Funding and HOME-ARP) will finance the development or rehabilitation of rental housing and are reflected in the rental production graph (Figure 6). The 2024 program activity in Figure 10 reflects the remaining emergency rental assistance being provided through our targeted program.

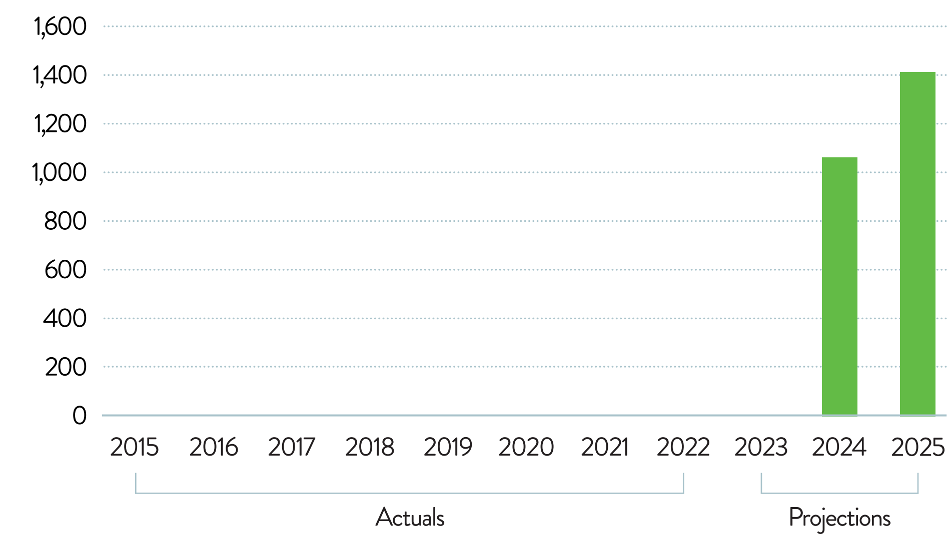
Figure 10: Households Assisted – COVID Housing Recovery (Renter and Homeowner Payment Assistance)



OTHER PROGRAMS

Finally, several of our new programs serve targeted needs or are for broad general use and do not fit neatly into one of the previous activity areas. These are the programs listed under the Multiple Use Resources or Other category of Table 3.

Figure 11: Households or Housing Units Assisted – Other



ENDNOTES

1 Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2022, 1-year sample).

2 Minnesota Housing analysis of microdata from the U.S. Census Bureau's American Community Survey (2022, 1-year sample).

3 HousingLink, Minneapolis and St. Paul Rental Housing Briefs (September 2023).

4 Minneapolis Area Association of Realtors data for July 2023.

5 Minnesota Housing analysis of 2016 to 2021 data from the Metropolitan Council and HUD's Comprehensive Housing Affordability Strategy (CHAS) data (2015-2019).

6 Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2022, 1-year sample).

7 Horowitz, Eng Ky, Starling and Tchourumoff, *Systemic Racism Haunts Homeownership Rates in Minnesota* (Minneapolis Federal Reserve Bank, February 25, 2021).

8 U.S. Department of Housing and Urban Development, Point-in-Time count.

9 Minnesota Housing analysis of data from the Minnesota State Demographic Center; Long-Term Populations Projects for Minnesota (released October 2020).

APPENDICES

APPENDIX A: OVERVIEW OF FUNDING SOURCES

Our strong balance sheet and financial resources are a key strength. This Appendix describes each of our funding sources and outlines how we will use them in 2024 and 2025. Table A-1 shows estimates of our planned program investments by funding source. Table A-2 is a crosswalk that shows how we currently plan to allocate resources from each source to each program.

Table A-1: 2024-2025 Estimated Program Investments by Funding Source

Program Category	2024-2025 Estimated Resources Available
Federal Resources	$646,053,700
State Appropriated Resources	$1,286,619,000
Mortgage Capital from Bond or Agency Resources	$2,551,968,000
Housing Affordability Fund (Pool 3)	$48,730,000
Total	**$4,533,370,700**

FUNDING SOURCE DESCRIPTIONS

Federal Resources		There are various types of federal resources, including appropriations to the U.S. Department of Housing and Urban Development (HUD) that are made available to Minnesota Housing and Low Income Housing Tax Credits from the Internal Revenue Service (IRS). For planning purposes, we generally assume that 2024 and 2025 HUD appropriations will remain at 2023 levels, which is subject to change. The amount of federal housing tax credits is based on a per capita formula. This Affordable Housing Plan (AHP) also includes the remaining COVID Housing Recovery funds.
State Appropriated Resources		The amount of funding is based on the 2024-2025 general fund budget adopted by the 2023 Minnesota Legislature. Any unused funds from previous year appropriations and repayments of loans are included.
Mortgage Capital from Bond or Agency Resources	State Capital Investments	These resources come from the state capital budget (bonding bill) and have traditionally funded the Publicly Owned Housing Program (POHP) with state General Obligation (GO) Bond proceeds and Housing Infrastructure resources with Housing Infrastructure Bond (HIB) debt authorization, for which the State pays the debt service. However, in 2023 the legislature funded all of the Housing Infrastructure resources ($200 million) and part of POHP ($45 million) with state appropriations and the rest with GO ($42 million). The 2023 legislature provided $3 million in GO for the Greater Minnesota Housing Infrastructure program, which is a new program, as well as $5 million in cash appropriations.
	Agency Bond Proceeds and Other Mortgage Capital	Bond proceeds are generated by the issuance of tax-exempt and taxable bonds. Certain tax-exempt bonding activity is limited statewide by IRS rules, which cap the amount of new issuance, making it a limited resource. We can also sell mortgage-backed securities backed by loans originated under our Home Mortgage program on the secondary market.
	Housing Investment Fund (Pool 2)	We generate earnings from our lending and investment activities and reinvest them in a wide variety of housing programs. Most of our investment-earning assets are carried in the Housing Investment Fund, and most assets in Pool 2 produce revenue that supports our operations and programs. The earning assets that use Pool 2 funds are required to be of investment-grade quality.
Housing Affordability Fund (Pool 3)		Pool 3 resources come from: (1) transfers from Pool 2 that capture a portion of the Agency's earnings, and (2) repayments or prepayments from loans previously funded under Pool 3. We can transfer Pool 2 earnings to Pool 3 only to the extent that we project that our aggregate net position will satisfy our Board policy and rating agency stress tests. Because Pool 3 has no earnings requirements, it is more flexible than Pool 2 and can be used for deferred loans and grants. However, Pool 3 is a more limited resource than Pool 2 because it is dependent on the transfer of earnings from Pool 2.

Table A-2: 2024-2025 Estimated Program Resources by Source *(Cor*

		2024-2025 Estimated Total	Federal Resources	State Appropriations	Mortgage Capital from Bonds or Agency Resources	Housing Affordability Fund (Pool 3)
	Homebuyer Financing and Home Refinancing	**$2,498,000,000**	**$0**	**$215,770,000**	**$2,246,000,000**	**$36,230,000**
1	Home Mortgage Loans	$2,200,000,000	$0	$0	$2,200,000,000	$0
2	Deferred Payment Loans	$92,000,000	$0	$55,770,000	$0	$36,230,000
3	Monthly Payment Loans	$46,000,000	$0	$0	$46,000,000	$0
4	First-Generation Homebuyer Assistance Program	$50,000,000	$0	$50,000,000	$0	$0
5	Community-Based First-Generation Homebuyers Assistance	$100,000,000	$0	$100,000,000	$0	$0
6	NeighborWorks Fee-Based Home Purchasing	$10,000,000	$0	$10,000,000	$0	$0
	Homebuyer/Owner Education & Counseling	**$7,369,000**	**$0**	**$5,369,000**	**$0**	**$2,000,000**
7	Homebuyer Education, Counseling & Training (HECAT)	$4,369,000	$0	$4,369,000	$0	$0
8	Enhanced Homeownership Capacity Initiative	$3,000,000	$0	$1,000,000	$0	$2,000,000
	Home Improvement Lending	**$75,544,000**	**$0**	**$7,544,000**	**$60,000,000**	**$8,000,000**
9	Home Improvement Loan Program	$60,000,000	$0	$0	$60,000,000	$0
10	Rehabilitation Loan Program (RLP)	$15,544,000	$0	$7,544,000	$0	$8,000,000
	Single Family Production - New Construction and Rehabilitation	**$120,513,000**	**$0**	**$100,513,000**	**$20,000,000**	**$0**
11	Single Family Interim Lending	$20,000,000	$0	$0	$20,000,000	$0

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Table A-2: 2024-2025 Estimated Program Resources by Source *(Continued)*

		2024-2025 Estimated Total	Federal Resources	State Appropriations	Mortgage Capital from Bonds or Agency Resources	Housing Affordability Fund (Pool 3)
12	Workforce & Affordable Homeownership Development Program	$60,513,000	$0	$60,513,000	$0	$0
13	Homeownership Investment Grants	$40,000,000	$0	$40,000,000	$0	$0
	Manufactured Housing and Communities	**$44,071,000**	**$0**	**$37,071,000**	**$7,000,000**	**$0**
14	Manufactured Home Community Financing	$7,000,000	$0	$0	$7,000,000	$0
15	Manufactured Home Community Redevelopment Grants	$17,071,000	$0	$17,071,000	$0	$0
16	Manufactured Home Park Cooperative Acquisition	$10,000,000	$0	$10,000,000	$0	$0
17	Manufactured Home Lending Grants	$10,000,000	$0	$10,000,000	$0	$0
18	Manufactured Home Relocation Trust Fund	$0	$0	$0	$0	$0
	Other Single Family	**$5,000,000**	**$0**	**$5,000,000**	**$0**	**$0**
19	BuildWealth 9,000 Equities	$5,000,000	$0	$5,000,000	$0	$0
	Rental Production - New Construction and Rehabilitation	**$398,747,700**	**$65,776,700**	**$131,103,000**	**$201,868,000**	**$0**
20	Multifamily First Mortgage - Low- and Moderate-Income Rental	$160,000,000	$0	$0	$160,000,000	$0
21	Flexible Financing for Capital Costs (FFCC)	$0	$0	$0	$0	$0
22	Low Income Housing Tax Credits (LIHTC) - 9%	$23,633,700	$23,633,700	$0	$0	$0
23	National Housing Trust Fund	$11,583,000	$11,583,000	$0	$0	$0
24	HOME	$30,560,000	$30,560,000	$0	$0	$0

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Table A-2: 2024-2025 Estimated Program Resources by Source *(Continued)*

		2024-2025 Estimated Total	Federal Resources	State Appropriations	Mortgage Capital from Bonds or Agency Resources	Housing Affordability Fund (Pool 3)
25	Preservation Affordable Rental Investment Fund (PARIF)	$24,362,000	$0	$24,362,000	$0	$0
26	Asset Management	$0	$0	$0	$0	$0
27	Rental Rehabilitation Deferred Loan (RRDL)	$10,617,000	$0	$10,617,000	$0	$0
28	Publicly Owned Housing Program (POHP)	$88,794,000	$0	$46,926,000	$41,868,000	$0
29	Workforce Housing Development Program	$39,198,000	$0	$39,198,000	$0	$0
30	High-Rise Sprinkler Grants	$10,000,000	$0	$10,000,000	$0	$0
	Rental Assistance Contract Administration	**$472,000,000**	**$472,000,000**	**$0**	**$0**	**$0**
31	Section 8 - Project-Based Rental Assistance	$472,000,000	$472,000,000	$0	$0	$0
	Housing Stability for Populations Needing Extra Support	**$292,910,000**	**$4,013,000**	**$288,897,000**	**$0**	**$0**
32	Housing Trust Fund (HTF)	$31,183,000	$0	$31,183,000	$0	$0
33	Homework Starts with Home	$5,500,000	$0	$5,500,000	$0	$0
34	Bridges	$10,676,000	$0	$10,676,000	$0	$0
35	Bring It Home Rental Assistance	$124,000,000	$0	$124,000,000	$0	$0
36	Section 811 Supportive Housing Program	$2,930,000	$2,930,000	$0	$0	$0
37	Family Homeless Prevention and Assistance Program (FHPAP)	$92,538,000	$0	$92,538,000	$0	$0
38	Housing Opportunities for Persons with AIDS (HOPWA)	$1,083,000	$1,083,000	$0	$0	$0

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Table A-2: 2024-2025 Estimated Program Resources by Source *(Continued)*

		2024-2025 Estimated Total	Federal Resources	State Appropriations	Mortgage Capital from Bonds or Agency Resources	Housing Affordability Fund (Pool 3)
39	Strengthen the Supportive Housing System	$25,000,000	$0	$25,000,000	$0	$0
	Multiple Use Resources	**$447,750,000**	**$0**	**$430,650,000**	**$17,100,000**	**$0**
40	Economic Development and Housing/Challenge (EDHC)	$124,850,000	$0	$124,850,000	$0	$0
41	Housing Infrastructure Resources	$214,100,000	$0	$200,000,000	$14,100,000	$0
42	State Housing Tax Credit Program	TBD	$0	TBD	$0	$0
43	Community Stabilization	$90,000,000	$0	$90,000,000	$0	$0
44	Greater Minnesota Housing Infrastructure	$8,000,000	$0	$5,000,000	$3,000,000	$0
45	Lead Safe Homes	$4,000,000	$0	$4,000,000	$0	$0
46	Local Housing Trust Fund Grants	$6,800,000	$0	$6,800,000	$0	$0
47	Strategic Investments / Loans	$0	$0	$0	$0	$0
	Other	**$67,202,000**	**$0**	**$64,702,000**	**$0**	**$2,500,000**
48	Technical Assistance and Operating Support	$8,702,000	$0	$6,202,000	$0	$2,500,000
49	Disaster Recovery and Relief Contingency Fund	$0	$0	$0	$0	$0
50	Stable Housing Organizational Relief Program	$50,000,000	$0	$50,000,000	$0	$0
51	Housing Mediation Grant Programs	$3,000,000	$0	$3,000,000	$0	$0
52	Local Housing Aid Grants (Tier 2 Cities)	$4,500,000	$0	$4,500,000	$0	$0
53	Grant to City of Minneapolis	$1,000,000	$0	$1,000,000	$0	$0
	COVID Housing Recovery	**$104,264,000**	**$104,264,000**	**$0**	**$0**	**$0**

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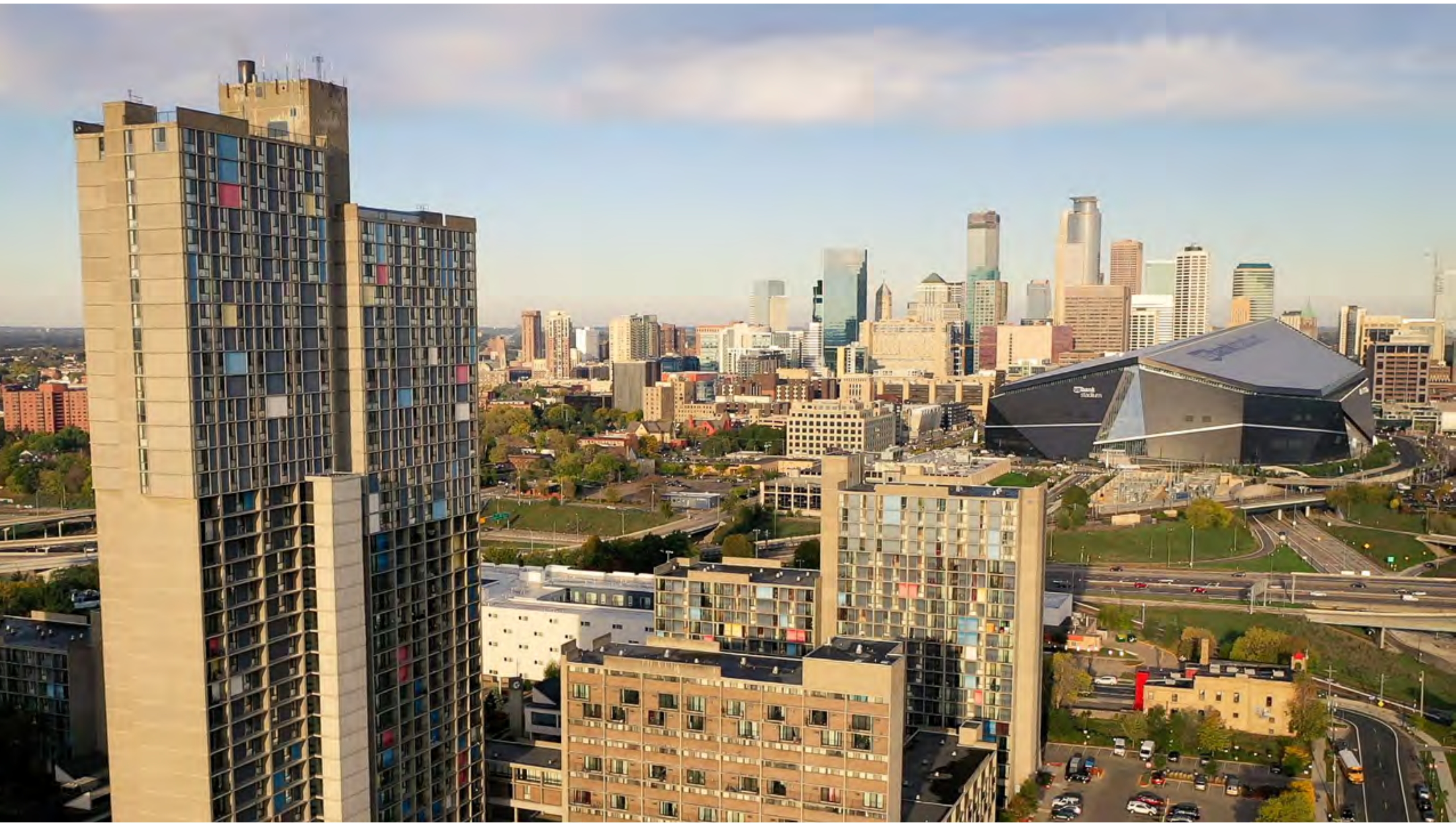
Table A-2: 2024-2025 Estimated Program Resources by Source *(Continued)*

		2024-2025 Estimated Total	Federal Resources	State Appropriations	Mortgage Capital from Bonds or Agency Resources	Housing Affordability Fund (Pool 3)
54	Emergency Rental Assistance (ERA)- Targeted Assistance	$37,140,000	$37,140,000	$0	$0	$0
55	Emergency Rental Assistance (ERA) - Capital Funding	$39,100,000	$39,100,000	$0	$0	$0
56	Homeowner Assistance Fund (HAF) - HomeHelpMN	$0	$0	$0	$0	$0
57	HOME - ARP (American Rescue Plan)	$28,024,000	$28,024,000	$0	$0	$0
	Total	**$4,533,370,700**	**$646,053,700**	**$1,286,619,000**	**$2,551,968,000**	**$48,730,000**



APPENDIX B: PROGRAM DESCRIPTIONS

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NOTES ON READING THE PROGRAM DESCRIPTIONS:

- "Housing Investment Fund" and "Pool 2" refer to the same resource, which is described in Appendix A.
- "Housing Affordability Fund" and "Pool 3" refer to the same resource, which is described in Appendix A.
- The sum of the projections for the number of housing units or households assisted by individual programs during the plan period exceed the total number of households projected to be served across all programs. This occurs because some households or housing units will receive assistance from multiple programs to achieve needed affordability levels.
- The projections for the number of households or units assisted generally are based on the average assistance per household or unit for the last five years, by program, adjusted for inflation and program trends and changes.
- The funding levels described in the narratives are estimates of the amounts we expect to deploy with partners in 2024-2025. The number of households the Agency expects to serve with each funding source is an estimate, and the final numbers will depend on actual expenditures and will be reported in the annual Program Assessment Report.
- "Program" is used broadly throughout the Affordable Housing Plan to refer to Minnesota Housing programs, initiatives and activities.

HOMEBUYER FINANCING AND HOME REFINANCING

HOME MORTGAGE LOANS

We offer two home mortgage programs – Start Up, serving first-time home buyers, and Step Up, for borrowers who do not qualify for Start Up. Step Up offers both purchase and refinance options. Under the programs, participating lenders originate fully amortizing first mortgages throughout the state. To support home mortgage borrowers, we also offer downpayment and closing cost loans structured to meet the needs of low- and moderate-income homeowners. To promote successful homeownership, our home mortgage programs also require at least one borrower in a first-time homebuyer household to complete homebuyer education.

In our current business model for homeownership, we access capital to finance the purchase of mortgage-backed securities containing our program mortgages primarily by selling bonds in the municipal bond market. Program mortgages not eligible for bond sales are sold on the secondary market.

We remain committed through our programs to serve Indigenous, Black and households of color, and households with incomes below 80% of area median income.

Current household income limits for Start Up:

	Maximum Household Income	
Property Location	**1-2 person**	**3 or more**
Minneapolis/Saint Paul Metro Area (11-county)	$124,200	$142,800
Dodge and Olmsted Counties	$118,000	$136,700
All Other Counties	$111,700	$128,400

Current income limits for Step Up:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$185,700
Dodge and Olmsted Counties	$185,700
All Other Counties	$167,000

Purchase price limits for Start Up:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$515,200
All Other Counties	$472,030

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **5,595** loans
- **$1,278,524,156** total loan amount
- **$228,512** average loan
- A median household income of **$66,906** or **64%** of the statewide median income
- **40%** of households were Indigenous, Black or households of color overall, and 40% of first-time Start Up borrowers were Black, Indigenous or households of color

Our home mortgage programs are experiencing high production, which is heavily supported by downpayment and closing-cost loans. Ninety-seven percent of home mortgage borrowers use some type of downpayment and closing-cost loan, which is comparable with other top-producing housing finance agencies nationally.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $2.2 billion. Industry changes or changes in market conditions could affect production.

Based on resources available for new activity, we expect to finance mortgages for about 4,500 households each of the two years. Reducing the homeownership disparity for Indigenous, Black and households of color will continue to be a priority.

DEFERRED PAYMENT LOANS

We offer two ongoing downpayment and closing-cost loans—Deferred Payment Loans (DPLs) and Monthly Payment Loans (MPLs)—that support homeowners receiving Start Up and Step Up first lien mortgages. For the past two years, approximately 97% of our borrowers have received one of these downpayment and closing-cost loans.

The Deferred Payment Loan provides an interest-free, deferred loan for downpayment and closing costs to income-eligible first-time homebuyers purchasing a home under the Start Up program. Borrowers that receive DPL lack the necessary funds for standard mortgage downpayment and closing costs. The maximum loan amount is $18,000. The program serves lower-income households than the amortizing Monthly Payment Loan and is funded through a combination of state appropriations and Pool 3 funds.

To ensure that funds support successful homeownership, DPL requires borrowers to contribute a minimum cash investment of the lesser of 1% of the purchase price or $1,000 and have a credit score of at least 640.

Current income limits are adjusted by household size. Limits for households of one to two members are:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$89,000
Dodge and Olmsted Counties	$89,000
All Other Counties	$80,000

Current purchase price limits are:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$515,200
All Other Counties	$472,030

Current purchase price limits match the Start Up program purchase price limits.

Program Performance and Trends

The availability of DPL is a driver of overall home mortgage production, particularly among lower-income and more targeted borrowers. DPL has been our most effective tool for serving Black and Indigenous communities and communities of color.

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **3,403** loans
- **$40,129,477** total loan amount
- **$11,792** average loan
- A median household income of **$57,645** or **55%** of the statewide median income
- **41%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $92,000,000.

If home mortgage demand is very strong, additional resources may be needed to support DPL, or we will have to make program changes.

Based on resources available for new activity, we expect to support about 2,840 households each of the two years.

MONTHLY PAYMENT LOANS

Monthly Payment Loans (MPLs) are interest-bearing, amortizing loans that provide downpayment and closing-cost funds. MPLs support our Start Up and Step Up home mortgage loan programs. Borrowers who qualify for MPLs receive up to $18,000. MPLs use Pool 2 resources and have a 10-year term with an interest rate equal to that of the first mortgage.

To ensure that funds support successful homeownership, MPL requires borrowers to contribute a minimum cash investment of the lesser of 1% of the purchase price or $1,000 and have a credit score of at least 640.

Current household income limits for Start Up:

Property Location	Maximum Household Income 1-2 person	Maximum Household Income 3 or more
Minneapolis/Saint Paul Metro Area (11-county)	$124,200	$142,800
Dodge and Olmsted Counties	$118,000	$136,700
All Other Counties	$111,700	$128,400

Current income limits for Step Up:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$185,700
Dodge and Olmsted Counties	$185,700
All Other Counties	$167,000

Purchase price limits:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$515,200
All Other Counties	$472,030

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **2,089** loans
- **$29,419,658** total loan amount
- **$14,083** average loan
- A median household income of **$89,162** or **86%** of the statewide median income
- **40%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2024 resources are $46,000,000.

We anticipate approximately one-third of overall home mortgage production will involve MPL. MPL production is subject to overall home mortgage production trends, the interest-rate environment, the overall percentage of our borrowers who need a downpayment and closing-cost loan, and program design. Given that MPL is available with both home mortgage options, the demand for MPL depends upon the demand for first mortgage loans.

Based on resources available for new activity, we expect to fund loans for 1,530 households each of the two years.

FIRST-GENERATION HOMEBUYER LOAN PROGRAM – MINNESOTA HOUSING

The First-Generation Homebuyer Loan Program is a new program and will provide targeted assistance to eligible first-generation homebuyers throughout the state. The Agency is partnering with local lenders to deliver the assistance.

The program will serve eligible first-generation homebuyers, which are households:

- Whose household income is at or below 115% of the statewide or area median income, whichever is greater, at the time of purchase; and
- Who is a first-time homebuyer as defined by the Agency.

Eligible households must also meet the following criteria:

- Have either never owned a home or owned a home but lost it due to foreclosure;
- Have a parent or prior legal guardian who: (1) does not currently own a home, and (2) has never previously owned a home or has previously owned a home but lost it due to foreclosure; and
- Have completed an approved homebuyer education course.

Eligible homebuyers are required to purchase the home within the maximum loan amount established by the Federal Housing Administration for the county in which the home is located. They must contribute a minimum of $1,000 toward downpayment or closing costs and occupy the home as a primary residence.

- Assistance to households may be provided as a forgivable loan, a deferred loan, or a combination of both, and may be used for:
- Closing costs
- Downpayment
- Mortgage insurance
- Interest rate buydown
- Principal reduction

Homebuyers may use the funds to purchase a one- to four-unit home, including manufactured homes. The assistance is limited to the greater of 10% of the purchase price of a home or $35,000 per eligible first-generation homebuyer household. The Agency has discretion to adjust amount of assistance based on market conditions. The funds can be combined with other homebuyer assistance but must be used in conjunction with a conforming first mortgage loan that is fully amortizing, with or without interest, and meets the standard of a qualified mortgage or as otherwise determined by the Agency.

Loans would become repayable if the property:

- Converts to nonowner occupancy,
- Is sold within the loan period,
- Is subjected to an ineligible refinance,
- Is subjected to an unauthorized transfer of title, or
- Meets other criteria specified in the loan documents.

Recapture can be waived in the event of financial or personal hardship at the discretion of the Agency.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $50,000,000.

Based on resources available for new activity, we expect to fund loans for 1,560 households over of the two years with more of the households supported in the first year.

COMMUNITY-BASED FIRST-GENERATION HOMEBUYERS ASSISTANCE

The Community-Based First-Generation Homebuyers Assistance Program is a new statewide pilot program and will be administered by Midwest Minnesota Community Development Corporation (MMCDC). MMCDC is allowed to originate and service funds and authorize other Community Development Financial Institutions (CDFIs), Tribal entities, and nonprofit organizations administering downpayment assistance to reserve, originate, fund and service funds for eligible households. Administrative costs are capped at $3,200 per loan.

Funds may be used for closing costs, downpayment or principal reduction. An eligible household may select any first mortgage lender or broker of their choice, provided that the funds are used in conjunction with a conforming first mortgage loan. Funds may be used in conjunction with other programs for which the eligible household may qualify, and the loan may be placed in any priority position.

Assistance is limited to 10% of the purchase price of a one- or two-unit home, but not to exceed $32,000, and is provided in the form of a forgivable loan that becomes repayable if the property converts to nonowner occupancy, is sold, is subjected to an ineligible refinance, is subjected to an unauthorized transfer of title, or is subjected to a completed foreclosure action within the five-year loan term. Recapture can be waived in the event of financial or personal hardship.

To be eligible for this program, a household must:

- Have income at or below 100% of the area median income at the time of purchase; and
- Include at least one adult member who:
  - Is preapproved for a first mortgage loan,
  - Who has either never owned a home or owned a home but lost it due to foreclosure, and
  - Whose parent or prior legal guardian either never owned a home or owned a home but lost it due to foreclosure.

At least one adult household member must complete an approved homebuyer education course prior to signing a purchase agreement and occupy the home as their primary residence.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $100,000,000. We expect to grant these funds to MMCDC in program year 2024 with funds being available for use by MMCDC for a three-year period commencing with the issuance of the grant.

Based on resources available for new activity, we expect to fund loans for 3,100 households over of the two years with about 470 of them paired with a Minnesota Housing home mortgage and roughly 2,640 paired with other home mortgages.

NEIGHBORWORKS FEE-BASED HOME PURCHASING

The first-time homebuyer, fee-based home purchasing financing program is a new statewide pilot program run by NeighborWorks Home Partners. The appropriated funds will provide forgivable grants of downpayment assistance not to exceed 30% of the price of the eligible property that an eligible homebuyer seeks to purchase. Eligible properties include condominiums, townhouses, single-family homes, manufactured homes titled as real property, and buildings containing up to four dwelling units. This includes property subject to a ground lease with a community land trust, property on Indian Trust Land, or property participating in a shared equity homeownership program.

NeighborWorks Home Partners will provide grants to eligible homebuyers using no-interest, fee-based loans to finance the purchase of eligible properties and will determine the circumstances, terms and conditions. An eligible homebuyer may use the funds in conjunction with any other funding programs.

To be eligible for this program, a household must:

- Have income at or below 130% of area median income;
- Reside in a census tract where at least 60% of occupied housing units are renter-occupied, based on the most recent estimates or experimental estimates provided by the American Community Survey of the United States Census Bureau;
- Finance the purchase of an eligible property with an interest-free, fee-based mortgage; and
- Be a first-time homebuyer as defined by Code of Federal Regulations, title 24, section 92.2.

In addition, an eligible household must:

- Complete an approved homebuyer education course prior to signing a purchase agreement,
- Complete an approved landlord education course prior to signing a purchase agreement if the property being purchased contains more than one dwelling unit,
- Contribute a minimum of $1,000 to downpayment or closing costs, and
- Occupy the purchased property as the homebuyer's primary residence.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $10,000,000. We expect to award these funds to NeighborWorks Home Partners in program year 2024.

Based on resources available for this new activity, we expect these funds to assistance roughly 100 households.

HOMEBUYER/OWNER EDUCATION AND COUNSELING

HOMEOWNERSHIP EDUCATION, COUNSELING AND TRAINING (HECAT) FUND

The Homeownership Education, Counseling and Training (HECAT) Fund supports comprehensive pre-purchase services, including: (1) in-person homeownership education (Home Stretch and Realizing the American Dream), (2) homeownership services (financial wellness and homebuyer counseling), (3) home equity conversion (reverse mortgage) counseling, and (4) foreclosure prevention counseling. Besides the state appropriation, Family Housing Fund, Greater Minnesota Housing Fund and the Minnesota Homeownership Center have annually contributed up just over $500,000 to the program. We award the funds through a competitive Request for Proposals (RFP) process. The online homeownership education course, Framework, is an alternate option to HECAT-funded homeownership education. While Framework is part of the overall homebuyer educations system that we support, HECAT does not fund Framework.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **6,494** households served through HECAT program
- **$1,213,134** total funding
- **$163** average Minnesota Housing assistance per household
- A median household income of **$43,000** or **41%** of the statewide median family income
- **52%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $4,369,000, a portion of which is contingent on funds being made available by partner organizations.

Based on the resources available for new activity, we anticipate that roughly 7,300 households will receive homebuyer/owner education and counseling each of the two years through HECAT.

HOMEOWNERSHIP CAPACITY

Indigenous, Black and households of color are an increasing share of the state's population, yet Minnesota's homeownership disparity (the homeownership rate differential between white/non-Latinx households and Black Indigenous and households of color) is the fourth highest in the nation. These households often struggle to access the mortgage market.

The Homeownership Capacity program is funded with Pool 3 resources and state appropriations to BuildWealth MN and provides intensive financial education, coaching and case management services to prepare families for sustainable homeownership. It serves a range of households but has targeted efforts to reach households of color and low- to moderate-income households to increase their probability of successful homeownership.

This initiative supports new and expanded homeowner training efforts through existing organizations, which leverage funds from several sources. In the most recent round of funding, 19 organizations will provide services – twelve in the Twin Cities metro, four in Greater Minnesota, two in both areas, and one statewide.

Program Performance and Trends

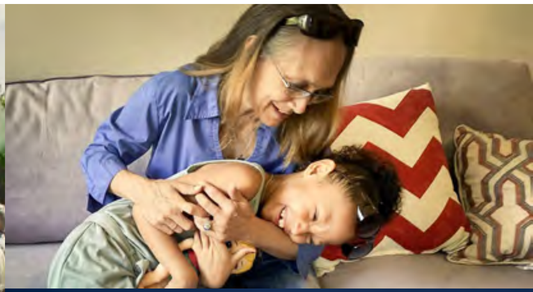
For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **808** households served
- **$1,063,300** total grant amount
- **$1,316** average Minnesota Housing funding per household
- A median household income of **$40,800** or **39%** of the statewide median income
- **90%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $3,000,000.

Based on the resources available for new activity, we anticipate serving approximately 1,000 households each of the two years.



HOME IMPROVEMENT LENDING

HOME IMPROVEMENT LOAN PROGRAM

The Home Improvement Loan Program (including Fix Up and Community Fix Up Loans) uses Pool 2 resources to provide fully amortizing home-improvement loans to low- and moderate-income homeowners to improve the livability and energy efficiency of their homes. The Community Fix Up component is an add-on for eligible Fix Up lending partners and provides affordable financing to support community partnerships that target resources. Lending partners working with Community Fix Up may offer a slightly lower interest rate compared to the regular Fix-Up Loan Program by using leveraged funds. Fix Up and Community Fix Up loans are key tools for addressing the state's aging housing stock.

The program serves a broad range of incomes. With higher loan-to-value limits than traditional loan products and an unsecured loan option, borrowers are able to improve and preserve their homes when other financing options may not be available to them.

Income limit:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$185,700
Dodge and Olmsted Counties	$185,700
All Other Counties	$167,000

(No income limit for unsecured energy incentive and secured energy or accessibility loans.)

Maximum loan amount:

- $75,000 for secured loans
- $25,000 for unsecured loans
- $60,000 for secured energy loans
- $35,000 for secured accessibility loans

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **1,022** loans
- **$28,043,068** total loan amount
- **$27,439** average loan
- A median household income of **$83,498** or **80%** of the statewide median income
- **15%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $60,000,000.

Based on current loan production trends and the resources available for new activity, we anticipate serving approximately 1,000 households each of the two years.

REHABILITATION LOAN PROGRAM (RLP)

The Rehabilitation Loan Program (RLP) provides zero-interest, deferred loans to extremely low-income homeowners at or below 30% of the area median income (AMI) to improve the safety, livability or energy efficiency of their homes. The homes are rehabilitated to the greatest extent practicable to meet rehabilitation standards. Homeowners who need emergency assistance or have an essential accessibility need are referred to the Emergency and Accessibility Loan component of the program.

A network of over 30 lender partners, such as community action agencies, tribal governments and local units of government, administer the program throughout the state. The maximum loan term is 15 years for properties taxed as real property and 10 years for manufactured homes taxed as personal property and located in a manufactured home community. All loans are forgiven after the loan term if the borrower does not sell, transfer title or cease to occupy the property during the loan term.

Current income limits are adjusted by household size, from $26,100 for a single person household to $37,300 for a four-person household. Other borrower assets cannot exceed $25,000.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **1,022** loans
- **$28,043,068** total loan amount
- **$27,439** average loan
- A median household income of **$83,498** or **80%** of the statewide median income
- **15%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $15,544,000.

Based on resources available for new activity, we expect to fund rehabilitation loans for approximately 260 households each of the two years.

SINGLE-FAMILY PRODUCTION – NEW CONSTRUCTION, REHABILITATION AND SUPPORTS

Besides the programs listed below, this activity includes the Economic Development Housing and Housing Challenge (EDHC) program and Housing Infrastructure Resources, which are included in the Multiple Use Resources section of this appendix because they can be used for both single-family and multifamily development.

SINGLE-FAMILY INTERIM LENDING

Single-Family Interim Lending provides loans, most often to smaller nonprofit organizations, to acquire, rehabilitate, demolish or construct owner-occupied housing under the Community Homeownership Impact Fund ("Impact Fund"). The homes are then sold to households with incomes at or below 115% of the area median income (AMI). Interim loans are financed with Agency resources and have a term of 26 months. Funds are awarded annually through the Request for Proposals process for the Impact Fund program and in accordance with our mission and priorities.

Program Performance and Trends

Performance data on interim lending are reported under the Impact Fund program in the EDHC description. The Impact Fund is the umbrella program under which we deliver the EDHC program, Housing Infrastructure Resources and interim construction financing for single-family owner-occupied housing.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $20,000,000.

Based on resources available for new activity, we expect to support the construction of about 160 homes in 2024 and 50 homes in 2025.

WORKFORCE AND AFFORDABLE HOMEOWNERSHIP DEVELOPMENT PROGRAM

The funds for the Workforce and Affordable Homeownership Development Program may be used for the development of homeownership opportunities and can be used for development costs, rehabilitation, land development and residential housing. In addition, the legislation allows for manufactured home community infrastructure development and repair and storm shelter development. Eligible program applicants are cities, tribal governments, nonprofit organizations, cooperatives and community land trusts.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **109** units
- **$3,095,971** of funds disbursed
- **$28,403** average assistance per houshold

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $60,513,000.

Based on resources available for new activity, we expect to support about 380 homes each of the two years.

HOMEOWNERSHIP INVESTMENT GRANTS

The Homeownership Investment Grants is a new program and will provide funding to nonprofit Community Development Financial Institutions (CDFIs) that provide affordable housing lending or financing programs. The program is intended to support projects that encourage affordable homeownership. This can include:

- Increasing the supply of affordable owner-occupied homes,
- Financing programs for affordable owner-occupied new home construction,
- Acquisition, rehabilitation and resale of affordable owner-occupied homes or homes to be converted to owner-occupied homes, or
- Establishing revolving loan accounts at community development financial institutions.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $40,000,000.

Based on resources available for new activity, we expect to support about 130 homes each of the two years.

MANUFACTURED HOUSING AND COMMUNITIES

Besides the programs listed below, this activity includes Housing Infrastructure Funds, which are included the Multiple Use Resources section of this appendix because they can be used for single-family and multifamily development and manufactured home community redevelopment.

MANUFACTURED HOME COMMUNITY FINANCING

Minnesota Housing makes available on a year-round basis Agency resources (Pool 2, possibly in conjunction with some Pool 3 funds) for the acquisition, improvement and/or permanent financing of manufactured home communities throughout the state. These funds may be used independently or in connection with other resources, including our Manufactured Home Community Redevelopment Program and Manufactured Home Park Cooperative Purchase Program.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **One** loan for a community with 61 homes
- **$2,775,000** total loan amount
- **$45,492** average assistance per home

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $7,000,000.

Based on resources available for new activity, we expect to support about 100 home lots each of the two years.

MANUFACTURED HOME COMMUNITY REDEVELOPMENT PROGRAM

This program was created in statute in 2001, it was funded for the first time for the 2020-2021 biennium. Program funds are awarded as grants to eligible applicants for infrastructure improvements, such as storm shelters, street improvements and water and sewer system upgrades, or acquisition of manufactured home parks, as described in statute. The activities under statute are also an eligible use for Housing Infrastructure Resources.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **386** manufactured home lots
- **$3,950,702** total grant amount
- **$3,046** average assistance per lot

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $17,071,000.

Based on these funds, we expect to support about 1,180 manufactured home lots in 2024 and about 130 lots in 2025. We expect most of the funding to be awarded in the first year. In addition, Housing Infrastructure Resources (which are described in the Multiple Use Resource section of this appendix) can also be used for manufactured home community redevelopment. With those additional resources, we will also be able to support roughly 520 lots in 2024 and another 130 in 2025.

MANUFACTURED HOME PARK COOPERATIVE PURCHASE PROGRAM

This $10 million grant to Northcountry Cooperative Foundation will establish a revolving loan fund to convert manufactured home parks to cooperative ownership. The program is intended to create and preserve housing affordable to households with incomes at or below 80% of AMI. All properties purchased must carry a 30-year affordability term.

This program is separate from, but can be used in conjunction with, the Manufactured Home Community Financing program, where Minnesota Housing provides amortizing lending with its own resources.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $10,000,000. We expect to award these funds to Northcountry Cooperative Foundation in program year 2024, which should support roughly 240 manufactured home lots.

MANUFACTURED HOME LENDING GRANTS

Under this new program, Minnesota Housing will award grants to eligible organizations to create manufactured home lending services for: (1) the purchase of new homes, (2) downpayment assistance, and/or (3) home repair, renovation, removal, and site preparation. Eligible organizations must be tax-exempt nonprofits that are qualified lenders or certified Community Development Financial Institutions (CDFIs) with primary operations in Minnesota and that serve low-income populations in manufactured home communities owned by residents, cooperatives, nonprofits or municipalities. Interest earned and repayments of principal from loans issued under this program must be used for purposes specified under the program.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $10,000,000.

Based on resources available for new activity, we expect to support about 50 households in each of the two years.

MANUFACTURED HOME RELOCATION TRUST FUND

The Manufactured Home Relocation Trust Fund requires owners of manufactured home parks to pay $15 per licensed lot into a Trust Fund each year if the fund's balance is below $2,000,000. Park owners are authorized to collect funds from each manufactured homeowner either monthly or in a lump sum that is paid to Minnesota Management and Budget for deposit into the Trust Fund. The Trust Fund is available to homeowners who must relocate because the park they live in is being closed.

The statute sets out a process for determining the amount of money for which a homeowner is eligible for either moving or selling their home. Minnesota Management and Budget collects the assessment, and we make payments to homeowners for eligible costs, with claims overseen by an appointed neutral third party. Starting in 2024, Minnesota Housing will be collecting the assessment.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported no Manufactured Home Relocation Trust Fund activity.

Expected Activity for 2024-2025

As of September 30, 2023, the fund had a $2.1 million uncommitted balance, which is above the $2 million threshold.

Disbursements from the fund vary significantly from year to year, depending on the level of park closures. We are not making an estimate of the assistance needs at this time.

OTHER SINGLE FAMILY

BUILDWEALTH 9,000 EQUITIES

This is a one-time grant of $5 million to BuildWealth Minnesota for the 9,000 Equities Fund, a targeted loan pool that provides affordable first mortgages or equivalent financing opportunities to households struggling to access mortgages in historically underserved communities of color. This initiative intends to finance 9,000 new homeowners in the next five to seven years. Up to $1 million of this amount may be used for a grant to the Stairstep Foundation to support completion of the Family Stabilization Plan program developed by BuildWealth Minnesota, which would provide financial literacy education, budget and debt counseling, and program outreach.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $5,000,000. We expect to award these funds to BuildWealth in program year 2024, which should support about 20 homebuyers.

RENTAL PRODUCTION – NEW CONSTRUCTION AND REHABILITATION

In addition to the programs listed below, this activity area includes a few other programs, including:

- The multifamily part of the Economic Development and Housing Challenge program and Housing Infrastructure Resources, which are described in the Multiple Use Resources section of this appendix. Those resources can be used for either single-family or multifamily development.
- Two programs described in the COVID Housing Recovery category: (1) Emergency Rental Assistance (ERA) – Capital Funding and (2) HOME – ARP.

MULTIFAMILY FIRST MORTGAGES – LOW- AND MODERATE-INCOME RENTAL (LMIR)

We make available Multifamily First Mortgages through our Low- and Moderate-Income Rental (LMIR) program, using resources from Pool 2 and Agency bond proceeds. Direct loans are generally made under LMIR in combination with HUD's Risk-Sharing Program.

The LMIR program makes interest-bearing, amortizing first mortgages available for the refinance, acquisition, rehabilitation, new construction or conversion of rental developments that house low- and moderate-income Minnesotans. LMIR loans include both rent and income restrictions. Financing is available to housing sponsors both through the Consolidated Request for Proposals (RFP) process and on a year-round basis. To enhance LMIR loans, we may also offer a companion low- or no-interest, deferred loan under the Flexible Financing for Capital Cost (FFCC) program, resulting in a lower overall interest rate on a blended basis. Additionally, construction (bridge) loans may be available in conjunction with a LMIR program loan.

Current rent restrictions: a minimum of 40% of units must be affordable to households with incomes at 60% of the area median income; or 20% of units must be at affordable to households with incomes at 50% area median income; and the balance of units may have rents at the Minnesota Housing determined "market rate."

Current tenant income restrictions: 40% of units must be occupied by households with incomes at 60% or less of the area median income;[1] or 20% of units must be occupied by households with incomes at 50% or less of area median income; and 25% of units may be occupied by households with unrestricted incomes. The balance of the units may be occupied by households with incomes equal to or less than 100% of the area median income.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **16** loans for developments with 786 units
- **$51,018,488** total loan amount
- **$64,909** average LMIR funding per unit
- A median household income of **$27,469** or **26%** of the statewide median income
- **49%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $160,000,000 for both permanent first mortgages and construction loans.

Based on resources we expect to be available for new permanent first mortgages (excluding construction/bridge loans), we expect to finance roughly 820 rental units in 2024 and 550 in 2025.

1 It is actually 60% of MTSP (Multifamily Tax Credit Subsidy Projects), which is very similar to AMI (area median income). We are using AMI in this explanation because it is a more widely used term.

FLEXIBLE FINANCING FOR CAPITAL COSTS (FFCC)

We provide Flexible Financing for Capital Costs (FFCC) deferred loans at low or no interest, using Pool 3 resources. FFCC is generally available only in conjunction with Agency-originated first mortgage loans for the refinance, acquisition, rehabilitation, new construction or conversion of rental developments that house low- and moderate-income Minnesotans. FFCC loans may also be used in tandem with Housing Infrastructure Bond (HIB) loans to fund costs not otherwise eligible from HIB proceeds. Loans include both rent and income restrictions.

Current rent restrictions: a minimum of 40% of units must be affordable to households with incomes at 60% of the area median income; or 20% of units must be at affordable to households with incomes at 50% of the area median income; and the balance of units may have rents at the Minnesota Housing determined "market rate."

Current tenant income restrictions: 40% of units must be occupied by households with incomes at 60% or less of the area median income; or 20% of units must be occupied by households with incomes at 50% or less of the area median income; and 25% of units may be occupied by households with unrestricted incomes. The balance of the units may be occupied by households with incomes equal to or less than 100% of the area median income.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **1** FFCC loans for developments with 40 units
- **$1,680,000** total loan amount
- **$42,000** average FFCC assistance per unit

Expected Activity for 2024-2025

At this point, we are not expecting to use any FFCC funding for 2024 and 2025.

LOW-INCOME HOUSING TAX CREDITS (LIHTC) – 9%

Low-Income Housing Tax Credits provide federal income tax credits to owners and investors in the construction or acquisition/substantial rehabilitation of eligible rental housing. The U.S. Department of Treasury's Internal Revenue Service (IRS) allocates 9% tax credits based on state population and a per capita amount that increases each year with the cost of living. Syndication proceeds are the amounts of private equity invested in developments as a result of federal LIHTC awarded and then sold to investors. The award of 9% LIHTCs to developments is a highly competitive process, with requests far exceeding available credits. Housing financed with 9% LIHTCs must meet income and rent restrictions for a minimum of 30 years.

The Minnesota Legislature designated Minnesota Housing as the primary allocating agency of LIHTC in Minnesota and qualified local cities and counties as suballocators.

We award 9% tax credits in two rounds of a competitive allocation process held each year. Round 1 is held concurrent with our Consolidated Request for Proposals, and a smaller Round 2 is traditionally held early in the next calendar year. We establish a waiting list of unfunded or partially funded applications at the conclusion of Round 2.

Section 42 of the Internal Revenue Code requires that tax credit allocating agencies develop an allocation plan for the distribution of the tax credits within the jurisdiction of the allocating agency. Our Qualified Allocation Plan (QAP) includes selection criteria and preferences required by Section 42 and deemed appropriate to local conditions and established by us based on input from the public, partners and stakeholders.

The federal LIHTC program is separate from the State Housing Tax Credit program.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **791** LIHTC units receiving 9% tax credits
- **$102,899,993** in syndication proceeds (investor equity from the sale of credits)
- **$130,088** average syndication amount per unit
- A median household income of **$23,370** or **23%** of the statewide median income
- **50%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

We estimate that that Minnesota Housing will allocate $23,633,700 in 9% tax credits in 2024-2025, which should generate about $200 million in syndication proceeds for the two years combined.

Based on the resources available for new activity, we expect to allocate tax credits to support 380 rental units in each of the two years.

NATIONAL HOUSING TRUST FUND (NHTF)

The National Housing Trust Fund (NHTF) is an affordable housing production program that complements existing federal, state and local efforts to increase and preserve the supply of safe, affordable housing for extremely low-income households, including families experiencing homelessness. NHTF is capitalized through contributions from the government sponsored enterprises Fannie Mae and Freddie Mac and administered by the U.S. Department of Housing and Urban Development.

The program provides financing for:

- New construction,
- Acquisition with rehabilitation,
- Rehabilitation without acquisition, or
- Operating subsidies for one of the above developments that produces new units meeting the permanent supportive housing strategic priority (up to 33% of the grant)

Current Rent Restrictions: Rents for an extremely low-income tenant shall not exceed affordability at 30% of the area median income (AMI), as published by HUD for the NHTF program.

Current Income Restrictions: NHTF-assisted units must be occupied by households with incomes at or below 30% of the AMI, as published for the NHTF program.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported no National Housing Trust Fund projects completed the financing process in FFY 2022.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $11,583,000.

Based on the resources available for new activity, we could support roughly 60 units in each of the two years.

HOME

The HOME Investment Partnership (HOME) program provides deferred loans for new construction, rehabilitation or acquisition/rehabilitation of permanent affordable rental housing, including housing with state or federal project-based rental subsidies. The program is funded with federal appropriations.

We allocate HOME funds through the annual Consolidated Request for Proposals (RFP) process.

Tenant income limits: The U.S. Department of Housing and Urban Development (HUD) annually sets limits for the HOME program.

Rent limits: HUD annually sets limits for the HOME program.

Maximum assistance amount: HUD annually sets the maximum per-unit subsidy limits.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **1** loan for development with 32 units
- **$6,478,877** total loan amount
- **$202,465** average HOME assistance per unit
- A median household income of **$13,291** or **13%** of the statewide median income
- **52%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $30,560,000.

Based on resources available for new activity, we expect to fund about 160 rental units in each of the two years.

PRESERVATION - AFFORDABLE RENTAL INVESTMENT FUND (PARIF)

PARIF provides loans to fund the preservation of: (1) permanent affordable rental housing with federal project-based rent subsidies that are in jeopardy of being lost, and (2) existing supportive housing developments. Eligible activities under PARIF include rehabilitation, acquisition and rehabilitation, and debt restructuring.

We allocate PARIF funds, which are state appropriations, through our annual Consolidated Request for Proposals (RFP) process and on a year-round basis, if funding is available.

This program is a critical tool in the long-term preservation of expiring project-based Section 8 contracts, properties with Rural Development rental assistance, and other project-based federally assisted housing.

Tenant income limit: PARIF is subject to the federal guidelines for the units being preserved.

Maximum assistance amount: None

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **8** loans for developments with 326 units
- **$20,489,649** total loan amount
- **$62,852** average HOME assistance per unit
- A median household income of **$13,692** or **13%** of the statewide median income
- **51%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $24,362,000.

Based on resources available for new activity, we expect to fund 200 rental units in each of the two years.

ASSET MANAGEMENT

Under the Asset Management program, resources are available on a year-round basis and are designed to fund properties with immediate critical health and life safety needs. Properties with financing from Minnesota Housing are eligible, including those with existing affordability restrictions or rental assistance contracts administered by Minnesota Housing. Because we prioritize properties already in Minnesota Housing's portfolio, referrals primarily come from Minnesota Housing's asset management and compliance staff.

Under the Asset Management program, we can provide a range of loan types, including interest-bearing, non-interest bearing, amortizing and/or deferred loans.

Owners receiving funds under this program must agree to extend affordability restrictions to be coterminous with the new loan.

Funding for Asset Management comes from two sources: (1) Financing Adjustment Factor (FAF)/Financing Adjustment (FA), and (2) Pool 3. FAF/FA are federal funds and come from a financing agreement between the U.S. Department of Housing and Urban Development (HUD) and Minnesota Housing.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we provided:

- **$2,270,000** in asset management assistance for 101 units in four developments

Expected Activity for 2024-2025

At this point, we are not expecting to use any Asset Management funding for 2024 and 2025.

RENTAL REHABILITATION DEFERRED LOAN PILOT (RRDL) PROGRAM

RRDL provides deferred loans at no interest to individuals, developers, nonprofits, units of government and tribal housing corporations for the moderate rehabilitation of existing affordable permanent rental housing outside of the metro area. The program is funded with state appropriations and designed to serve owners of smaller properties that do not apply or would not be competitive in our regular Consolidated Request for Proposals (RFP) process.

RRDL funds are available through a targeted Request for Proposals. Owners can apply directly to Minnesota Housing for RRDL funds. Loan terms range from 15 to 30 years depending on the loan amount. Properties containing eight or more units may apply for loans where 10% of the loan amount is forgiven after the loan term has been met.

Current tenant income limit: 80% of the greater of the statewide or area median income (AMI) for a family of four, not adjusted for family size.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **1** loan for development with 14 units
- **$700,000** total loan amount
- **$50,000** average RRDL assistance per unit
- A median household income of **$19,200** or **19%** of the statewide median income
- **15%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $10,617,000.

Based on resources available for new activity, we expect to fund about 310 rental units over the two years.

PUBLICLY OWNED HOUSING PROGRAM (POHP)

Through the Publicly Owned Housing Program (POHP), we provide deferred, forgivable loans at no interest to eligible public housing authorities or housing and redevelopment authorities to preserve/rehabilitate properties that they own and operate under HUD's Public Housing program. The program is traditionally funded with state General Obligation (GO) bond proceeds, which can be used only for eligible capital costs of a non-recurring nature that add value or life to the buildings, but for the 2024-2025 biennium, it includes some direct appropriations.

POHP funds are available through a Request for Proposals process with owners applying directly to the Agency. Loans are structured with a 20-year term and a 35-year compliance period. The loan amount is forgiven after the loan term has been met.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **8** loans for development with 1,005 units
- **$4,448,400** total loan amount
- **$4,426** average POHP assistance per unit
- A median household income of **$12,347** or **12%** of the statewide median income
- **32%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $88,794,000.

Of this amount, $5,000,000 is a grant to the Minneapolis Public Housing Authority.

Based on resources currently available for new activity, we expect to support roughly 3,700 rental units in each of the next two years.

WORKFORCE HOUSING DEVELOPMENT PROGRAM

This competitive program targets small to mid-size cities, communities or federally recognized Tribal reservations in Greater Minnesota with rental workforce housing needs. Funds may be used for qualified expenditures that result in the direct development of rental properties. Funds are targeted to proposals with the greatest proportion of market-rate units but can be used for developments with rent and income restrictions imposed by other funding sources for some units. Communities with 30,000 or fewer residents have a funding priority.

Funding is available under a stand-alone request for proposals (RFP). Proposals are ranked and scored according to the Workforce Housing Development Program statute. Proposed rents are evaluated against the current and projected jobs and wages within the community. Funding is solely from state appropriations.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 4 loans for developments with 109 units
- $3,095,971 total loan amount

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $39,198,000.

Based on resources available for new activity, we expect to fund about 560 rental units in each of the two years.

HIGH-RISE SPRINKLER GRANTS

High-Rise Sprinkler System Grants are a new, one-time program and will make grants up to $2 million to owners of eligible buildings for installation of sprinkler systems and, if necessary, for relocation of residents during the installation of sprinkler systems. Nonprofit applicants will be prioritized and require a 25% match, while for-profit applicants require a 50% match.

To be eligible, existing residential buildings must have: (1) at least one story used for human occupancy that is 75 feet or more above the lowest level of fire department vehicle access, and (2) at least two-thirds of its units being affordable to households with an annual income at or below 50% of the area median income.

Up to $4 million of the available amount is set aside for a grant to CommonBond Communities for installation of sprinkler systems at Seward Tower East and West.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $10,000,000, which includes a $4 million set aside for CommonBond Communities.

Based on resources available for new activity, we could fund about 1,000 units in 2024 and 320 in 2025.

RENTAL ASSISTANCE CONTRACT ADMINISTRATION

SECTION 8 – PROJECT-BASED RENTAL ASSISTANCE

The Housing and Community Development Act of 1974 created the project-based Section 8 Housing Assistance Payments Program. Under the program, the U.S. Department of Housing and Urban Development (HUD) entered into contracts with property owners to provide rental assistance for a fixed period of time for families with incomes no greater than 80% of the area median income. No new development has been funded under this program since the mid-1980s; however, HUD and the Agency collaborate to not only preserve and extend existing contracts but also transfer project-based budget authority from developments with owners that want to exit the program to partially-assisted or previously-unassisted properties. Under existing contracts, tenants pay no more than 30% of adjusted household income for rent. HUD pays the difference between tenant rent payments and the contract rent of assisted units.

We provided permanent mortgage financing for more than 235 Section 8 Traditional Contract Administration (TCA) properties developed from 1975 to the mid-1980s. We currently manage one remaining TCA contract. Most have been converted to Performance-Based Contract Administration (PBCA) contracts.

Through a contract with HUD under the Performance Based Contract Administration (PBCA) authority, the Agency, as a Public Housing Authority (PHA), administers existing project-based Section 8 contracts for another 526 properties, which is expected to increase to 527 as the last contract converts to PBCA.

Under these contracts, the Agency helps administer this important federal program, including performing management and occupancy reviews, processing contract renewals and annual rent adjustments, processing monthly payment vouchers, responding to tenant concerns and following up on Real Estate Assessment Center physical inspections. In addition to ensuring that this deeply affordable housing resource remains viable and in compliance with federal requirements, these activities assist us in identifying and planning for the preservation needs of developments with Section 8 assistance.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, for PBCA properties we reported:

- **29,763** households assisted
- **$223,308,128** in Housing Assistance Payments (HAP)
- **$7,503** average (HAP) assistance per household
- A median household income of **$13,164** or **13%** of the statewide median
- **39%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

Our current PBCA agreement with HUD has been extended several times. The Agency continues to work with HUD regarding extensions to that agreement and the possibility of a federal RFP regarding PBCA services in the future. We currently manage 526 PBCA contracts under this agreement. PBCA revenue earned through administration of the contracts pays 100% of the cost of administering the program.

The estimated 2024-2025 resources are $472,000,000.

Based on resources available for new activity, we expect to support about 29,500 rental units each of the two years.

HOUSING STABILITY FOR POPULATIONS NEEDING EXTRA SUPPORT

HOUSING TRUST FUND (HTF)

Historically, funding for the HTF has been used to fund capital, rental assistance and operating subsidy expenses. In recent years, we have used HTF state appropriations for rental assistance and operating subsidies at some developments previously financed by Minnesota Housing. Households served by HTF include High Priority Homeless (HPH) families and individuals, defined as households prioritized for permanent supportive housing by the Coordinated Entry System for homelessness services.

Current tenant income limit: 60% of the area median income (AMI) for the supported household's region, with a priority for people at 30% of AMI and/or High Priority Homeless households.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **1,251** households assisted
- **$9,005,123** in total disbursements
- **$9,670** average HTF assistance per household
- A median household income of **$9,000** or **9%** of the statewide median income
- **63%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

Minnesota Housing provides HTF rental assistance and operating subsidies under two-year contracts with local administrators. For rent assistance, we entered into new two-year contracts in October 2023. For operating subsidies, we will issue a Request for Proposals in 2024.

The estimated 2024-2025 resources are $31,183,000 for all HTF activities.

Based on resources available for new activity, we expect to support about 2,150 renter households each of the two years, about 1,460 through rental assistance and 790 through operating subsidies.

HOMEWORK STARTS WITH HOME

Homework Starts with Home is a state-funded program that provides rent assistance and other supports to families with children experiencing housing instability. We administer it in partnership with the Department of Education (MDE) and others. The program was created in response to the increasing number of students experiencing homelessness and is built upon the successful Housing Trust Fund Rental Assistance Pilot for Homeless and Highly Mobile Families. The program serves students and their families who are homeless or at imminent risk of homelessness, including: (1) families with children eligible for a pre-Kindergarten through grade 12 academic program, and (2) youth (with or without children of their own) who are eligible for an academic program and facing housing instability without their parent or guardian. The goals of the program are to create housing stability as well as improve academic achievement.

A collaborative approach involving local housing organizations, schools and service providers is a key feature of the local program design.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **378** households assisted
- **$2,381,332** in total disbursements
- **$6,300** average Homework Starts with Home assistance per unit
- A median household income of **$16,800** or **16%** of the statewide median
- **78%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $5,500,000.

Based on resources available for new activity, we expect to support about 350 renter households each of the two years.

BRIDGES

Bridges is a state-funded rental assistance program for people with a mental illness. The program goal is to assist individuals so they can live in integrated settings in their communities until a permanent housing subsidy is available. Bridges operates in selected counties throughout the state and is administered through local housing organizations. The Minnesota Department of Human Services and Minnesota Housing collaborate in the administration of this program.

Tenants are responsible for a portion of the rent, which is generally equal to 30% of their income.

Bridges is an important component of Minnesota Housing's contribution to achieving the goals of both the Minnesota's Olmstead Plan and the state's Plan to Prevent and End Homelessness. In 2015, the program started prioritizing households with:

- Persons residing in an institution, segregated setting, or under correctional supervision who will be homeless upon exit,
- Persons experiencing homelessness who are assessed as High Priority Homeless (HPH) through the Coordinated Entry (CE) system, and
- People experiencing or at imminent risk of homelessness.

Current tenant income limit: 50% of the area median income.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **650** households assisted
- **$3,682,195** in total disbursements
- **$7,590** average Bridges assistance per household
- A median household income of **$10,800** or **10%** of the statewide median income
- **32%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

Bridges funds rent assistance under two-year contracts with local administrators. Minnesota Housing entered into the most recent contracts in July 2023.

The estimated 2024-2025 resources are $10,676,000.

Based on resources available for new activity, we expect to support about 610 renter households each of the two years.

BRING IT HOME RENTAL ASSISTANCE

Bring It Home Rental Assistance is a new program and modeled after the federal HUD Section 8 program and can provide both tenant- and project-based rental assistance. The assistance amount for renters will equal the difference between 30% of household income and the rent charged, plus an allowance for utilities if not included in rent. The maximum contract rent that can be subsidized is 120% of the payment standard as established by the local public housing authority unless the Agency allows otherwise.

Eligible households are those with an annual income of up to 50% of the area median income as determined by the United States Department of Housing and Urban Development, adjusted for family size, that is paying more than 30% of their annual income on rent. Eligibility is determined at the time a household first receives assistance and must be recertified annually. Households receiving rental assistance under the federal Section 8 program are not eligible.

Households with children 18 years of age and under and annual incomes of up to 30% of the area median income are prioritized. Program administrators are allowed to establish additional priority populations based on local need.

Funds will be distributed statewide to housing and redevelopment authorities or other local units of government that administer federal rental assistance, Tribal governments or Tribally-designated housing entities, or a nongovernmental organization if there are no other entities in a region able to administer the program. Minnesota Housing is required to make grants statewide in proportion to the number of households eligible for assistance in each county based on the most recent American Community Survey. Entities that administer the program may use existing procedures for distributing rental assistance, or have new procedures approved by the Agency.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $124,000,000.

We are currently estimating that the program will be operational later in 2024, assisting 470 households in program year 2024. By 2025, the program should be fully operational, serving about 4,700 households annually.

SECTION 811 SUPPORTIVE HOUSING PROGRAM

Section 811 is a federal program through which the U.S. Department of Housing and Urban Development (HUD) has provided funding to states for project-based rental assistance to create integrated, cost-effective supportive housing units for people with disabilities. The goals of the program are to:

- Increase housing opportunities for people with disabilities,
- Transition people with disabilities from institutions to community-based settings,
- Reduce public costs of homelessness and institutional care,
- Create a centralized outreach and referral system for people with disabilities, and
- Develop new service linkages.

We implement the program in partnership with the Minnesota Department of Human Services (DHS). DHS staff coordinates all outreach, screening and referrals for these units and works with property owners to ensure support services are offered to tenants.

The state enters into contracts with selected public and private rental property owners for a minimum of 20 years, with initial funding for a period of five years. Funding beyond the first five years is subject to federal appropriations. The project-based rental assistance covers the difference between the tenant's payment and the approved gross rent. A small portion of the grant is used to pay for administrative expenses.

To ensure that this deeply affordable housing resource remains viable and in compliance with federal requirements, the Agency administers this program by performing management and occupancy audits, processing annual rent adjustments, processing monthly payment vouchers, responding to tenant concerns and performing Uniform Physical Condition Standards (UPCS) compliant physical inspections.

The Section 811 program is an important tool for achieving the goals of the Olmstead Plan to provide integrated housing options for people with disabilities. It is a unique opportunity to expand supportive housing for people with disabilities and leverage Medicaid resources for services.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 158 households assisted
- **$1,055,264** in total disbursements
- **$6,679** average Section 811 assistance per household
- A median household income of **$11,063** or **11%** of the statewide median income
- **51%** of households were Indigenous, Black or households of color

HUD initially awarded Minnesota $3 million for up to 85 units of project-based rental assistance. We awarded all this funding for 84 project-based rental assistance subsidies (one unit less than the original goal of 85 units). In 2015, we received a second round of funding for an additional 75 units, which were awarded to existing or new properties through the Multifamily Consolidated RFP process in 2015 through 2017. In 2019, we received a third award from HUD for another 160 units, and 60 of those units are in the process of coming online in the next two years.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $2,930,000.

Based on resources available for new activity, we expect to support about 200 renter households in each of the two years.

FAMILY HOMELESS PREVENTION AND ASSISTANCE PROGRAM (FHPAP)

Under FHPAP, we assist families with children, unaccompanied youth and single adults who are homeless or are at imminent risk of homelessness. Funds are used for a broad range of purposes aimed at preventing homelessness, shortening the length of stay in emergency shelters, eliminating repeat episodes of homelessness and assisting individuals and families experiencing homelessness to secure permanent affordable housing.

FHPAP assists extremely low-income people primarily through short-term rent assistance, security deposits, utilities and transportation assistance and case management services. FHPAP grants also encourage and support innovations at the county, region or local level for a more seamless and comprehensive homelessness response system.

Grant funds are awarded through a competitive Request for Proposals (RFP) process. In the seven-county Twin Cities metro area, only counties had been eligible to apply for funding, but the Legislature recently expanded the eligibility. In Greater Minnesota, eligible applicants include counties, groups of contiguous counties acting together, community-based nonprofit organizations or Tribal Nations.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **4,341** households assisted
- **$9,221,441** in total disbursements
- **$2,124** average FHPAP assistance per household
- A median household income of **$12,948** or **13%** of the statewide median income
- **62%** of households were Indigenous, Black or households of color

The total number of households served has declined over the past few years because the program has targeted assistance to households with higher needs and utilized rapid rehousing as a strategy. Rapid rehousing provides short-term rental assistance, housing case management and housing navigation services.

Expected Activity for 2024-2025

FHPAP also operates under two-year contracts with local administrators. Minnesota Housing will enter into new contracts in calendar year 2023.

The estimated 2024-2025 resources are $92,538,000. Of this amount:

- $10,000,000 is allocated to federally recognized American Indian Tribes; and
- $2,400,000 is for a grant to Neighborhood House to provide administrative costs for families facing eviction, rental assistance, delinquent utility fees, mortgage assistance and damage deposit assistance.

Based on resources available for new activity, we expect to support about 15,900 households in 2024 and 10,600 in 2025.

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS (HOPWA)

The Housing Opportunities for Persons with AIDS (HOPWA) program provides grants for housing assistance and services (including short-term rent, mortgage and utility assistance) for people with an HIV-positive status and their families.

The U.S. Department of Housing and Urban Development (HUD) allocates funds to local jurisdictions based on the number of individuals living with HIV or AIDS. The city of Minneapolis receives and administers a direct award for the 13-county Minneapolis/Saint Paul Metropolitan Statistical Area. We receive a direct award for the balance of the state.

Through September 30, 2023, Minnesota Housing had a contract with Rainbow Health to provide services to eligible households in greater Minnesota. In the fall of 2023, we issued a request for proposal so that eligible households in Greater Minnesota may continue to receive services.

Current tenant income limit: 80% of area median income, adjusted for family size.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- **165** households assisted in 48 counties
- **$241,566** of assistance disbursed
- **$1,464** average HOPWA assistance per household
- A median household income of **$23,184** or **22%** of the statewide median income
- **52%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is $1,083,000.

Based on resources available for new activity, we expect to support 300 to 400 households each of the two years.

STRENGTHEN THE SUPPORTIVE HOUSING SYSTEM

Strengthening the Supportive Housing System is a new program and will provide funding to increase alignment and strengthen supportive housing for individuals and families who have experienced homelessness. Eligible recipients may include local units of government, federally recognized American Indian Tribes or their Tribally Designated Housing Entities located in Minnesota, private developers, or nonprofit organizations. Funds may be used to:

- Cover costs needed for supportive housing to operate effectively, which may include building operating expenses such as front desk, tenant service coordination, revenue shortfall, and security costs.
- Support existing permanent supportive housing units, or cover costs associated with new permanent supportive housing units, or
- Create partnerships with the health care sector and other sectors to demonstrate sustainable ways to provide services for supportive housing residents, improve access to health care, and reduce the use of expensive emergency and institutional care. This may be done in partnership with other state agencies, including the Department of Health and the Department of Human Services.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $25,000,000.

At this early state, it is quite uncertain how these funds will be used, and we are unable at this point to estimate how many households will be supported by these resources.

MULTIPLE USE RESOURCES

ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE (EDHC)

Under the Economic Development and Housing Challenge Program (EDHC), we provide grants or deferred loans for new construction, acquisition, rehabilitation, interest rate reduction, interim or permanent financing, refinancing and gap funding. Funds are used to support economic and community development within an area by meeting locally identified housing needs for either renter or owner-occupied housing.

Our Multifamily and Single-Family divisions allocate these resources to proposals submitted through competitive Request for Proposals (RFP) processes. Staff evaluates proposals according to EDHC selection standards and our strategic priorities. RFP funding for single-family housing is available under the Community Homeownership Impact Fund (Impact Fund), which is the umbrella program for EDHC, Housing Infrastructure Resources and Single-Family Interim Lending for homeownership activities.

We make EDHC loans and grants to local governments, private developers, Tribal and urban Indian housing authorities or nonprofit organizations for both multifamily (minimum of four units) and single-family projects. EDHC requires that 50% of the funds be used for projects that have leveraged funds from non-state resources. Preference is given to proposals with the greatest portion of costs covered by non-state resources.

Current income limit: 115% of the greater of area or state median income for owner-occupied housing and 80% of the greater of area or state median income for rental housing.

Maximum loan amount: None beyond funding availability.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

Multifamily EDHC	Single-Family EDHC – Impact Fund
No Multifamily EDHC projects completed the financing process in FFY 2022. Because we award funds each year, having no closed loans in 2022 is a timing anomaly.	• **250** units • **$6,131,839** total loan/grant amount • **$24,527** average EDHC assistance per home • A median household income of **$47,988** or **46%** of statewide median income • **65%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $124,850,000. Of this amount:

- $6,425,000 each year is available for housing projects for American Indians;
- $5,000,000 is a grant to Urban Homeworks to acquire, rehabilitate, and construct deeply affordable homes for ownership in Minneapolis neighborhoods with a concentration of lower-income households that identify as Indigenous, Black or households of color; and
- $2,000,000 is for a grant to Rondo Community Land Trust.

We will allocate the remaining funds through our Single-Family and Multifamily RFPs, with any remaining funds made available on a year-round basis in multifamily and through an incentive fund in Single Family.

Based on resources available for new activity, we expect to support roughly 830 owner-occupied and rental housing units in 2024 and 450 in 2025.

HOUSING INFRASTRUCTURE RESOURCES

Traditionally, Housing Infrastructure Bonds (HIBs) have funded this program with the bonds being issued by Minnesota Housing, as authorized by the Minnesota Legislature. HIBs can be issued as governmental, 501(c)(3) or private activity bonds. If the bonds are issued as private activity bonds, applicants for rental funding also may access 4% housing tax credits. At times, direct appropriations can fund the program, which applies to the $200 million provided for the 2024-2025 biennium.

Housing Infrastructure Resources may be used to finance the following project types:

- The acquisition, construction or rehabilitation of affordable permanent supportive housing for individuals and families without a permanent residence and people with behavioral health needs;
- The acquisition, rehabilitation, adaptive reuse or new construction of senior housing;
- The preservation of existing federally subsidized rental housing by funding acquisition, rehabilitation and refinancing;
- The acquisition of land by community land trusts and used for affordable single-family homeownership opportunities;
- The costs of acquisition, rehabilitation, adaptive reuse or new construction of single-family housing;
- The cost of acquisition and infrastructure needs for manufactured home communities; and
- The construction of new rental housing affordable at or below 50% of AMI (new in 2023).

We allocate Housing Infrastructure Resources through the annual Multifamily and Single-Family Requests for Proposals (RFPs). These funds are typically provided as deferred, no interest loans but also are provided as grants to fill value gap in single-family developments and assist community land trusts.

Current income limit: 115% of the greater of area or state median income for owner-occupied housing and 80% of the greater of area or statewide median income, not adjusted for household size for rental housing.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported five new rental developments:

- **271** units
- **$40,476,000** total loan amount
- **$149,358** average HIB assistance per unit
- A median household income of **$9,528** or **9%** of the statewide median income
- **47%** of households were Indigenous, Black or households of color

We financed four rental rehabilitation projects:

- **183** units
- **$20,072,293** total loan amount
- **$109,685** average HIB assistance per unit
- A median household income of **$2,436** or **2%** of the statewide median income
- **77%** of households were Indigenous, Black or households of color

We financed land acquisition by community land trusts:

- **23** homes
- **$958,900** total loan amount in bond proceeds
- **$39,954** average HIB assistance per unit
- A median household income of **$45,685** or **44%** of the statewide median income
- **76%** of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is $214,100,000. We expect to award most of these funds in 2024.

Based on resources available for new activity, we expect to support:

- Multifamily units:
  - 650 in 2024
  - 160 in 2025
- Single Family units:
  - 700 in 2024
  - 180 in 2025
- Manufactured home community lots:
  - 530 in 2024
  - 130 in 2025

These manufactured housing lots are also referenced in the earlier section about manufactured housing and communities.

STATE HOUSING TAX CREDIT PROGRAM AND CONTRIBUTION FUND

The State Housing Tax Credit Program and Contribution Fund is a new way to help finance multifamily and single-family housing across the state. The Minnesota Legislature created the Minnesota Housing Tax Credit Contribution account, as outlined in Minnesota Statutes 462A.40 and 290.0683. Minnesota Housing branded this program as the State Housing Tax Credit (SHTC) Program and Contribution Fund to distinguish it as a state program and help avoid confusion with the Agency's existing federal housing tax credit programs.

Funding for this program is unique because there are no state or federal appropriations. The SHTC program is entirely funded with eligible Minnesota taxpayer contributions. Eligible taxpayers can annually contribute at least $1,000 but not more than $2 million to the Contribution Fund. In return, the taxpayer receives a state Tax Credit Certificate that equals 85% of the contribution, which the taxpayer may use to reduce their state tax obligation. The maximum aggregate amount of tax credits allowed to all eligible contributors is $9.9 million annually. Eligible uses of the funds include gap financing for new construction, acquisition, rehabilitation, demolition or removal of existing structures, construction financing and permanent financing. The authorizing legislation sunsets on December 31, 2028.

Program Performance and Trends

There has been no program activity.

Expected Activity for 2024-2025

The level of funding that the tax credit contribution fund will receive is very uncertain. At this time, we are unable to forecast a level of activity.

COMMUNITY STABILIZATION

Community Stabilization is a new program and will provide grants or loans to preserve naturally occurring affordable housing (NOAH) through acquisition or rehabilitation. Eligible uses of these funds include acquisition, rehabilitation, interest rate reduction or gap financing of housing to support the preservation of naturally occurring affordable housing. Housing that serves lower-income households and maintains longer periods of affordability will be prioritized.

For purposes of the program, "naturally occurring affordable housing" means:

- Multiunit rental housing that:
  - Is at least 20 years old,
  - Has rents in a majority of units that are affordable to households at or below 60% of the greater of state or area median income, and
  - Does not currently have federal or state financing or tax credits that require income or rent restrictions, except for public housing.
- Owner-occupied housing located in communities where market pressures or significant deferred rehabilitation needs, as determined by the Agency, create opportunities for displacement or the loss of owner-occupied housing affordable to households at or below 115% of the greater of state or area median income as determined by HUD.

Housing that receives financing under this program is subject to affordability terms. Owner-occupied housing must be affordable to households with incomes at or below 115% of the greater of state or area median income. Multifamily housing must remain affordable to low-income or moderate-income households as defined by the Agency and must accept rental subsidies.

Grants and loans may be made to several eligible recipients:

- A local unit of government,
- A federally recognized American Indian Tribe located in Minnesota or its Tribally Designated Housing Entity,
- A private developer,
- A limited equity cooperative or a cooperative created under Minnesota Statutes chapter 308A or 308B,
- A community land trust created for the purposes outlined in Minnesota Statutes 462A.31, subdivision 1, or
- A nonprofit organization.

The Agency has the discretion to make a grant to a statewide intermediary to facilitate the acquisition and associated rehabilitation of existing multi-unit rental housing and may use an intermediary or intermediaries for the acquisition and associated rehabilitation of owner-occupied housing.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $90,000,000, which includes a $10 million set aside for Aeon for Huntington Place.

Based on resources available for new activity, we expect to support about 110 housing units in 2024 and 680 in 2025.

GREATER MINNESOTA HOUSING INFRASTRUCTURE

Greater Minnesota Housing Infrastructure is a new program and will provide grants to cities located outside of the Twin Cities metro area of up to 50% of the capital costs of public infrastructure necessary for an eligible workforce housing development project. Grants are limited to $30,000 per lot for single-family, duplex, triplex or fourplex housing developed, and $180,000 per lot for multifamily housing with more than four units per building. Cities are limited to $500,000 over a two-year period. A nonstate match is required and may be cash, other committed grant funds or in kind.

Single family, multifamily, owner-occupied and rental housing development projects are eligible. Housing infrastructure can include:

- Sewers,
- Water supply systems,
- Utility extensions,
- Streets,
- Wastewater treatment systems,
- Stormwater management systems, and
- Facilities for pretreatment of wastewater to remove phosphorus.

The Agency will evaluate projects based on whether:

- The project is necessary to increase sites available for housing development that will provide adequate housing stock for the current or future workforce, and
- The increase in workforce housing will result in substantial public and private capital investment in the city in which the project would be located.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $8,000,000.

Based on resources available for new activity, we expect infrastructure investments to support about 260 housing units in each of the two years.

LEAD-SAFE HOMES

This is a new statewide grant program that will support making homes safer through lead testing and hazard reduction. Nonprofits and local units of government are eligible to apply. Projects are intended to serve low-income residents where there are high concentrations of lead poisoning in children based on data provided by the Minnesota Department of Health.

Activities can include: (1) lead risk assessments completed by a lead inspector or a lead risk assessor and (2) remediation of lead health hazards. For multifamily rental properties, at least 50% of the residents must have an income at or below 60% of the area median income. Up to 10% of a grant can be used for administrative expenses and provide education and outreach about lead health hazards.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are $4,000,000.

Based on resources available for new activity, we expect to support about 360 housing units in each of the two years.

LOCAL HOUSING TRUST FUND GRANTS

In 2021, the Minnesota Legislature allocated money to create Minnesota Housing's Local Housing Trust Fund Grants program. This program will use $1 million from legislative appropriations in 2021 and $4.8 million from legislative appropriations in 2023. This program will provide grants to local housing trust funds established under Minnesota Statutes 462C.16 to incentivize increases in local funding dedicated to affordable housing.

Grantees are eligible to receive a grant amount equal to:

- 100% of the new public revenue committed to the local housing trust fund from any source other than the state or federal government, up to $150,000, and
- Depending on funding availability, an amount equal to 50% of the new public revenue committed to the local housing trust fund from any source other than the state or federal government that is more than $150,000 but not more than $300,000.

The Agency will consult with interested stakeholders when developing the guidelines, applications and procedures for the program.

A grantee must use grant funds within five years of receipt to (1) pay for administrative expenses, but not more than 10% of the balance of the fund may be spent on administration; (2) make grants, loans and loan guarantees for the development, rehabilitation or financing of housing; (3) match other funds from federal, state or private resources for housing projects; or (4) provide downpayment assistance, rental assistance and home buyer counseling services. The funds must households with incomes at or below 115% of the state median income.

In addition to the $5.8 million in local grants, the 2023 legislature made available $1 million for the Northland Foundation to assist local governments to establish local or regional housing trust funds. They may also award grants and loans to other entities for authorized uses.

Program Performance and Trends

So far, there has been no funding disbursed under this program.

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is $6,800,000.

Based on resources available for new activity, we expect to support about 80 housing units in each of the two years.

STRATEGIC INVESTMENTS / LOANS

Periodically, we can make strategic investments or loans with Pool 2 resources or other mortgage capital to help address an affordable housing issue. For example, we have committed funds to help finance the Greater Minnesota Housing Fund's initiative to preserve naturally occurring affordable housing. These types of investment opportunities and initiatives are not always known or included when the Affordable Housing Plan is developed.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we disbursed no funding under this activity.

Expected Activity for 2024-2025

At this time, no investments opportunities have been identified.

OTHER

TECHNICAL ASSISTANCE AND OPERATING SUPPORT

The Technical Assistance and Operating Support program provides grants that enhance the ability of housing and community development organizations to meet Minnesota's affordable housing needs. In previous years, this program supported our strategic objectives by:

- Providing resources for the state's homeless response system – including the state's Homeless Management Information System, the regional Continuum of Care's homelessness assistance planning, and coordinated entry,
- Providing grants to specific organizations – including the Homeownership Center for its statewide counseling network, HousingLink for its statewide affordable housing website, HOME Line's Hotline providing statewide legal advice to renters, and
- Supporting capacity building programs and initiatives – including the Capacity Building Initiative and the Capacity Building Intermediary programs.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we funded $1,430,392 of activity under this program.

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is $8,702,000.

DISASTER RECOVERY

Disaster response programs provide funding for the repair or replacement of renter or owner-occupied housing damaged by natural disasters, such as a flood or tornado. We distribute these funds through the Disaster Recovery program for single-family properties and assist in: (1) repairing damaged rental buildings, (2) providing relocation services to renters who are displaced or become homeless due to disasters, (3) building organizational capacity to respond to disasters, and (4) covering administrative costs related to disaster outreach.

Funds are typically delivered through administrators under contract to deliver ongoing Agency programs for the areas impacted by a disaster. These include administrators for the single-family Rehabilitation Loan Program (RLP), the multifamily Rental Rehabilitation Deferred Loan Program (RRDL), and the Family Homeless Prevention and Assistance Program (FHPAP).

Disaster Recovery funds provide homeowners and smaller rental property owners with deferred loans at no interest for repair costs that are not covered by federal assistance or insurance proceeds. The loan is forgiven if the homeowner remains in the property for 10 years, or for rental properties, if property owners keep rents affordable for 10 years. There are no income limits under the Disaster Recovery program.

Program Performance and Trends

Typically, activities have been funded by special appropriations from the Minnesota Legislature following a federal disaster declaration and determination of the level of available federal funding from the Federal Emergency Management Agency and the Small Business Administration. State appropriations have ranged from $1,000,000 for the May 2011 Minneapolis tornado to $12,720,000 for the August 2012 flooding in northeast Minnesota.

Expected Activity for 2024-2025

At the start of the 2024-2025 AHP, no funds have been appropriated. Typically, the Minnesota Legislature appropriates funds for this program following the declaration of a disaster. If the Minnesota Legislature does not appropriate funds following a federal disaster declaration, the Agency may fund activities through the Disaster Relief Contingency Fund.

DISASTER RELIEF CONTINGENCY FUND

The Minnesota Legislature established this fund in 2001 as the account into which we deposit all repayments of previously made disaster relief loans or grants. Funds deposited in this account are used to assist with rehabilitation or replacement of housing that is damaged by a natural disaster in areas covered by a presidential declaration of disaster. Funding also may be used for capacity building grants for disaster response and flood insurance payments.

The terms and conditions under which the funds are made available are at the sole discretion of Minnesota Housing. Eligible uses of funds have included writing down the interest rate on Home Improvement Loans and activating the Disaster Recovery program.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, there was no reported program activity.

Expected Activity for 2024-2025

Disbursements from the fund vary significantly from year to year. We are not making an estimate of a funding level at this time. As of September 30, 2023, the fund had an uncommitted balance of nearly $2.3 million.

STABLE HOUSING ORGANIZATION RELIEF PROGRAM

The Stable Housing Organization Relief Program will support nonprofits that are experiencing significant detrimental financial impacts due to recent economic and social conditions. Grants are limited to $4,000 per unit, with the per-unit amount calculated based on the total number of units each eligible organization owns or controls in the state.

Eligible organizations must:

- Be a nonprofit organization that is tax exempt under section 501(c)(3) of the Internal Revenue Code that has been doing business in the state for at least 10 years as demonstrated by registration or filing of organizational documents with the secretary of state or be a Tribe or Tribally designated housing authority,
- Have its primary operations located in the state,
- Be experiencing significant detrimental financial impact due to recent economic and social conditions, including but not limited to decreased operating revenue due to loss of rental income or increased operating expenses due to inflation in utility expenses, insurance, or other expenses,
- Have supportive services options available for the individuals and families residing in the rental housing it provides to low-income populations, and
- Provide housing units in the state that it owns or controls consisting of any of the following:
  - At least 1,000 units of naturally occurring affordable housing,
  - Rental housing units, not including naturally occurring affordable housing, of which 50% of the total number of units are rented to individuals or families whose annual incomes, according to the most recent income certification are at or below 30% of the area median income, or
  - At least 250 units of permanent supportive housing.

Grantees must use grant funds to maintain or improve the housing stability of tenants by expending funds on:

- Property maintenance, improvements, and security,
- Providing services, including services and programs that promote economic and social mobility,
- Efforts to attract and retain employees that will assist in providing services and support to tenants, or
- Forgiveness of all or a portion of rent balances owed by former or current tenants.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is $50,000,000.

HOUSING MEDIATION GRANT PROGRAMS

A one-time grant to Community Mediation Minnesota to administer a statewide housing mediation program to provide support to renters and residential rental property owners.

The funds will be used to:

- Provide housing dispute resolution services,
- Increase awareness of and access to housing dispute resolution services statewide,
- Provide alternative dispute resolution services, including but not limited to eviction prevention, mediation and navigation services,
- Partner with culturally specific dispute resolution programs to provide training and assistance with virtual and in-person mediation services,
- Increase mediation services for seniors and renters with disabilities and illnesses that face housing instability,
- Increase the diversity and cultural competency of the housing mediator roster,
- Integrate housing mediation services with navigation and resource connection services, legal assistance, and court services programs,
- Develop and administer evaluation tools to design, modify, and replicate effective program outcomes, and
- Provide for necessary administrative expenses.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is $3,000,000.

LOCAL HOUSING AID GRANTS (TIER 2 CITIES)

This new program is a component of the Department of Revenue's Statewide Local Housing Aid Program, which is designed to help Tribal nations and local governments outside of the Twin Cities metropolitan area develop and preserve affordable housing.

For cities with a population over 10,000 and counties, funds will go directly from the Department of Revenue to the grantees based on a distribution factor. While Minnesota Housing will collect reports on the use of these funds starting on 2025, the distribution of the funds will not involve Minnesota Housing. For cities with a population under 10,000, the funds will come to Minnesota Housing for a grant program that will prioritize cities with a higher share of cost-burdened households. Housing projects for households with incomes at or below 80% of AMI for rental and 115% of AMI for homeownership are eligible for these funds, but households at or below 50% of AMI for rental and 80% for homeownership are prioritized. Priority will also be given to projects that:

- Reduce disparities in homeownership,
- Reduce housing cost burden, housing instability, or homelessness,
- Improve the habitability of homes,
- Create accessible housing, or
- Create more energy- or water-efficient homes.

Qualifying projects include:

- Emergency rental assistance for households with income less than 80% of area median income,
- Financial support to nonprofit affordable housing providers in their mission to provide safe, dignified, affordable and supportive housing, and
- Projects designed for the purpose of construction, acquisition, rehabilitation, demolition or removal of existing structures, construction financing, permanent financing, interest rate reduction, refinancing, and gap financing.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is $4,500,000.

Based on resources available for new activity, we expect to support about 40 housing units in each of the two years.

GRANT TO CITY OF MINNEAPOLIS

This a new, one-time program that provides a $1 million grant to City of Minneapolis for the development Satori Village, a mixed-income and mixed-age housing project.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is $1,000,000.

Based on resources available for new activity, we expect to support just under 200 housing units.

COVID-19 HOUSING RECOVERY

EMERGENCY RENTAL ASSISTANCE (ERA) – TARGETED ASSISTANCE

In 2021 and 2022, Minnesota Housing operated RentHelpMN and successfully distributed $428 million to nearly 60,000 renter households, which came from two rounds of ERA funding (ERA 1 and ERA 2). By December 2022, only seven states disbursed a higher share of their ERA allocation. As result of this effective disbursement of funds, the Agency has received four rounds of additional funds through the U.S. Department of Treasury's reallocation process. In terms of reallocated funds per capita, Minnesota Housing ranked fifth highest among states and the District of Columbia.

Largely because of these reallocations, the Agency had roughly $85 million of ERA 2 resources available for use through September 2025. The ERA 2 funding allows for expanded activities of direct assistance to renters, housing stability services, administration and up to 25% of the total ERA 2 grant for "other affordable housing" activities. Treasury has defined "other affordable housing" to mean flexible capital dollars to build, preserve and operate rental housing affordable to very low-income households.

Based on program and operational assessment and a stakeholder survey, the Agency decided in February 2023 to evenly split the remaining $85 million between a targeted rental assistance program and capital projects. The even split was the pretty clear consensus option in the stakeholder survey.

The Agency launched a targeted rent assistance program in the summer of 2023 and relies on partnerships with community organizations to identify households who would benefit from assistance, provide services to households and connect renters with emergency rental assistance for rent arrears and prospective rent.

Eligible Activities:

- Direct assistance to households for rent and certain utilities (both arrears and prospective).
- Housing stability services for navigation and eviction prevention for all eligible renter households, not just those receiving direct assistance.
- Administrative expenses for providing direct assistance and housing stability services as defined by Treasury.

Eligible Recipients:

- Renter households with incomes no more than 80% of AMI with a priority for those with incomes no more than 50% of AMI and where an individual in the household has been unemployed for 90 days.
- Renter households who experienced financial hardship during the COVID-19 pandemic and are at risk of experiencing homelessness or housing instability.

Program Performance and Trends

This is a new program that launched in the summer of 2023.

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is $37,140,000.

Based on resources available for new activity, we expect to support about 5,300 households.

EMERGENCY RENTAL ASSISTANCE (ERA) – CAPITAL FUNDING

We expect that about half of the remaining ERA 2 funds will go to capital projects. The funds will be used to directly fund construction and preservation and fill gaps on projects that receive other Agency resources.

The ERA 2 funding is well-suited for supportive housing developments that serve very low-income households and do not support amortizing debt. It is also suited for developments that receive sources, such as Housing Infrastructure Bonds, that exclude some necessary costs from program eligibility.

Eligible Activities:

- Construction, rehabilitation or preservation of affordable rental housing projects serving very low-income households.
- Operation of affordable housing projects serving very low-income families that were constructed, rehabilitated or preserved using ERA 2 funds.

Assistance Types:

- Loans or grants to affordable rental housing projects for eligible activities including upfront development costs and, potentially, reserves for program operations.
- Assisted units will be subject to a land use restriction agreement of at least 20 years, similar to other federal programs like the federal Low-Income Housing Tax Credit.
- In mixed-income developments, funds can be used only for the portion of the capital and operating costs directly attributable to the very low-income units.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is $39,100,000.

Based on resources available for new activity, we expect to support about 240 housing units.

HOME-ARP (AMERICAN RESCUE PLAN)

Minnesota Housing received a one-time allocation of approximately $31 million in HOME American Rescue Plan funding (HOME-ARP) to assist individuals or households who are experiencing or at risk of homelessness, along with other vulnerable populations. This funding allocation is separate from Minnesota Housing's regular annual HOME Investment Partnerships appropriation.

Minnesota Housing's approved allocation plan provides for a Request for Proposal (RFP) process for and tailored to eligible HOME-ARP activities. Specifically, Minnesota Housing plans to spend approximately $27 million (89% of the grant) on the development of affordable rental housing, $310,000 (1% out of an allowable 5% of the grant) on nonprofit capacity building, and approximately $3 million (10% out of an allowable 15% of the grant) on administration and planning.

Additionally, the allocation plan allows for a preference for the "qualifying population" of homeless as defined by 24 CFR § 91.5. Having a preference in the allocation plan allows Minnesota Housing to entertain proposals that are tailored to one qualifying population, rather than all of HOME-ARP's qualifying populations; however, having a preference does not limit Minnesota Housing's ability to choose projects or proposals focused only on that one qualifying population. As of the publication of this Affordable Housing Plan, the RFP timeline is still being determined.

Program Performance and Trends

This will be a new program in 2024-2025.

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is $28,024,000.

Based on resources available for new activity, we expect to support about 180 housing units in total.

APPENDIX C: STRATEGIC MANAGEMENT STRUCTURE AND REPORTING

A set of planning documents and processes direct and align Minnesota Housing's work, as shown in the following diagram. The Affordable Housing Plan (AHP) is the piece that connects our day-to-day work with our Strategic Plan.

The structure starts with the strategic direction set by the Walz-Flanagan Administration and culminates in the work of every individual employee. The strategic and supporting plans align the work of every employee, and every employee sees how their work supports the strategic plan. The AHP is the business plan for implementing our strategic plan and establishes the key initiatives and provides resource estimates for a two-year period, which agency staff use to write their division and individual work plans. The AHP is rewritten every two years to reflect the new appropriations made available by the Legislature and other resource changes. It also considers new housing challenges, needs and opportunities.

The household and housing unit estimates in the AHP assume that all the funds made available are used and eventually disbursed. For some programs, we fall short, but in other programs, we may end up using more resources than originally planned.

Accountability is a key component of strategy management structure, and each set of plans in our structure has a tracking and reporting component. What gets tracked and reported gets done. Reporting and accountability for the AHP comes in two sets of reports:

- Each quarter, Minnesota Housing staff report to the Agency's board of directors progress in awarding funds through RFP selections and deploying resources through other process, such as home mortgage commitments. This quarterly report focuses on the number of households and housing units that will be assisted with the resources that have been awarded and compares the initial results with our AHP forecasts. This report, which is based on the initial awarding of resources, is a leading indicator in tracking progress because it can take a couple of years for housing developments to go from being selected for funding to using the funds when construction is carried out. In some cases, funds that are awarded will go unused if a project is cancelled.
- At the end of each program year, in our Annual Program Assessment, we report to the Legislature and post on our website the funds that we disbursed that year and the number of households and housing units actually assisted for each program. This report captures our final results when the funding process is completed.

MINNESOTA
HOUSING

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