



Community Stabilization: Distressed Multifamily Rental Building Program

Program Guide

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Contents

Values Statement.....	1
Chapter 1 – Introduction	2
1.01 Program Purpose and Authorizing Statue	2
1.02 Program Guide	2
1.03 Terms and Definitions.....	2
1.04 Legal Addendum	2
Chapter 2 – Eligibility Requirements	3
2.01 Eligible Properties	3
2.02 Eligible Recipients	3
2.03 Eligible Uses	4
2.04 Ineligible Uses	5
Chapter 3 – Program Requirements	6
3.01 Statutory Priorities.....	6
3.02 Rent and Income Limit Requirements	7
3.03 Affordability Period.....	8
3.04 Utility Allowances	8
3.05 Voucher Acceptance	8
3.06 Design and Construction Requirements	8
3.07 Tenant Selection Plan	8
Chapter 4 – Application Information	9
4.01 Financial and Organizational Capacity.....	9
4.02 Management and Operating Budget.....	9
4.03 Private Lender Participation	9
4.04 Property Stabilization Plan.....	9

4.05	Relocation Plan	10
4.06	Program Fees	11
Chapter 5 – Application Process, Review Criteria, and Selections		12
5.01	Minimum Threshold Criteria.....	12
5.02	Selection Criteria.....	12
5.03	Selection Notification.....	14
Chapter 6 – Disbursement Requests		15
6.01	Disbursement Requests	15
6.02	Supporting Documentation	15
Chapter 7 – Compliance, Monitoring, Reporting, and Record Keeping		17
7.01	Compliance Monitoring Requirement	17
7.02	Compliance Reporting Requirement	17
7.03	Compliance Term	17
7.04	Quarterly Reporting	17
7.05	Final Reporting and Financial Reconciliation.....	18
7.06	Corrections and Funding Repayment	18
7.07	Record Keeping	18
Chapter 8 – General Loan Characteristics		19
8.01	Funding Source	19
8.02	Loan Terms.....	19
8.03	Prepayment.....	19
Chapter 9 – Grant Contracting Requirements		20
9.01	Funding Source	20
9.02	Grantee Requirements	20
9.03	Grantee Loans.....	20

9.04	Subgrantees	20
9.05	Budget Modifications.....	20
Chapter 10 – Transfer of Ownership		21
Appendix A: Terms and Definitions		22
Appendix B – Legal Addendum		26
1.01	Conflict and Control	26
1.02	Fraud	26
1.03	Misuse of Funds	26
1.04	Conflict of Interest	26
1.05	Assistance to Employees and Affiliated Parties.....	28
1.06	Suspension	28
1.07	Disclosure and Reporting.....	29
1.08	Electronic Signatures	29
1.09	Fair Housing Policy	29
1.10	Minnesota Government Data Practices.....	31
1.11	Prevailing Wage	31

Values Statement

All Minnesotans live and thrive in a stable, safe, and accessible home they can afford in a community of their choice. To achieve the concept of One Minnesota where everyone thrives, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from the housing economy.

We will:

- Center the people and places most impacted by housing instability at the heart of our decision making,
- Listen and share the power we have,
- Honor, respect, and strengthen communities, and
- Be inclusive, equitable, just and antiracist in our actions.

Chapter 1 – Introduction

1.01 Program Purpose and Authorizing Statute

The Community Stabilization Program was established pursuant to [Minnesota Laws 2023, chapter 37, article 1, section 2, subdivision 29](#) and [Minnesota Laws 2023, chapter 37, article 2, section 6](#) as a one-time program to preserve naturally occurring affordable housing.

[Minnesota Laws 2024, chapter 127, article 14, section 11](#) and [Minnesota Laws 2024, chapter 127, article 15, section 38](#) amended the appropriation for the Community Stabilization Program, specifying that \$50,000,000 is to be used to provide loans or grants for the Recapitalization of Distressed Buildings. Of this amount, up to \$15,000,000 is for preservation or Recapitalization of housing that includes Supportive Housing.

These funds will be available through Minnesota Housing's Community Stabilization: Distressed Multifamily Rental Building Program (the Program) and will be distributed through a competitive Request for Proposals (RFP) process for loans or grants. Funds provided as grants will be subject to the policies established by the [Minnesota Department of Administration Office of Grants Management](#).

Minnesota Housing will retain a portion of the available funding that is structured as grants to cover administrative costs in accordance with [Minnesota](#) Statutes, section 462A.05, subdivision 8.

1.02 Program Guide

This Program Guide, including subsequent changes and additions, will be incorporated into the Grant Contract Agreement or the Loan Agreement. Compliance with this Program Guide will be a requirement of receiving loan or grant funds. If there are any conflicts between the terms of this Program Guide and the Grant Contract Agreement or Loan Agreement, the Grant Contract Agreement or Loan Agreement will control.

For the purposes of this Program Guide, the Borrower or Grantee are collectively referred to as the Recipient.

1.03 Terms and Definitions

Appendix A: Terms and Definitions of this Program Guide includes definitions of capitalized terms used in this Program Guide.

1.04 Legal Addendum

Any Recipient of an award pursuant to the Program agrees to comply with the additional requirements and obligations as described in Appendix B: Legal Addendum of this Program Guide.

Chapter 2 – Eligibility Requirements

2.01 Eligible Properties

To be eligible for funding, the property must meet all the following threshold requirements:

- Be owned or controlled by an Eligible Recipient*
- Have all units restricted to households with incomes at or below 60% of the area median income (AMI) as determined by the United States Department of Housing and Urban Development (HUD), adjusted for household size, and this household income limit requirement must be documented in a recorded declaration, covenant, land use restrictive agreement, or other similar recorded document deemed acceptable at Minnesota Housing's sole discretion
- Have eight or more units
- Have been placed in service on or before December 31, 2023

Additionally, the property must meet at least one of the following qualifying requirements:

- Be at imminent risk of foreclosure, closure, or sale that would result in permanent loss of affordability
- Have two or more years of negative net operating income (NOI), exclusive of financial or in-kind operating support from the owner of the property
- Have two or more years with a debt service coverage ratio less than one
- Have necessary costs of repair, replacement, or maintenance that exceed revenues and the project reserves available for those purposes

*Although a local unit of government is an Eligible Recipient, Program funds can not be used for publicly owned housing. In these cases, the local unit of government may be awarded Program funds, but cannot have a direct ownership interest in the Distressed Building. The local unit of government may, however, have an ownership interest in the non-public ownership entity of the Distressed Building. It is highly recommended that all local units of government applying for Program funds obtain Minnesota Housing approval of the ownership structure as early as possible in the application process.

Only permanent residential rental housing, including Supportive Housing, is eligible for this Program. Assisted living facilities, nursing homes, shelters, transitional housing, and other similar facilities are not eligible for this Program.

2.02 Eligible Recipients

An Eligible Recipient is one of the following:

- A private for-profit developer, which includes but is not limited to a Limited Liability Company (LLC), Limited Partnership (LP), or other similar ownership entity with approval from Minnesota Housing at its sole discretion
- A tax-exempt Nonprofit Organization established under section 501(c)(3) of the Internal Revenue Code; a Nonprofit Organization may apply on behalf of the LLC, LP, or other similar organization provided the Nonprofit Organization controls at least 50% of the combined ownership of all general partners in the ownership entity of the property
- A Federally recognized American Indian Tribe located in Minnesota or its Tribally Designated Housing Entity
- Local unit of government (subject to the limitations described in section 2.01).

The Eligible Recipient must own or control the property, which is demonstrated by meeting one of the following criteria:

- The property is directly owned by the Eligible Recipient.
- The property is owned by an LLC, LP, or other similar ownership entity with approval from Minnesota Housing at its sole discretion, and the Eligible Recipient is the managing general partner or member of the LLC, LP, or other similar ownership entity. If there is more than one general partner or member, the Eligible Recipient must control at least 50% of the combined ownership of all general partners or members in the ownership entity.
- The Eligible Recipient has site control of the property as defined in Community Stabilization: Distressed Multifamily Rental Building RFP Application Instructions.
- The Eligible Recipient can demonstrate ownership or control of the property at Minnesota Housing's sole discretion.

If the property is not directly owned by the Recipient, the owner must agree to execute and record a recorded declaration, covenants, land use restrictive agreement, or other documentation, as described in section 3.02 of this Program Guide, and any other documentation as determined by Minnesota Housing at its sole discretion.

2.03 Eligible Uses

Program funds may be used for financing the physical and financial needs that are necessary to stabilize an Eligible Property, which includes:

- Debt Restructure that stabilizes or improves property cash flow
- Deferred maintenance and rehabilitation, including costs related to the purpose of rehabilitation, such as:
 - Architecture and design costs, general contractor costs, and permits
 - Environmental reviews and remediation, including lead-based paint, asbestos, and radon mitigation

- Closing costs, including legal, title, survey, and loan fees
- Temporary relocation expenses incurred as a result of the rehabilitation
- Project management fees that are the lesser of 5% of the total project costs or \$100,000
- Property operating costs including, but not limited to, property insurance, front desk, security/safety, tenant service coordination, Supportive Services, case management, program staff, and one-time or short-term staff retention incentives. Reporting, compliance and monitoring costs detailed below are considered operating costs.
- Capitalized replacement, operating, and/or Supportive Service reserves; See section 6.02 (Supporting Documentation) of this Program Guide for additional information
- Financing to sell or transfer ownership of a property to a qualified owner that will commit to long-term affordability, as determined by Minnesota Housing at its sole discretion
- Costs associated with required reporting, compliance, and monitoring, including third-party auditors and accountants

Minnesota Housing may approve, at its sole discretion, other uses that support the physical and financial needs of the property.

For funding selections structured as a grant, only costs of Eligible Uses incurred after the Grant Contract Agreement is fully executed are eligible for reimbursement. For funding selections structured as loans, the Recipient may be reimbursed for costs of Eligible Uses incurred prior to executing a Loan Agreement with Minnesota Housing's approval at its sole discretion.

2.04 Ineligible Uses

Ineligible uses of funds include but are not limited to:

- New construction; for example, adding units or buildings
- Adding new amenities that are not already part of the property; for example, pools, fitness centers, basketball courts, and other luxury amenities
- Permanent relocation expenses

Approval or disapproval of any use of funds is at the sole discretion of Minnesota Housing.

Chapter 3 – Program Requirements

3.01 Statutory Priorities

Priority shall be given to properties that meet the requirements of one or more of the following criteria:

- (a) Buildings where resident household incomes are at or below 30% AMI;
- (b) Buildings at imminent risk of foreclosure, closure, or sale that would result in permanent loss of affordability;
- (c) Applicants who have a path to achieve neutral or positive net operating income within five years;
- (d) Applicants who keep subject properties affordable; or
- (e) Buildings that are not eligible or not prioritized for other Minnesota Housing programs.

Minnesota Housing, at its sole discretion, will determine if the evidence substantiates qualification under any of the criteria.

Buildings Where Resident Household Incomes are at or Below 30% AMI

For the purposes of this Program, this criterion will be evaluated based on the occupied units rented to households with annual income, according to the most recent income certification as of March 1, 2025, that are at or below 30% AMI as determined by HUD, adjusted for household size. The most recent income certification may have occurred in a prior calendar year including initial move-in.

Buildings at Imminent Risk of Foreclosure, Closure, or Sale that would Result in Permanent Loss of Affordability

The Applicant must provide evidence of bankruptcy, insolvency, default, foreclosure action, unpaid taxes and assessments, ongoing lack of compliance with lenders or terms of federal assistance, or self-determination by a Nonprofit Organization board that are severe enough to put the property at significant risk of not remaining decent, safe, and affordable.

Under this criterion, Minnesota Housing may, at its sole discretion, require the property be transferred to an unrelated party to be eligible for funding under this Program.

Applicants who Have a Path to Achieve Neutral or Positive Net Operating Income within Five Years

On a form provided by Minnesota Housing, the Applicant shall provide a Property Stabilization Plan and supporting documentation demonstrating how the property will achieve this criterion if selected for funding under this Program. The Property Stabilization Plan will be evaluated based on such factors

as the quality and completeness of the plan, financial feasibility, property staffing, and addressing critical financial needs. Minnesota Housing, at its sole discretion, will determine if the evidence substantiates qualification under this criterion.

Applicants who Keep Subject Properties Affordable

To qualify, the Applicant must commit to maintaining all of the property's Affordability Requirements, as documented in a land use restrictive agreement, declaration, covenant, or other documentation acceptable to Minnesota Housing for the Affordability Period.

Buildings that are Not Eligible or Not Prioritized for Other Minnesota Housing Programs

For the purposes of this Program, other Minnesota Housing programs include:

- The Annual Multifamily Consolidated RFP, including Housing Tax Credit (HTC) Round 1 and Round 2 and all deferred loan programs included in the Annual Multifamily Consolidated RFP
- 4% HTC due to an application submitted for tax-exempt volume limited bonds to Minnesota Management and Budget
- The Rental Rehabilitation Deferred Loan Program
- The Publicly Owned Housing Program

A property will have been considered not prioritized for other Minnesota Housing programs if an application was submitted to any of the above programs in calendar year 2020 or after and not selected for capital funding.

3.02 Rent and Income Limit Requirements

All units shall have gross rents that are at or below 60% [Multifamily Tax Subsidy Projects \(MTSP\) Rent Limits](#).

All units shall have household income at or below 60% MTSP Income Limits, adjusted for household size.

The rent restrictions and the income restrictions, collectively the Affordability Requirements, shall be demonstrated in the form of a recorded declaration, covenants, land use restrictive agreement, or other documentation as provided by Minnesota Housing at its sole discretion that remains in place for the term of the Affordability Period.

Units occupied by households benefited by project-based or tenant-based rental assistance such as Section 8 or a similar state or local government rental assistance program or a housing support agreement are deemed to satisfy the rent and income restrictions.

3.03 Affordability Period

The Affordability Period shall be at least five years after the Grant Contract Agreement is fully signed or for the term of the loan, as applicable.

3.04 Utility Allowances

Tenant-paid utility allowances are included in gross rent. Generally, acceptable utility allowances are those provided by public housing authorities on a Section 8 utility allowance schedule. Utility allowances must be updated annually.

3.05 Voucher Acceptance

Rental properties that receive funds under this Program may not reject an applicant based solely on their status as a holder of a rental subsidy, including but not limited to vouchers under section 8 of the United States Housing Act of 1937, as amended.

3.06 Design and Construction Requirements

Minnesota Housing encourages sustainable, healthy housing that optimizes the use of cost-effective materials and systems that minimize the consumption of natural resources both during rehabilitation and for long-term maintenance and operations.

For rehabilitation projects, Recipients are required to comply with each of the following:

- The most recently adopted edition of the Minnesota State Building Code
- Other local, state, and national codes and standards in effect; the most restrictive codes and regulations will apply
- If applicable based on the scope of rehabilitation, Minnesota Housing's Limited Scope Project Sustainability Requirements, which can be found on Minnesota Housing's [Building Standards](#) webpage

3.07 Tenant Selection Plan

Minnesota Housing is committed to creating equitable, affordable, and accessible housing for all Minnesotans. Tenant selection plans and tenant screening criteria that reduce barriers to housing access are critical to these efforts. It is recommended that all Recipients selected for Program funds follow Minnesota Housing's [Tenant Selection Plan Guidelines](#).

Chapter 4 – Application Information

4.01 Financial and Organizational Capacity

Applicants must submit the required qualification forms. The qualification forms, along with additional information and instructions for submittal, can be found on Minnesota Housing's [Development Team Qualification Forms](#) webpage.

4.02 Management and Operating Budget

The budget submitted in the application is reviewed and compared to the historical operating performance and budget(s) of comparable Minnesota Housing financed developments.

Minnesota Housing reserves the right to reject or adjust the operating and maintenance figures based on the information provided specific to development type, circumstances, and significant changes to the economics of the development's current marketplace.

4.03 Private Lender Participation

A property cannot use Program funds to refinance or repay Private Debt without meaningful loan concessions from the Private Debt lender.

Applicants proposing to use Program funds for the purpose of refinancing or to repay some or all the Private Debt on a property must include a detailed description of the proposed transaction in the application, including how the refinancing will help stabilize the property and a term letter signed by the Private Debt lender detailing the loan concessions the lender will provide if the application is selected for funding. Concessions include but is not limited to restructuring and forgiveness of amortizing and deferred debt, principal and interest paydown, interest-rate write-down, deferral of debt payments, and mortgage payment forbearance. The value of the lender concessions must be clearly stated in the letter along with any conditions of approval.

The value of the loan concessions must be meaningful to the property, which shall be determined at the sole discretion of Minnesota Housing.

Prior to executing a Loan Agreement or Grant Contract Agreement, the Recipient must secure a signed commitment from the Private Debt lender for the loan concessions. Any changes to the loan concessions are subject to approval by Minnesota Housing. Failure to receive the loan concession commitment may result in a reduced, modified or cancelled Program funding award.

4.04 Property Stabilization Plan

All applications shall demonstrate financial need where an infusion of new funding will allow the Applicant to stabilize the property for at least five years. A Property Stabilization Plan shall be

submitted which ties to the proposed use of Program funds. The Property Stabilization Plan may include but is not limited to the following:

- Identification of how the property will achieve neutral or positive net operating income within five years
- At least five year cash flow projections if selected for funding, including identifying any cost savings
- Staffing plan
- Critical capital needs
- How capitalized reserves will be used, if applicable
- Refinancing of existing debt, if applicable

4.05 Relocation Plan

Proposals that include temporary relocation must submit a relocation plan. The Applicant must thoroughly assess the potential for displacement.

The plan must include each of the following:

- A description of the project
- A list of any other funding source(s) that will require compliance with the Uniform Relocation Act (URA) or a statement that no other funding source(s) will require compliance with the URA
- A description of any temporary relocation, if any, that will or may occur based on the scope of work
- A description of how tenants' needs will be accommodated while they are temporarily displaced
- A description of how tenants with disabilities will be accommodated
- A description of what the development team will do to help displaced tenants who have additional challenges when facing temporary or permanent voluntary displacement; for example, households with a large family size
- A description of the assistance and compensation that will be offered to tenants who will either be temporarily relocated or permanently and voluntarily displaced
- An estimated budget identifying relocation/displacement expenses and an identified funding source
- A relocation plan timeline

Minnesota Housing prohibits permanent involuntary displacement of residents from developments receiving Minnesota Housing funding.

4.06 Program Fees

For project selections structured as loans, please review the Multifamily Loan Programs and Housing Tax Credit Fee Schedule for applicable fees.

Chapter 5 – Application Process, Review Criteria, and Selections

Funding for this Program will be allocated through a competitive Request for Proposals (RFP) process.

Applications requesting grants are subject to applicable policies established by the [Minnesota Department of Administration's Office of Grants Management](#).

Minnesota Housing will make scoring criteria, application forms, and instructions available on its website at such times and for such duration as it deems necessary and appropriate to fulfill the goals of the Program.

Funding selections are subject to approval by Minnesota Housing's board of directors. Minnesota Housing's award decisions are final and are not subject to appeal.

5.01 Minimum Threshold Criteria

To meet the minimum threshold criteria, each of the following must be true:

- The building is an eligible property as described in section 2.01 (Eligible Properties) of this Program Guide.
- The Applicant is an Eligible Recipient as described in section 2.02 (Eligible Recipients) of this Program Guide.
- The application is for an eligible use as described in section 2.03 (Eligible Uses) of this Program Guide.
- The application provides documentation demonstrating that it meets at least one of the statutory priorities in section 3.01 (Statutory Priorities) of this Program Guide.
- The project will not result in permanent displacement of households.
- The application is complete.
- The application is submitted by the deadline.

Minnesota Housing, at its sole discretion, reserves the right to request additional information or to deem an error related to an application to be immaterial.

5.02 Selection Criteria

In conjunction with application scores, Minnesota Housing will evaluate Program RFP applications on such criteria as:

Project Feasibility

Applications must demonstrate and satisfy the following project feasibility requirements, as applicable:

- The costs of rehabilitating the housing are reasonable based on market conditions and/or justifiable as determined by Minnesota Housing at its sole discretion.
- The operating and maintenance costs are reasonable based on market conditions and/or justifiable as determined by Minnesota Housing at its sole discretion.
- The housing is economically viable and sustainable.
- There is demonstrated organizational capacity as determined by Minnesota Housing at its sole discretion.

Applications determined to not meet feasibility requirements will not be processed further in the applicable funding cycle. An application's financial structuring may be revised by Minnesota Housing during this review to help ensure financial feasibility and/or meet required components of the applicable underwriting standards. A reduction to the application's scoring may occur as a result of these revisions.

Property Stabilization Plan

The application shall include a plan that demonstrates how the Program funding will be used to stabilize the property for at least five years, which may include operational costs, physical needs, and Supportive Services.

Amount of Funding Requested

Minnesota Housing considers the amount of funding requested in comparison to available resources in order to fully fund or nearly fully fund as many projects as reasonably feasible, which may result in not selecting higher scoring projects. This includes instances where insufficient resources are available to fully fund or nearly fully fund a project.

Minnesota Housing may establish funding limits per eligible Recipient and per unit funding limits. Any funding limits will be set at Minnesota Housing's sole discretion.

Private Lender Participation

If applicable, the application includes the information required in section 4.03 (Private Lender Participation) of this document, and the proposed Private Debt loan concessions are deemed meaningful to the property, which shall be determined at the sole discretion of Minnesota Housing. Where applicable, Minnesota Housing will apply the [Multifamily Underwriting Standards](#) to evaluate the terms of the Debt Restructure.

Geographic Distribution

Minnesota Housing considers geographic distribution, including Tribal Reservations, of resources and the resulting amount and type of anticipated housing production throughout the state when making the Program selection decisions.

5.03 Selection Notification

After selection, the Applicant will receive a funding selection letter with the anticipated loan or grant amount, terms, and due diligence requirements.

Chapter 6 – Disbursement Requests

6.01 Disbursement Requests

The Recipient shall submit disbursement requests using the template provided by Minnesota Housing. The disbursement request must include the supporting documentation as further detailed in section 6.02 (Supporting Documentation) of this Program Guide.

Disbursements will only be made to the Recipient or their designated title agent as approved by Minnesota Housing.

Disbursement requests will not be processed more than once per month.

6.02 Supporting Documentation

Based on the expense category, the Recipient shall include the required documentation¹ with the reimbursement request. The submitted documentation must clearly indicate the applicable eligible expense category.

Table 1: Required Documentation for each Expense Use Category

Expense Use Category	Required Documentation
Deferred maintenance and rehabilitation	Invoice from the vendor with a description of the services and the cost. The invoice must include the applicable property name, property address, and time period of the activity. These expenses are disbursed on a reimbursement basis only.
Property operating costs	Invoice from the vendor with a description of the services, the time period of the activity, and how the total cost was determined. These expenses are disbursed on a reimbursement basis only.
Supportive Services costs	Invoice from the vendor with a description of the services, the time period of the activity, and how the total cost was determined. These expenses are disbursed on a reimbursement basis only.
Capitalized operating reserves	To be determined based on funding selection.
Capitalized replacement reserves	To be determined based on funding selection.
Capitalized Supportive Services reserves	To be determined based on funding selection.
Closing costs (loans only)	Invoice from the vendor with a description of the services and the cost. The invoice must include the applicable property name, property address, and time period of the activity. These expenses are disbursed on a reimbursement basis only.

¹ Alternative documentation may be accepted at the sole discretion of Minnesota Housing.

Expense Use Category	Required Documentation
Additional expenses for financing the physical and financial needs of the property that have been pre-approved by Minnesota Housing in writing.	To be determined based on the pre-approved expense.
Refinancing	To be determined based on the pre-approved expense.
Financing to sell or transfer ownership of the property	To be determined based on the pre-approved expense.
Costs associated with required reporting, compliance and monitoring	<p>Invoice from the independent accounting firm/auditor that includes the accounting firm's/auditor's license number, legal name, and address of the business conducting the audit, and the name and title of the person completing the audit; if applicable, also include an invoice for the actual cost of staff time to help prepare required compliance, monitoring, financial reporting and/or financial auditing.</p> <p>If a third party provider is assisting in preparing required reporting, compliance and monitoring documentation, please include an invoice that states legal name of provider, address, name and title of person conducting the work.</p>

Minnesota Housing may request additional documentation as needed to verify expenses. The Recipient shall retain all backup documentation related to the reimbursement request, which may include invoices from private contractors, employee timesheets, etc.

Chapter 7 – Compliance, Monitoring, Reporting, and Record Keeping

7.01 Compliance Monitoring Requirement

Minnesota Housing performs periodic inspections of the projects financed. The frequency of physical inspections is determined by several factors such as type, term, and amount of funding award. Recipients will be notified in advance of any inspection. Grantees will need to comply with Minnesota Department of Administration Office of Grants Management [Policy 08-10](#).

7.02 Compliance Reporting Requirement

Recipients are required to provide annual reporting in a form and manner directed by Minnesota Housing. An annual Certification of Compliance and occupancy data on all units in the property must be submitted. Owners must maintain year-end operating (financial) reports and make them available upon request. Grantees will need to comply with Minnesota Department of Administration Office of Grants Management [Policy 08-10 and Policy 08-09 regarding Grant Progress reports](#).

7.03 Compliance Term

All projects funded with Program loans or grants are required to comply with Affordability Requirements and are subject to monitoring and reporting for the term of the Affordability Period. Recipients must retain files for six years after the expiration or termination of the Affordability Period.

7.04 Quarterly Reporting

The Recipient shall provide quarterly reports on project status that includes, as applicable:

- Funds spent by eligible use
- Status of rehabilitation work and work completed
- Staffing
- Supportive Services
- Refinancing activities
- Occupancy
- Quarterly financial reports

The minimum reporting requirements may be modified depending on the uses of the Program funds. If the Recipient fails to submit the quarterly report within 30 days after the end of the quarter, Minnesota Housing may withhold any additional disbursements.

7.05 Final Reporting and Financial Reconciliation

In addition to the quarterly reporting requirements in section 7.04 (Quarterly Reporting) of this Program Guide, a financial reconciliation that meets Minnesota Department of Administration Office of Grants Management [Policy 08-10](#) shall be completed before the final payment is made. Minnesota Housing may require the Recipient to engage with a third-party accounting or auditing firm to conduct the financial reconciliation.

7.06 Corrections and Funding Repayment

If Minnesota Housing or the independent accounting firm/auditor identifies any ineligible expenses or other irregularities in the reconciliation, Minnesota Housing will:

- Review the report and financial audit to determine if corrections or funding repayment is necessary
- Notify the Recipient of the correction requirements and/or repayment requirements

The Recipient shall have 10 business days to respond to Minnesota Housing to appeal the determination and submit any supporting documentation that supports its appeal or return the improperly invoiced funds. Minnesota Housing may extend the appeal period at its sole discretion. Grantees that fail to comply and/or return funds for ineligible uses within 10 business days may be subject to consequences, including a finding of unacceptable practices in future RFPs, suspension from doing business with Minnesota Housing, and/or any other disciplinary or legal action Minnesota Housing deems appropriate and as determined at Minnesota Housing's sole discretion.

7.07 Record Keeping

Recipients are responsible for maintaining records that document the use of all Program funds. Recipients must save copies of all books, records, Program files, documents, and accounting procedures related to the grant or loan in a secure and organized format. Recipients must maintain these documents for a minimum of six years from the end of the Affordability Period for the Grant Contract Agreement or Loan Agreement.

Minnesota Housing reserves the right to review all records during this six-year period, and records must be made available to Minnesota Housing, the Office of Legislative Auditor and/or the Office of the State Auditor upon request.

Documents to save and retain include, but are not limited to:

- Executed Grant Contract Agreement, Loan Agreements, and any amendments
- Reports submitted by the Recipient to Minnesota Housing
- Invoices and supporting invoice documentation (receipts, proof of payment, etc.)
- Written approvals from Minnesota Housing

Chapter 8 – General Loan Characteristics

8.01 Funding Source

Funds for the Program are appropriated by the Minnesota Legislature.

8.02 Loan Terms

For Applicants that select the loan option, the loan will be structured as a deferred, forgivable, or amortizing loan with fixed or cash flow payments depending on the needs and financial structure of the project. An interest rate is not required but can be included if necessary for the financial structure of the project.

Alternative loan structures may be considered but are subject to approval at Minnesota Housing's sole discretion. For example, an alternative loan structure may include a loan to a Borrower which is a Nonprofit Organization that subsequently loans or contributes the funds to one or more properties owned or controlled by the Borrower.

Minnesota Housing may also allow non-recourse debt on secured loans to single asset entities.

The Borrower must close on the loan within 20 months after the Minnesota Housing board selection date. If the Borrower requests an End Loan, the Borrower must enter into a loan commitment within 20 months after the Minnesota Housing board selection date.

8.03 Prepayment

The loan may be prepaid in full at any time. Minnesota Housing may charge a prepayment fee to cover the approximate administrative costs incurred by Minnesota Housing in processing the prepayment.

Chapter 9 – Grant Contracting Requirements

9.01 Funding Source

Funds for the Program are appropriated by the Minnesota Legislature.

9.02 Grantee Requirements

The Grantee is a party to the Grant Contract Agreement and shall adhere to the following requirements which include, but are not limited to, the activities listed below.

- Execute the Grant Contract Agreement(s) with Minnesota Housing outlining the eligible uses. The Grantee may also be responsible for completing the proposal, budget, work plan, and/or other exhibits to the Grant Contract Agreement(s).
- Complete and submit all invoices and required reports on time in a manner determined by Minnesota Housing.
- Have a written conflict of interest policy and take necessary steps to prevent individual and organizational conflicts of interest. All suspected, disclosed, or discovered conflicts of interest must be reported to Minnesota Housing in a timely manner.
- Comply with applicable contracting and bidding requirements defined in the Grant Contract Agreement.
- Comply with all affirmative action and non-discrimination requirements defined in the Grant Contract Agreement.
- Comply with all applicable state statutes, rules, and policies, including the 13 policies required by the [Minnesota Department of Administration Office of Grants Management](#).

9.03 Grantee Loans

Grantees may loan the Program funds to the project with prior approval from Minnesota Housing.

9.04 Subgrantees

Subgrantees are not permitted.

9.05 Budget Modifications

Work plan and budget modifications require pre-approval at the sole discretion of Minnesota Housing.

Budget modifications may require an amendment to the Grant Contract Agreement. In such cases, expenses incurred before the amendment to the Grant Contract Agreement is fully executed are ineligible for reimbursement.

Chapter 10 – Transfer of Ownership

The following transactions need to be pre-approved in writing by Minnesota Housing during the Affordability Period:

- Sale of the property to another eligible entity
- Transfers of general partner or member interests
- Assumptions and subordinations of the loan
- Assignment of the Grant Contract Agreement

Approval must be requested through the Request for Action (RFA) Process. Approval is at Minnesota Housing's sole discretion and will only be considered (but not guaranteed to be approved) if each of the following are true:

- The Recipient is not in default of any of its agreement(s) with Minnesota Housing
- The new entity has the capacity to successfully operate the property, in Minnesota Housing's sole opinion
- The new entity assumes all contractual obligations with Minnesota Housing
- Payment of an assumption, subordination, and/or assignment fee is submitted, if required

Appendix A: Terms and Definitions

Table 2: Terms and Definitions

Terms	Definitions
Affordability Period	The period of time, established by Minnesota Housing, that the Recipient agrees to comply with rent, income, and compliance reporting and monitoring requirements for the project as outlined in section 3.03 (Affordability Period) of this Program Guide.
Affordability Requirement	The rent and income restrictions, that the Recipient agrees to comply with, outlined in section 3.02 (Rent and Income Limit Requirements) of this Program Guide.
Annual Multifamily Consolidated RFP	The Annual Multifamily Consolidated RFP is a competitive funding round, offered once per year, which provides a means of "one stop shopping" by consolidating and coordinating multiple multifamily housing capital funding resources into one application process.
Applicant	Individual or entity that applies for Program funds.
Borrower	An Eligible Recipient that has been selected for Program loan funding by Minnesota Housing.
Community Stabilization Program	Program established by Minnesota Laws 2023, ch. 37, art. 2, sec. 6 and amended by Minnesota Laws 2024, ch. 127, art. 14, sec. 11. and Minnesota Laws 2024, ch. 127, art. 15, sec. 38 – 43.
Debt Restructure	Debt Restructure includes but is not limited to: <ul style="list-style-type: none"> • Restructuring and forgiveness of amortizing and deferred debt • Principal and interest paydown • Interest rate write-down • Deferral of debt payments • Mortgage payment forbearance
Distressed Building	An existing multifamily rental housing building in which the units are restricted to households at or below 60% of the area median income (AMI) as determined by the United States Department of Housing and Urban Development (HUD), adjusted for household size that: <ol style="list-style-type: none"> 1. Is at imminent risk of foreclosure, closure, or sale that would result in permanent loss of affordability; 2. Has two or more years of negative net operating income, exclusive of financial or in-kind operating support from the owner of the property; 3. Has two or more years with a debt service coverage ratio less than one; or 4. Has necessary costs of repair, replacement, or maintenance that exceed the project reserves available for those purposes.

Terms	Definitions
Eligible Property	An Eligible Property pursuant to the Program as further described in section 2.01 (Eligible Property) of this Program Guide.
Eligible Recipient	An Eligible Recipient pursuant to the Program as further described in section 2.02 (Eligible Recipients) of this Program Guide.
End Loan	A permanent long-term loan that is used to pay off a short-term rehabilitation loan or other form of interim financing.
Grant Contract Agreement	The Grant Contract Agreement signed between Minnesota Housing Finance and the Grantee for the Program.
Grantee	An Eligible Recipient selected by the Minnesota Housing to receive grant Program funding.
Housing Tax Credit Round 1	Housing Tax Credit (HTC) Round 1 is offered through the Multifamily Consolidated RFP and uses a forward selection process with selections taking place late in the calendar year preceding the allocation year of the HTCs.
Housing Tax Credit Round 2	Housing Tax Credit (HTC) Round 2 establishes a waiting list for projects that do not receive an initial allocation. If additional HTCs become available, Minnesota Housing will pull projects from this list for a feasibility review to evaluate further allocations.
Loan Agreement	The Loan Agreement between Minnesota Housing and the Borrower and any related documents evidencing a loan pursuant to the Program.
Minnesota Housing	The Minnesota Housing Finance Agency
Minnesota State Building Code	<p>Adopted by the Minnesota Department of Labor and Industry and designed to promote cost-effective ways of ensuring building safety and efficiency.</p> <p>The Minnesota State Building Code is the minimum construction standard throughout all of Minnesota including all cities, townships, and counties. Although it isn't enforceable by municipalities unless it is adopted by local ordinance, the Minnesota State Building Code creates a level playing field for the construction industry by establishing the construction standard for all buildings in the state.</p>
Multifamily Rental Building	A single residential property with eight or more housing units that are available for rent.
Multifamily Tax Subsidy Project (MTSP)	<p>Income limits published annually by HUD that are used to determine qualification levels as well as set maximum rental rates for projects funded with tax credits authorized under section 42 of the Internal Revenue Code and projects financed with tax exempt housing bonds issued to provide qualified residential rental development under section 142 of the Internal Revenue Code.</p> <p>Such limits must follow the hold-harmless policy established in section 3009 of the Housing and Economic Recovery Act of 2008</p>

Terms	Definitions
	based on the limits in effect on the date of the funding application or, for projects receiving Low-Income Housing Tax Credits under section 42 of the Internal Revenue Code, the placed in service date.
Nonprofit Organization	A tax-exempt Nonprofit Organization under section 501(c)(3) of the Internal Revenue Code that was established before January 1, 2025, as demonstrated by registration or filing of organizational documents with the state of origin.
One Minnesota	The One Minnesota Plan is a vision for what our state can be and how we can make this vision a reality.
Private Debt	A debt owed to a non-public, non-governmental entity. The loan needs to be secured by the Distressed Building and be between two or more unrelated and unaffiliated parties acting independently and in their self-interest.
Program	Community Stabilization: Distressed Multifamily Rental Building Program
Program Guide	This Community Stabilization: Distressed Multifamily Rental Building Program Program Guide
Property Stabilization Plan	A plan that demonstrates how the Program funding will be used to stabilize the property for at least five years, which may include operational costs, physical needs, and supportive services.
Publicly Owned Housing Program	The Publicly Owned Housing Program was first established by the Minnesota Legislature in 2005 to offer assistance to Housing and Redevelopment Authorities, Public Housing Authorities, and Community Development Agencies that provide public housing to individuals and families (households with children) and is implemented through Minn. Stat. 462A.202 .
Recapitalization	Financing for the physical and financial needs of a Distressed Building, including restructuring and forgiveness of amortizing and deferred debt, principal and interest paydown, interest rate write-down, deferral of debt payments, mortgage payment forbearance, deferred maintenance and rehabilitation, funding of reserves, and property operating costs including but not limited to Supportive Services, security services, and property insurance. Recapitalization may include financing to sell or transfer ownership of a property to a qualified owner that will commit to long-term affordability as determined by the Commissioner.
Recipient	Borrower or Grantee
Rental Rehabilitation Deferred Loan Program	Minnesota Housing's authority to operate Rental Rehabilitation Deferred Loan Program is found in Minn. Stat. 462A.05, subdivision 14 and Minn. Stat. 462A.33 . The Rental Rehabilitation Deferred Loan Program provides financing options for moderate

Terms	Definitions
	<p>rehabilitation to owners of existing smaller scale, permanent rental housing in Minnesota.</p> <p>The overarching Rental Rehabilitation Deferred Loan Program goal is to repair and preserve rental housing stock with federal project-based rent assistance or permanent rental housing that is naturally affordable to the local workforce and convenient to jobs, transportation, and essential services.</p>
Request for Action (RFA) Process	The process which must be used for all servicing requests including, but not limited to, assumptions, ownership/management company changes, subordinations, and payoffs. Refer to Minnesota Housing's RFA and Change Notifications webpage for information on how to complete this process.
Request for Proposals (RFP)	The competitive process of applying for Program funds.
Section 8	HUD's housing choice voucher program for assisting very low-income families, the elderly, and people with disabilities to afford decent, safe, and sanitary housing in the private market.
Supportive Housing	Supportive Housing is permanent housing affordable to the people served and provides access to an array of services designed to foster housing stability and improve health and quality of life.
Supportive Services	Supportive Services include, but is not limited to, such activities as case management, mental health services, educational services, employment services, life skills training, children's services and activities, and support groups.
Tribally Designated Housing Entity	Entities that meet the requirements defined by United States Code, title 25, section 4103(22) .
Uniform Relocation Act (URA)	The Uniform Relocation Act applies to federally funded projects involving rehabilitation or acquisition. The URA provides displaced persons with fair, equitable treatment and protection from disproportionate injury by projects designed to benefit the public. The URA requirements must be adhered to by the owner. If the borrowing entity will be displacing or temporarily relocating tenants, a tenant relocation plan that conforms to all URA requirements is mandatory and must include an outline of how 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.

Appendix B – Legal Addendum

1.01 Conflict and Control

In the event of any conflict between the terms of this Addendum and the document to which it is attached, the terms of this Addendum will govern and control.

1.02 Fraud

Fraud is any intentionally deceptive action, statement or omission made for personal gain or to damage another.

Any person or entity (including its employees and affiliates) that enters into a contract 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 communication channels described in section 1.07.

1.03 Misuse of Funds

A contracting party that receives funding from Minnesota Housing 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 recipient to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the recipient must use Minnesota Housing funds as agreed, and the recipient 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 recipient; or (2) a recipient cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the contract.

Any recipient (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 communication channels described in section 1.07.

1.04 Conflict of Interest

A conflict of interest – Actual, Potential or Appearance of a Conflict of Interest – 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 Conflict of Interest or Appearance of a Conflict of Interest exists even if no unethical, improper or illegal act results from it.

- **Actual Conflict of Interest:** An Actual Conflict of Interest occurs when a person's decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.
- **Potential Conflict of Interest:** A Potential Conflict of Interest may exist if a person has a relationship, affiliation or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations or interests.
- **Appearance of a Conflict of Interest:** The Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person's personal interest, affiliation or relationship inappropriately influenced that person's action, even though there may be no Actual Conflict of Interest.

A conflict of interest includes 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 Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.

- **Business:** Any company, corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, self-employed individual or any other legal entity which engages either in nonprofit or profit-making activities.
- **Family Member:** A person's current and former spouse; children, parents, and siblings; current and former children-in-law, parents-in-law, and siblings-in-law; current and former stepchildren and stepparents; grandchildren and grandparents; and members of the person's household.
- **Friend:** A person with whom the individual has an ongoing personal social relationship. "Friend" does not generally include a person with whom the relationship is primarily professional or primarily based on the person being a current or former colleague. "Friend" does not include mere acquaintances (that is, interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.
- **Outside Interest:** An Outside Interest may occur when an individual, their Family Member or their Partner has a connection to an organization via employment (current or prospective), has a financial interest or is an active participant.
- **Partner:** A person's romantic and domestic partners and outside Business partners.
- **Relative:** Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage or legal action with whom the individual has a close personal relationship.

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 a contract with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all conflicts of interest through one of the communication channels described in section 1.07.

A contracting party should review its contract and request for proposals (RFP) material, if applicable, for further requirements.

1.05 Assistance to Employees and Affiliated Parties

Any party entering into a contract with Minnesota Housing for the purpose of receiving an award or benefit in the form of a loan, grant, combination of loan and grant or other funding is restricted in issuing a loan, grant, combination of loan and grant or other funding to a recipient ("Affiliated Assistance") who is also: (1) a director, officer, agent, consultant, employee or Family Member of an employee of the contracting party; (2) an elected or appointed official of the State of Minnesota; or (3) an employee of Minnesota Housing, unless each of the following provisions are met:

- The recipient meets all eligibility criteria for the program;
- The assistance does not result in a violation of the contracting party's internal conflict of interest policy, if applicable;
- The assistance does not result in a conflict of interest as outlined in section 1.04;
- The assistance is awarded utilizing the same costs, terms and conditions as compared to a similarly situated unaffiliated recipient and the recipient receives no special consideration or access as compared to a similarly situated unaffiliated recipient; and
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and independent of any Family Member of the recipient. Family Member is defined in section 1.04.

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to the award, that the Affiliated Assistance meets each of the provisions outlined above. This documentation must be included in the Affiliated Assistance file and must be made available to Minnesota Housing upon request. Affiliated Assistance that does not meet each of the provisions outlined above will be considered a violation of Minnesota Housing conflict of interest standards and must be reported by the contracting party through one of the communication channels outlined in section 1.07.

1.06 Suspension

By entering into any contract 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 contract) has not been suspended from doing business with Minnesota Housing. Please refer to

Minnesota Housing’s website for a list of [suspended individuals and organizations](#) (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing, then select Suspensions from the menu).

1.07 Disclosure and Reporting

Minnesota Housing promotes a “speak-up, see something, say something” culture whereby internal staff must immediately report instances of fraud, misuse of funds, conflicts of interest or other concerns without fear of retaliation through one of the communication channels listed below. External business partners (for example, administrators, grantees or borrowers) and the general public are strongly encouraged to report instances of fraud, misuse of funds, conflicts of interest or other concerns without fear of retaliation using these same communication channels.

- Minnesota Housing’s Chief Risk Officer at 651.296.7608 or 800.657.3769 or by email at MHFA.ReportWrongdoing@state.mn.us;
- Any member 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).

1.08 Electronic Signatures

Minnesota Housing will use and accept e-signatures on eligible program documents subject to all requirements set forth by state and federal law and consistent with Minnesota Housing policies and procedures. The use of e-signatures for eligible program documents is voluntary. Questions regarding which documents Minnesota Housing permits to be e-signed should be directed to Minnesota Housing staff.

1.09 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 requires those in the business of buying and selling dwellings to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

Under certain circumstances, 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.

1.10 Minnesota Government Data Practices

Minnesota Housing, and any party entering into a contract with Minnesota Housing, must comply with the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13, as it applies to all data provided by Minnesota Housing under the contract, and as it applies to all data created, collected, received, stored, used, maintained or disseminated by the contracting party under the contract. The civil remedies of Minnesota Statutes Section 13.08 apply to the release of the data referred to in this section by either the contracting party or Minnesota Housing. If the contracting party receives a request to release the data referred to in this section, the contracting party must notify Minnesota Housing. Minnesota Housing will give the contracting party instructions concerning the release of the data to the requesting party before the data is released. The contracting party's response to the request shall comply with applicable law.

1.11 Prevailing Wage

Under certain circumstances, awards of Minnesota Housing funds may trigger state prevailing wage requirements under [Minnesota Statutes Chapter 177](#) or [Minnesota Statutes Section 116J.871](#). In broad terms, Minnesota Statutes Chapter 177 applies to an award of \$25,000 or greater for housing that is publicly owned. Minnesota Statutes Section 116J.871 applies to awards for non-publicly owned housing that meet the following conditions: (1) new housing construction (not rehabilitation of existing housing); (2) a single entity receives from Minnesota Housing \$200,000 or more of grant proceeds or \$500,000 of loan proceeds; or (3) allocations or awards of low-income housing tax credits, for which tax credits are used for multifamily housing projects consisting of more than ten units.

Minnesota Statutes Section 116J.871 sets out several exceptions to the applicability of prevailing wage including (1) rehabilitation of existing housing; (2) new housing construction in which total financial assistance at a single project site is less than \$100,000; and (3) financial assistance for the new construction of fully detached single-family affordable homeownership units for which the financial assistance covers no more than ten fully detached single-family affordable homeownership units.

Entities receiving funding from Minnesota Housing as described in this section shall notify all employers on the project of the recordkeeping and reporting requirements in Minnesota Statutes Section 177.30, paragraph (a), clauses (6) and (7). Each employer shall submit the required information to Minnesota Housing.

Questions related to submission of required information to Minnesota Housing may be directed to: mhfa.prevailingwage@state.mn.us.

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

Division of Labor Standards and Apprenticeship
State Program Administrator

443 Lafayette Road N, St. Paul, MN 55155
651.284.5091 or dli.prevwage@state.mn.us

If a contractor or subcontractor fails to adhere to prevailing wage laws, then that contractor or subcontractor could face civil and/or criminal liability.