



MEETINGS SCHEDULED FOR OCTOBER

Date: 10/23/25, 1 p.m.

HYBRID OPTION AVAILABLE:

In Person: Minnesota Housing, Mille Lacs Conference Room, 400 Wabasha Street N. Suite 400 St. Paul, MN 55102

Conference Call: Toll Free: 1.866.901.6455 Access Code: 154-783-820

NOTE:

The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, October 23, 2025.

Items requiring approval are neither effective nor final until voted on and approved by the Minnesota Housing Board.

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 are met. In accordance with Minn. Stat. §462A.041, the Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.

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Agenda: Minnesota Housing Board Meeting

Date: 10/23/2025, 1 p.m.

Our Mission and Vision

Mission: Housing is foundational to a full life and a thriving state, so we equitably collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.

Vision: All Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice.

1. Call to Order

2. Roll Call

3. Agenda Review

4. Approval of Minutes

- a. (page 5) Regular meeting of September 25, 2025

5. Reports

- Chair
- Commissioner
- Committee

6. Consent Agenda

- A. (page 11) Approval, Waiver of the Predictive Cost Model Threshold – Penn Station, D8405, Richfield
- B. (page 15) Approval, Waiver of the Predictive Cost Model Threshold – Jefferson Square Townhomes, D1069, Northfield

7. Action Items

- A. (page 21) Approval, 2025 Greater Minnesota Housing Infrastructure Grant Program Request for Proposals (RFP) Selections
- B. (page 33) Approval, Amendment to the Workforce Housing Development Program Guide
- C. (page 69) Approval, HOME American Rescue Plan (HOME ARP) Program Guide
- D. (page 149) Forgiveness, Affordable Rental Investment Fund (ARIF) Program Loan and Housing Trust Fund (HTF) Program Loan– Agate Housing and Services, D0946, Minneapolis
- E. (page 155) Forgiveness, Housing Trust Fund (HTF) Loan and Housing Trust Fund and Long-Term Homelessness Program (HTF-LTH) Loan – Memorial Park Apartments, D0447, Duluth
- F. (page 161) 2026-2027 Affordable Housing Plan

8. Discussion Items

- A. (page 257) Proposed Amendments to the 2024-2025 Housing Tax Credit Qualified Allocation Plan and the 2026-2027 Qualified Allocation Plan

9. Information Items

None.

10. Other Business

- A. Pursuant to Minn. Stat. 13D.05, the board will move into closed session to receive attorney-client privileged advice on strategies to preserve the grant contract agreement-related covenants on Maple Hills Estates.

11. Adjournment

None.



Draft Meeting Minutes: Minnesota Housing Board Meeting

Date: Thursday, September 25, 2025, at 1 p.m.

1. Call Attendance

Chair Thao called to order the regular meeting of the board of Minnesota Housing Finance Agency at 1:02 p.m.

2. Roll Call

Members present via hybrid: Chief Melanie Benjamin, Auditor Julie Blaha, Eric Cooperstein, Stephanie Klinzing, Stephen Spears and Chair Terri Thao.

Minnesota Housing staff present via hybrid: Daisy Adeleye, Tal Anderson, Tom Anderson, Ryan Baumtrog, Abigal Behl, Scott Beutel, Stacie Brooks, Cassandra Busch, Eric Chapin, Erin Coons, Alex Curwick, Matt Dieveney, Hannah Dressen, Sam Dyer, Diane Elias, Jennifer Finnesgard, Sarah Foley, Jessica Fowler, Rachel Franco, Emily Fulton-Foley, Dory Goebel, Vanessa Haight, Amanda Hedlund, Anne Heitlinger, Darryl Henchen, Kang Her, Adam Himmel, Jennifer Ho, Jon Holmseth, Kinzy Janssen, Will Jensen-Kowski, Dylan Johnson, Jen Judas, Irene Kao, Erin Karkula-Peterson, Tiffany Kibwota, Katey Kinley, Joshua Kirk, Dan Kitzberger, Laurie Krivitz, Sue Ladehoff, Janine Langsjoen, Debbi Larson, Ed LeTourneau, Ger Lee, Sarah Matala, Dylan Mato, Jillian Mazullo, Don McCabe, Amy Melmer, Benjamin Miles, Jon Moler, Gary Mortensen, Kristen Mortenson, Jennifer Nelson, Michael Nguyen, Andrew Orth, John Patterson, Andy Pratt, Melissa Pugh, Rinal Ray, Annie Reiersen, Brittany Rice, Cheryl Rivinius, Lale Robertson, Rachel Robinson, Joel Salzer, Kayla Schuchman, Katie Seipel-Anderson, Xia Lin Silapaxay, J'onice Smith, Dez Sobiech, Meg Stinchcomb Sorenson, Lauren Stelter, Rachael Sterling, Corey Strong, Kim Stuart, Jodell Swenson, Susan Thompson, Nancy Urbanski, David Vang, Kayla Vang, Que Vang, Teresa Vaplon, Kerry Walsh, Amanda Welliver, Alyssa Wetzels-Moore, Bev Wilharm, Kelly Winter and Kristy Zack.

Others present via hybrid: Ramona Advani, Office of the State Auditor; Victoria Clark-West, CoNorth; Kizzy Downie, Model Cities; Colleen Ebinger, Impact Strategies Group; Elizabeth Glidden, Minnesota Housing Partnership; Jeru Gobeze, Habitat for Humanity Minnesota; Carla Godwin, PERIS Foundation; Deidre Schmidt, CommonBond Communities; Chad Schwitters, The McKnight Foundation; Jeff Washburne; and Roxanne Young, Minnesota Homeownership Center.

3. Agenda Review

None.

4. Approval

A. Regular Meeting Minutes of August 28, 2025

Motion: Stephanie Klinzing moved to approve the August 28, 2025, Regular Meeting Minutes. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 6-0. All were in favor.

5. Reports

Chair

None.

Commissioner

Commissioner Ho shared the following with the board:

- Meetings
- Program Updates

Committee

The Finance and Audit committee met prior to today's board meeting to review the results of the fiscal 2025 financial statement audit and staff shared a liquidity update.

6. Consent Agenda

A. Approval, Waiver to Extend the 2024-2025 Housing Tax Credit (HTC) Qualified Allocation Plan (QAP) Carryover 10% Test and Certified Public Accountant Certification Deadline – The Warren Apartments, D8385, Minneapolis

B. Approval, Waiver to Extend the 2024-2025 Housing Tax Credit (HTC) Qualified Allocation Plan (QAP) Carryover 10% Test and Certified Public Accountant Certification Deadline – Birchwood Apartments, D0592, Grand Marais

C. Approval, Loan Assumption of HUD Risk-Sharing Federal Financing Bank (HRS-FFB) Program Loan – North Pointe Townhomes, D2800, Blaine

Motion: Chief Benjamin moved the Consent Agenda Items. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 6-0. All were in favor.

7. Action Items

A. Approval, Property Owner Risk Mitigation Fund Program Guide Change

Kristen Mortenson and Lauren Stelter presented to the board a request for approval to make a change in the Risk Mitigation Fund Program Guide's grantee eligibility section to allow inclusion of entities other than counties in the metropolitan area, including but not limited to nonprofit organizations. Chair Thao opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Approval, Property Owner Risk Mitigation Fund Program Guide Change. Seconded by Stephen Spears. Roll call was taken. Motion carries 6-0. All were in favor.

B. Approval, 2026-2027 Homeownership Education & Counseling Unified Request for Proposals (RFP) Award Recommendations

Abigail Behl and Melissa Pugh presented to the board a request for approval of the funding recommendations for proposals submitted to the Homeownership Education, Counseling and Training program and Homeownership Capacity program through the 2026-2027 Homeownership Education & Counseling Unified Request for Proposals. Staff also requested approval of the funding recommendation for the Homeownership Capacity Incentive Fund and Training. Chair Thao opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Stephanie Klinzing moved Approval, 2026-2027 Homeownership Education & Counseling Unified Request for Proposals Award Recommendations. Seconded by Eric Cooperstein. Roll call was taken. Stephen Spears abstained. Motion carries 5-0.

C. Forgiveness, Housing Opportunities for Persons with AIDS (HOPWA) Loan and Housing Trust Fund (HTF) Loan – Clare Apartments, D3572, Minneapolis

Tom Anderson presented to the board a request for adoption of a resolution authorizing the forgiveness of the \$209,631 deferred HOPWA loan and \$220,000 deferred HTF loan and the release of all related affordability and occupancy restrictions as part of the new financing structure for the recapitalization, rehabilitation and preservation of Clare Apartments. Chair Thao opened up the discussion. There were no questions from board members.

Motion: Eric Cooperstein moved Forgiveness, Housing Opportunities for Persons with AIDS Loan and Housing Trust Fund Loan – Clare Apartments, D3572, Minneapolis. Seconded by Chief Benjamin. Roll call was taken. Motion carries 6-0. All were in favor.

D. Forgiveness, Preservation Affordable Rental Investment Fund (PARIF) Loans and Early Forgiveness, Housing Infrastructure Bond (HIB) Loan – Little Earth of United Tribes, D0871, Minneapolis

Adam Himmel presented to the board a request for adoption of a resolution authorizing forgiveness of three PARIF loans and early forgiveness of an HIB loan that collectively total \$11,362,192 as part of the new financing structure to support the recapitalization, rehabilitation and preservation of Little Earth of United Tribes. Chair Thao opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Forgiveness, Preservation Affordable Rental Investment Fund Loans and Early Forgiveness, Housing Infrastructure Bond Loan – Little Earth of United Tribes, D0871, Minneapolis. Seconded by Stephen Spears. Roll call was taken. Motion carries 6-0. All were in favor.

E. Approval, Amendment to the Community Stabilization: Distressed Multifamily Rental Building Program Guide

James Lehnhoff presented to the board a request for approval of an amendment to the Community Stabilization: Distressed Multifamily Rental Building Program Guide. Chair Thao opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Stephanie Klinzing moved Approval, Amendment to the Community Stabilization: Distressed Multifamily Rental Building Program Guide. Seconded by Chief Benjamin. Roll call was taken. Motion carries 6-0. All were in favor.

F. Approval, Waiver to Extend the 2024-2025 Housing Tax Credit (HTC) Qualified Allocation Plan (QAP) Carryover 10% Test and Certified Public Accountant Certification Deadline – Restoration Glen, D8594, Rochester

Nicola Viana presented to the board a request for waiver of the 2024-2025 Housing Tax Credit Qualified Allocation Plan deadline to complete the 10% test and submit the certified public accountant certification from October 1, 2025, to December 1, 2025, for Restoration Glen. Chair Thao opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Approval, Amendment to the Approval, Waiver to Extend the 2024-2025 Housing Tax Credit Qualified Allocation Plan Carryover 10% Test and Certified Public Accountant Certification Deadline – Restoration Glen, D8594, Rochester. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 6-0. All were in favor.

8. Discussion Items

A. FY25 4th Quarter Financial Results

Debbi Larson reviewed the 4th quarter financials.

B. Public Comments about the Draft 2026-2027 Affordable Housing Plan

John Patterson reviewed with the board the public comments about the 2026-2027 Affordable Housing Plan.

9. Information Items

None.

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:56 p.m.

Terri Thao, Chair

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Item: Approval, Waiver of the Predictive Cost Model Threshold – Penn Station, D8405, Richfield

Consent Item: 6.A
Date: 10/23/2025
Staff Contacts: Benjamin Miles, 651.297.2278, benjamin.miles@state.mn.us
Request Type: Approval, Motion

Request Summary:

At the December 19, 2024, board meeting, the Minnesota Housing board approved the proposed development for 9% Housing Tax Credits (HTCs) in the amount of \$2,240,115 as well as a deferred HOME Investment Partnership (HOME) program loan in the amount of \$1,393,000 in Resolution Nos. MHFA 24-081 and MHFA 24-082 respectively.

Agency staff completed the underwriting and technical review of the proposed development and recommend approval of a waiver to the predictive cost model. The total development cost (TDC) per unit is \$544,025 and exceeds the predictive model by 30%. Board Policy No. 15 requires a waiver of the predictive cost model if costs exceed the predicted costs by 25% or more for new construction developments.

Fiscal Impact:

None.

Agency Priorities:

- | | |
|---|---|
| ☒ Improve the Housing System | ☐ Make Homeownership More Accessible |
| ☒ Preserve and Create Housing Opportunities | ☒ Support People Needing Services |
| | ☒ Strengthen Communities |

Attachments:

- Background
- Map and Picture

Background:

Penn Station will be developed by JO Companies, LLC and involves the new construction of 42 units in a five-story elevator building with units ranging from one to four bedrooms. The development will provide workforce housing for households with incomes that range from 30% to 60% Multifamily Tax Subsidy Projects (MTSP). Seven units will serve High Priority Homelessness (HPH) households, and six units will serve Persons with Disabilities (PWD) households. These units will be deeply affordable to households at 30% MTSP. In addition, three units that do not have rental assistance will be deeply affordable to households at 30% MTSP.

Cost Reasonableness

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 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 issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 51% to 73% of the variation in historical costs, it cannot capture all components of every proposed project.

In accordance with Board Policy No. 15, if a project's proposed TDC is more than 25% higher than the predicted cost for new construction or 35% for preservation and adaptive reuse developments, staff must conduct additional due diligence and determine that the costs are still reasonable before seeking a cost waiver from the board.

Currently, the TDC per unit is \$544,025, which exceeds the predictive cost model estimate of \$417,641 per unit by 30%. At selection, the TDC was less than 1% lower at \$539,546 per unit.

The primary factors driving the higher than typical construction costs are its unstable and polluted soils as well as the small infill site. The unsuitable soils require reinforced foundation costs, and the polluted soils require remediation and vapor mitigation system costs. The smaller site dictated the construction of a five-story building that requires fire treated framing and backup emergency generator costs. Lastly, the crane placement requires additional shoring and pad costs due to the smaller site.

With respect to the Penn Station development, Minnesota Housing's architect, underwriting and research teams believe the costs are reasonable considering market conditions.

Map of 6501 Penn Ave S, Minneapolis



Picture of 6501 Penn Ave S, Minneapolis



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Item: Approval, Waiver of the Predictive Cost Model Threshold – Jefferson Square Townhomes, D1069, Northfield

Consent Item: 6.B
Date: 10/23/2025
Staff Contacts: LaKisha Whitson, 651.284.3182, lakisha.whitson@state.mn.us
Susan Thompson, 651.296.9838, susan.thompson@state.mn.us
Request Type: Approval, Motion

Request Summary:

Agency staff is finalizing the underwriting and technical review of Jefferson Square Apartments and recommends approval of a waiver to the predictive cost model. The total development cost (TDC) per unit is \$359,587 and exceeds the predictive model by 36%. Board Policy No. 15 requires a waiver of the predictive cost model if costs exceed the predicted costs by 35% or more for a rehabilitation project.

Fiscal Impact:

None.

Agency Priorities:

- | | |
|---|---|
| ☒ Improve the Housing System | ☐ Make Homeownership More Accessible |
| ☒ Preserve and Create Housing Opportunities | ☒ Support People Needing Services |
| | ☒ Strengthen Communities |

Attachments:

- Background
- Map and Picture

Background:

Jefferson Square Apartments has received an allocation of tax-exempt volume-limited bonding authority from Minnesota Management and Budget (MMB) in an amount sized at a minimum of 50% of aggregate basis to qualify the development for 4% housing tax credits (HTC). Under Minnesota Housing's 2024-2025 HTC Qualified Allocation Plan (QAP), projects that receive an allocation of tax-exempt volume-limited bonds that are within Minnesota Housing's HTC allocating jurisdiction can request a preliminary determination of 4% HTC, which is known as a 42M letter. While Minnesota Housing awards the 4% HTCs to the project, the project does not otherwise use funding resources from Minnesota Housing.

Jefferson Square Apartments is a 50-unit townhome property located in Northfield. The property consists of 13 buildings, including nine residential buildings, a community building and three covered garage structures. The property was built in 1979 and underwent a substantial renovation in 2010. Through a new single-asset entity, the sponsor intends to acquire the development using the tax-exempt volume-limited bonds that will be issued by the City of Northfield. The property will undergo a limited-scope rehabilitation in which the interior units will be modernized, and community amenities and common areas will be upgraded. Additionally, one existing unit will be reconfigured to create an additional accessible unit. No residents will be permanently displaced as a result of the renovation. The Section 8 Housing Assistance Payment (HAP) Contract will be extended for 15 years.

Cost Reasonableness

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 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 issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 51% to 73% of the variation in historical costs, it cannot capture all components of every proposed project.

In accordance with Board Policy No. 15, if a project's proposed TDC is more than 25% higher than the predicted cost for new construction or 35% for preservation and adaptive reuse developments, staff must conduct additional due diligence and determine that the costs are still reasonable before seeking a cost waiver from the board.

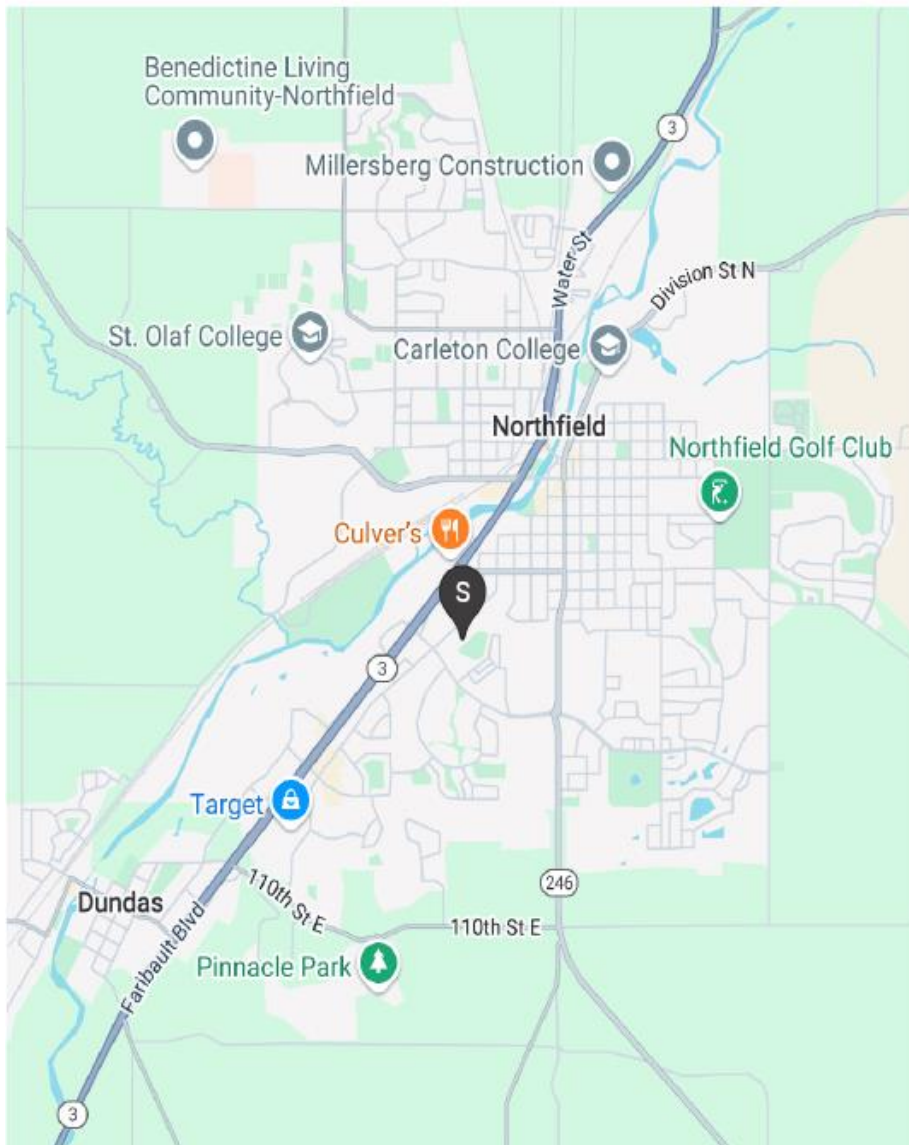
Currently, the TDC per unit is \$359,587, which exceeds the predictive cost model estimate of \$264,311 per unit by 36%.

The project involves the acquisition and rehabilitation of an existing development constructed in 1979 and renovated in 2010. The predictive cost model predicts acquisition costs based on the property's age. The model estimates acquisition costs for this type of project would be

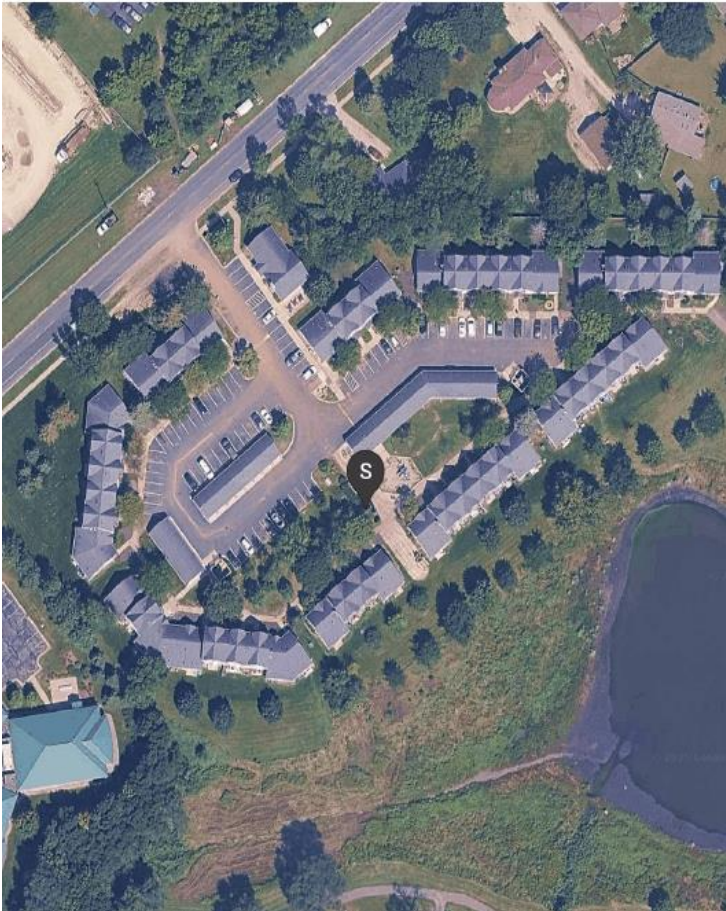
\$65,694 per unit. Total acquisition costs, including the executed purchase agreement, total \$8,000,000 or \$160,000 per unit. The acquisition is an arm's length transaction and is supported by an appraisal based on the current Section 8 HAP contract rents. The lender approved appraisal values the existing project, as-is, with restricted rents at \$8,120,000. Staff believes this is a fair market rate purchase price. The construction costs are lower than predicted due to the substantial work completed in 2010, which also suggests that the condition of the property may have contributed to the higher appraised value.

With respect to the Jefferson Square Townhomes development, Minnesota Housing's architect, underwriting and research teams believe the costs are reasonable considering market conditions.

Map of 1363 Jefferson Road, Northfield



Picture of 1363 Jefferson Road, Northfield



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Item: Approval, 2025 Greater Minnesota Housing Infrastructure Grant Program Request for Proposals (RFP) Selections

Action Item: 7.A
Date: 10/23/2025
Staff Contacts: Nick Boettcher, 651.282.2575, nick.boettcher@state.mn.us
Colleen Meier, 651.296.9811, colleen.meier@state.mn.us
Annie Reiersen, 651.296.3495, annie.reiersen@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests board approval of the 2025 Greater Minnesota Housing Infrastructure Grant Program funding recommendations.

Fiscal Impact

The Greater Minnesota Housing Infrastructure Grant Program is funded by State of Minnesota General Obligation Bonds and state appropriations. The Agency will retain up to 10% from the appropriations for administrative costs related to this competitively awarded grant program.

Agency Priorities

- | | |
|---|--|
| ☐ Improve the Housing System | ☒ Make Homeownership More Accessible |
| ☒ Preserve and Create Housing Opportunities | ☐ Support People Needing Services |
| | ☒ Strengthen Communities |

Attachments

- Background and Funding Recommendations
- Funding Recommendations Table
- Funding Recommendations Map
- Funding Recommendations: Proposal Details
- Resolution

Background and Funding Recommendations

Background

The 2023 legislative session resulted in several new sources of funding for housing programs, including the Greater Minnesota Housing Infrastructure Grant Program. This program addresses one issue Minnesota communities have identified as a barrier to developing affordable and workforce housing: a lack of financing for public infrastructure, such as roads and utilities. The state legislature provided \$8 million in 2023: \$3 million in General Obligation Bonds and \$5 million in state appropriations.

Eligible applicants are Greater Minnesota cities, counties, Tribal Nations and Tribally-designated housing entities. Grantees must use funds for no more than half the capital costs of physical public infrastructure necessary to support a qualifying housing development and must cover the remaining cost of the infrastructure development with matching resources.

2025 Request for Proposals (RFP)

Minnesota Housing issued a competitive RFP on April 7, 2025. Applications were due June 12, 2025. The Agency received 48 applications requesting approximately \$17.3 million.

Funding Recommendations

Staff recommends fully funding top-scoring proposals, which results in 21 awards totaling \$7,460,950. Details on funding amounts are included in the attached Funding Recommendations Table. Details on proposed uses of funds follow in the attached Funding Recommendations: Proposal Details document.

The type of funding staff intends to award each selected applicant – General Obligation Bonds or state appropriations – are included in the attached Funding Recommendations Table. However, as noted in the attached resolution, staff requests board approval that will allow it to exchange General Obligation Bonds and state appropriations, should staff find it necessary.

Next steps

After board approval, staff will send letters to selected grantees informing them of selection. Awards will be subject to the program requirements outlined in the grant contract agreement. Agency staff will reach out to applicants not being recommended for funding and offer each a debrief meeting.

Funding Recommendations Table

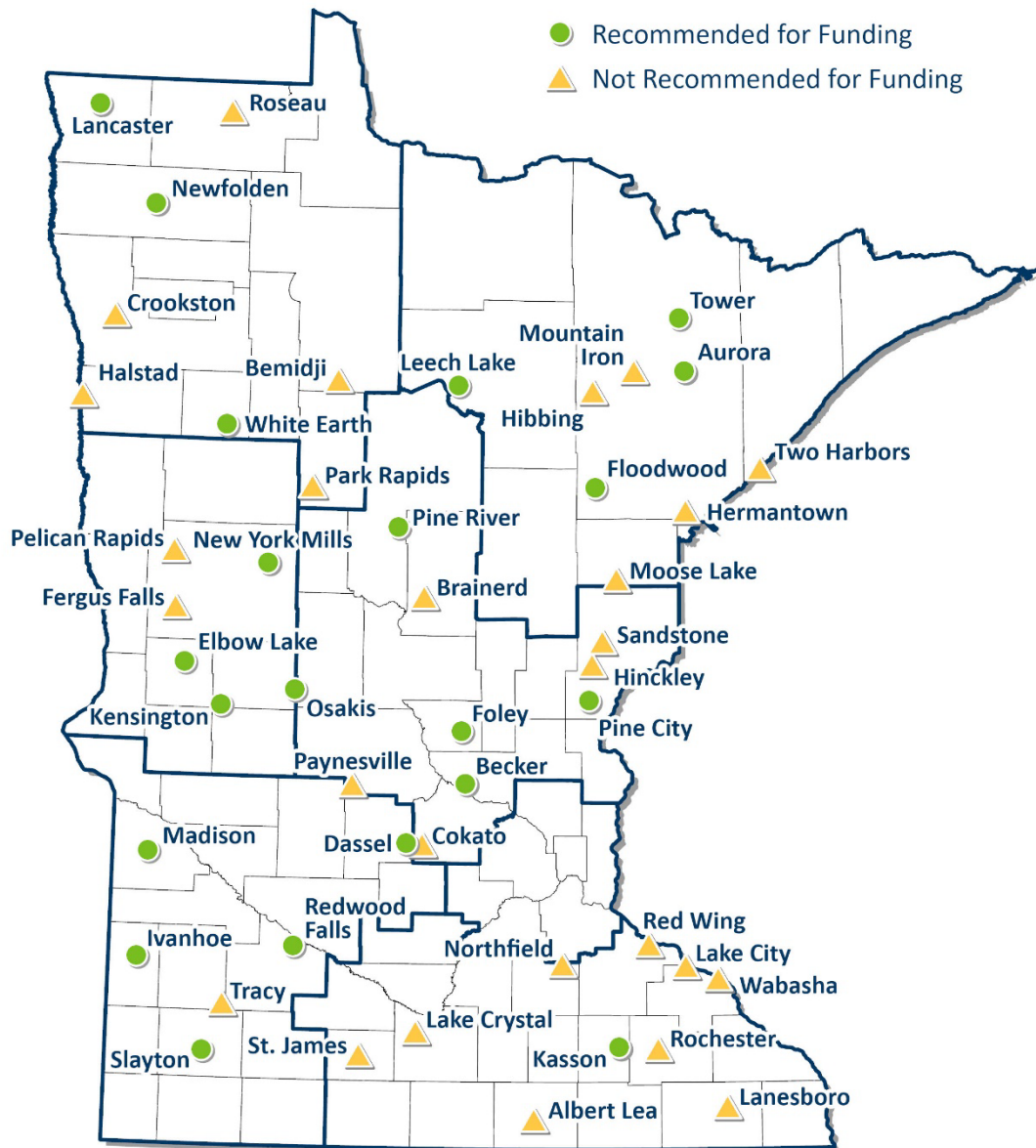
Applicant	Maximum Funding Request	Funding Recommended (All are “up to” amounts)		
		State Appropriations	General Obligation Bonds	Total
Applications Recommended for Funding				
Leech Lake Band of Ojibwe Housing Authority	\$ 358,231	\$ 358,231	\$ -	\$ 358,231
White Earth Reservation Housing Authority	\$ 250,000	\$ 250,000	\$ -	\$ 250,000
City of Aurora	\$ 250,000	\$ 250,000	\$ -	\$ 250,000
City of Becker	\$ 430,325	\$ 430,325	\$ -	\$ 430,325
City of Dassel	\$ 234,042	\$ 234,042	\$ -	\$ 234,042
City of Elbow Lake	\$ 400,000	\$ -	\$ 400,000	\$ 400,000
City of Floodwood	\$ 500,000	\$ 500,000	\$ -	\$ 500,000
City of Foley	\$ 400,000	\$ 400,000	\$ -	\$ 400,000
City of Ivanhoe	\$ 240,000	\$ -	\$ 240,000	\$ 240,000
City of Kasson	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
City of Kensington	\$ 480,000	\$ -	\$ 480,000	\$ 480,000
City of Lancaster	\$ 480,000	\$ -	\$ 480,000	\$ 480,000
City of Madison	\$ 480,000	\$ 480,000	\$ -	\$ 480,000
City of New York Mills	\$ 500,000	\$ 500,000	\$ -	\$ 500,000
City of Newfolden	\$ 400,000	\$ -	\$ 400,000	\$ 400,000
City of Osakis	\$ 480,000	\$ 480,000	\$ -	\$ 480,000
City of Pine City	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
City of Pine River	\$ 146,050	\$ 146,050	\$ -	\$ 146,050
City of Redwood Falls	\$ 227,302	\$ 227,302	\$ -	\$ 227,302
City of Slayton	\$ 25,000	\$ 25,000	\$ -	\$ 25,000
City of Tower	\$ 180,000	\$ 180,000	\$ -	\$ 180,000
Subtotal: Recommended for Funding	\$ 7,460,950	\$ 4,460,950	\$ 3,000,000	\$ 7,460,950

Applicant	Maximum Funding Request	Funding Recommended (All are “up to” amounts)		
		State Appropriations	General Obligation Bonds	Total
Applications Not Recommended for Funding				
City of Albert Lea	\$ 180,000	\$ -	\$ -	\$ -
City of Bemidji	\$ 500,000	\$ -	\$ -	\$ -
City of Brainerd	\$ 170,857	\$ -	\$ -	\$ -
City of Cokato	\$ 125,000	\$ -	\$ -	\$ -
City of Crookston	\$ 500,000	\$ -	\$ -	\$ -
City of Fergus Falls	\$ 503,888	\$ -	\$ -	\$ -
City of Halstad	\$ 500,000	\$ -	\$ -	\$ -
City of Hermantown	\$ 325,000	\$ -	\$ -	\$ -
City of Hibbing	\$ 360,000	\$ -	\$ -	\$ -
City of Hinckley	\$ 180,000	\$ -	\$ -	\$ -
City of Lake City	\$ 400,000	\$ -	\$ -	\$ -
City of Lake Crystal	\$ 500,000	\$ -	\$ -	\$ -
City of Lanesboro	\$ 500,000	\$ -	\$ -	\$ -
City of Moose Lake	\$ 500,000	\$ -	\$ -	\$ -
City of Mountain Iron	\$ 400,000	\$ -	\$ -	\$ -
City of Northfield	\$ 500,000	\$ -	\$ -	\$ -
City of Park Rapids	\$ 500,000	\$ -	\$ -	\$ -
City of Paynesville	\$ 356,450	\$ -	\$ -	\$ -
City of Pelican Rapids	\$ 327,500	\$ -	\$ -	\$ -
City of Red Wing	\$ 500,000	\$ -	\$ -	\$ -
City of Rochester	\$ 500,000	\$ -	\$ -	\$ -
City of Roseau	\$ 440,000	\$ -	\$ -	\$ -
City of Sandstone	\$ 436,000	\$ -	\$ -	\$ -
City of St. James	\$ 500,000	\$ -	\$ -	\$ -
City of Tracy	\$ 320,000	\$ -	\$ -	\$ -
City of Two Harbors	\$ 236,403	\$ -	\$ -	\$ -

Applicant	Maximum Funding Request	Funding Recommended (All are “up to” amounts)		
		State Appropriations	General Obligation Bonds	Total
City of Wabasha	\$ 241,450	\$ -	\$ -	\$ -
Subtotal: Not Recommended	\$ 10,502,548	\$ -	\$ -	\$ -
Totals	\$ 17,963,498	\$ 4,460,950	\$ 3,000,000	\$ 7,460,950

Funding Recommendations Map

Greater Minnesota Housing Infrastructure Program Recommendations



Funding Recommendations: Proposal Details

This document summarizes the goals of the 21 proposals recommended for funding. Minnesota Housing staff may approve modifications to these goals for use in work plans to be included in grant contract agreements. Overall, staff recommends awarding \$7,460,950 for public infrastructure supporting plans for 452 single-family and 410 multifamily housing units.

Leech Lake Band of Ojibwe Housing Authority

The Leech Lake Band of Ojibwe Housing Authority is being recommended for \$358,231 for construction of public infrastructure including grading, water, septic, dry utilities and roads. This infrastructure will support plans for construction of 30 single-family affordable/workforce homes on Tribal land.

White Earth Reservation Housing Authority

The White Earth Reservation Housing Authority is being recommended for \$250,000 for demolition, grading, road and driveway reconstruction, utility upgrades, and well/septic improvements at Sunny Acres, a four-unit housing development. Capital costs of the infrastructure are estimated at \$500,000. This infrastructure project will support plans to replace the four existing affordable/workforce housing units, which are in poor condition, and future expansion to add up to 10 additional affordable/workforce housing units.

City of Aurora

The City of Aurora is being recommended for \$250,000 for a roadway project, for which estimated capital costs total \$500,000. The infrastructure will support plans for the development of 15 lots to contain 15 single family homes. Seven will be workforce, and eight will be market rate.

City of Becker

The City of Becker is being recommended for \$430,325 for a sanitary sewer, stormwater, watermain, roadway, sidewalks and restoration project. Project costs total \$860,650 and will support plans for development of 18 single-family lots and three multifamily lots, for 198 housing units in total.

City of Dassel

The City of Dassel is being recommended for \$234,042 for a roadway, sanitary sewer, watermain, fire protection and stormwater management project. Capital costs of the infrastructure project are estimated at \$468,085. This infrastructure will support plans for development of six lots and 21 affordable/workforce units.

City of Elbow Lake

The City of Elbow Lake is being recommended for \$400,000 for construction of streets, water, sanitary sewer, electricity, stormwater, soil borings and site preparation. Capital costs of the project are estimated at \$845,000. The infrastructure will support plans for development of 10 single family affordable/workforce rental units on individual lots.

City of Floodwood

The City of Floodwood is being recommended for \$500,000 for the development of new public infrastructure to include streets, storm sewer systems, stormwater ponds, water main installations, sidewalks and public lighting. Capital costs of the infrastructure are estimated at \$5,220,000. The infrastructure will support plans for the development of 33 lots and 34 units, 24 of which will be affordable.

City of Foley

The City of Foley is being recommended for \$400,000 for a water management project, including sewer main, drainage pipes, retention ponds and culverts, designed to prevent flooding and manage runoff. The grant will also support paved streets, curbs and pedestrian walkways to enhance accessibility. Capital costs of the infrastructure are estimated at \$3,607,933. The infrastructure will support plans for development of 100 lots and 120 units.

City of Ivanhoe

The City of Ivanhoe is being recommended for \$240,000 for public sewer lines, water lines and roads. Capital Costs of the infrastructure are estimated at \$485,590. The infrastructure will support plans for development of six single-family affordable/workforce units on individual lots.

City of Kasson

The City of Kasson is being recommended for \$500,000 to support the Kasson Crossings public infrastructure improvements for sewer, water lines and a multi-use paved trail connection. Capital costs are estimated at \$1,780,000. This will support plans for development of 108 lots for a total of 250 units, 168 of which will be workforce or affordable.

City of Kensington

The City of Kensington is being recommended for \$480,000 for a sewer, water and roads project. Capital costs of the infrastructure are estimated at \$2,077,000. This public infrastructure will support plans for development of 12 affordable/workforce units on individual lots.

City of Lancaster

The City of Lancaster is being recommended for \$480,000 to finance the extension of municipal water and sanitary sewer, stormwater management facilities and street construction. Capital costs of the infrastructure are estimated at \$2,611,000. This public infrastructure will support plans for the development of 12 affordable/workforce units on individual lots.

City of Madison

The City of Madison is being recommended for \$480,000 for a public infrastructure project to include a new sanitary sewer, water distribution, storm sewer utilities, a stormwater treatment pond and a new street. Capital costs of the infrastructure are estimated at \$1,680,805. This infrastructure will support plans for the development of 13 affordable/workforce units on 12 single-family lots.

City of New York Mills

The City of New York Mills is being recommended for \$500,000 for a water treatment facility necessary in part to support Phase II of the South Point project. Capital costs of the infrastructure project are estimated at \$10,761,600. The infrastructure will support plans for development of 13 affordable/workforce units on individual lots.

City of Newfolden

The City of Newfolden is being recommended for \$400,000 for sanitary sewer system extensions, including mains and service laterals, municipal water distribution lines, looping and hydrant placement for fire protection. The project also includes stormwater management infrastructure, including catch basins, storm sewer pipes and a detention basin. Additional improvements include graded and paved public streets with curb and gutter and sidewalks and pedestrian access features, including ADA-compliant curb ramps. The infrastructure will support plans for development of no fewer than 20 lots, of which no fewer than 10 will contain affordable/workforce housing.

City of Osakis

The City of Osakis is being recommended for \$480,000 to create streets, water, sewer and stormwater management infrastructure to support plans for a new single-family housing development. Plans for the housing development call for 12 workforce/affordable housing units and five market rate units, all on individual lots.

City of Pine City

The City of Pine City is being recommended for \$500,000 for a sewer, water, street and sidewalk project, including some soil correction. Capital costs for the infrastructure are estimated at \$1,307,000. The infrastructure will support plans for development of 27 affordable/workforce housing units on individual lots.

City of Pine River

The City of Pine City is being recommended for \$146,050 to fund road, water and sewer infrastructure supporting plans for 10 workforce or affordable housing units on four single-family lots. This is an infill, former library site that will be acquired and zoned for residential. Total capital costs of the project are estimated at \$292,100.

City of Redwood Falls

The City of Redwood Falls is being recommended for \$227,302 for sanitary sewer and storm sewer installation and a new public roadway. Capital costs of the infrastructure are estimated at \$454,605. This infrastructure will support plans for the development of 32 units on individual lots. Fifteen of these units will be affordable/workforce and 17 will be market rate.

City of Slayton

The City of Slayton is being recommended for \$25,000 to move an existing storm sewer line. Moving the storm sewer is necessary to allow housing to be developed on a vacant lot. Capital costs of the infrastructure are estimated at \$50,800. This infrastructure will allow for development of two units.

City of Tower

The City of Tower is being recommended for \$180,000 for site preparation, extension of municipal water and sewer, and public utility and road work. Total capital costs of the infrastructure are estimated at \$453,863. The infrastructure improvements will serve a total of 26 planned housing units, including 12 affordable/workforce units in a mixed-use (commercial/multifamily) building.

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

RESOLUTION NO. MHFA 25-XXX

**RESOLUTION APPROVING SELECTION FOR
GREATER MINNESOTA HOUSING INFRASTRUCTURE GRANT PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to administer grants for the Greater Minnesota Housing Infrastructure Grant Program under Minnesota Statutes section 462A.395; and

WHEREAS, Agency staff has reviewed the applications and determined that the applications are in compliance under the Agency's rules, regulations and policies; and that the recommended applicants will assist in fulfilling the purpose of this program.

NOW THEREFORE, BE IT RESOLVED:

1. The board authorizes Agency staff to enter into grant contract agreements with the recommended applicants up to the amounts set forth below, subject to the terms and conditions contained herein and in the respective grant contract agreements:

Applicant Name	Maximum Award: State Appropriations	Maximum Award: General Obligation Bonds	Maximum Award: Total
Leech Lake Band of Ojibwe Housing Authority	\$ 358,231		\$ 358,231
White Earth Reservation Housing Authority	\$ 250,000		\$ 250,000
City of Aurora	\$ 250,000		\$ 250,000
City of Becker	\$ 430,325		\$ 430,325
City of Dassel	\$ 234,042		\$ 234,042
City of Elbow Lake		\$ 400,000	\$ 400,000
City of Floodwood	\$ 500,000		\$ 500,000
City of Foley	\$ 400,000		\$ 400,000
City of Ivanhoe		\$ 240,000	\$ 240,000
City of Kasson		\$ 500,000	\$ 500,000
City of Kensington		\$ 480,000	\$ 480,000

Applicant Name	Maximum Award: State Appropriations	Maximum Award: General Obligation Bonds	Maximum Award: Total
City of Lancaster		\$ 480,000	\$ 480,000
City of Madison	\$ 480,000		\$ 480,000
City of New York Mills	\$ 500,000		\$ 500,000
City of Newfolden		\$ 400,000	\$ 400,000
City of Osakis	\$ 480,000		\$ 480,000
City of Pine City		\$ 500,000	\$ 500,000
City of Pine River	\$ 146,050		\$ 146,050
City of Redwood Falls	\$ 227,302		\$ 227,302
City of Slayton	\$ 25,000		\$ 25,000
City of Tower	\$ 180,000		\$ 180,000

2. Agency staff may exchange General Obligation Bonds and state appropriations, should staff find it necessary; and
3. Commitments of General Obligation Bond funds are subject to the ability of the state of Minnesota to sell General Obligation Bonds on terms and conditions and in a time and manner acceptable to the state; and
4. The applicant and any other parties shall execute all such documents relating to the grant contract agreement, terms and conditions, as Agency staff, in its sole discretion, deems necessary.

Adopted this 23rd day of October 2025

CHAIR



Item: Approval, Amendment to the Workforce Housing Development Program Guide

Action Item: 7.B
Date: 10/23/2025
Staff Contacts: Sara Bunn, 651.296.9827, sara.bunn@state.mn.us
Summer Jefferson, 651.296.9790, summer.jefferson@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff recommends approval of the Workforce Housing Development Program (WHDP) Guide amendment.

Fiscal Impact

This program is funded by state appropriations. Minnesota Housing will earn fee income when originating a Workforce Housing Development Program loan.

Agency Priorities

- | | |
|---|---|
| ☒ Improve the Housing System | ☐ Make Homeownership More Accessible |
| ☒ Preserve and Create Housing Opportunities | ☐ Support People Needing Services |
| | ☒ Strengthen Communities |

Attachments

- Background
- WHDP Guide (redline)

Background

In 2017, the Minnesota Legislature authorized Minnesota Housing to establish the Workforce Housing Development Program (WHDP) in Minnesota Statute 462A.39. As required by statute, the program awards funds to eligible recipients, which are small and mid-sized Greater Minnesota communities with market rate workforce rental housing needs. The eligible recipients then award funds to an eligible project in the form of a deferred loan or grant. Since 2017, over \$50 million in WHDP proceeds have been used to create 1,548 housing rental units in Greater Minnesota. The WHDP Guide for multifamily rental development in Greater Minnesota was first approved by the Minnesota Housing board on October 19, 2017.

The 2024 legislative session amended several provisions in the statute and appropriated \$4 million of new funding. In response to the statutory changes, staff proposes to amend the WHDP Guide to update the eligible recipient criteria and include various technical updates.

Below are highlights of the key changes to the attached WHDP Guide. Note that the WHDP Guide has all updates redlined, including but not limited to the ones listed below:

Eligible Recipient (Chapter 2.01)

- Removal: Eligible Project Area - with a population exceeding 500.
 - The Minnesota Legislature removed the requirement that an Eligible Project Area that is a home rule charter or statutory city located outside the metropolitan county have a population exceeding 500. A home rule charter or statutory city located outside the metropolitan area no longer has a population requirement.
- Removal: Eligible Project Area - a community that has a combined population of 1,500 residents located within 15 miles of a home rule charter or statutory city located outside a metropolitan county as defined in section 473.121, subdivision 4.
 - The Minnesota Legislature removed the option that a Eligible Project Area could be a community that has a combined population for 1,500 residents located within 15 miles of a home rule charter or statutory city located outside a metropolitan county as defined in section 473.121, subdivision 4. With the addition of a Federally Recognized Tribal Reservation or other Tribal community as eligible applicants in the 2023 legislative session and the removal of the population requirement in the 2024 legislative session, this option is no longer required.
- Modification: Eligible Project Area – Language has been modified from “An area located outside of a Metropolitan County that serves a federally recognized Indian Tribe in Minnesota, or their associated Tribally Designated Housing Entity as defined by United States Code, title 25, section 4103(22), as approved in writing by Minnesota Housing” to “A Tribal Community or Tribal Reservation governed by a federally recognized Indian Tribe in Minnesota”.

- The language is being modified by Minnesota Housing as per the general power of Minnesota Housing in section 462A.05, subdivision 45, to make it clear that Tribal Communities are eligible recipients.

Funding Information (Chapter 3)

- General updates have been made to provide clarity to the funding type and terms.
- Additional requirements have been added to the disbursement schedule to improve process and monitoring.

Selection and Award Process (Chapter 5)

- General updates have been made to provide clarity to the selection and award process.
- The Threshold Criteria, which are general requirements that applications have to meet, such as application checklist items and deadline requirements, have been removed. This information is detailed in the Workforce Housing Development Program RFP Instructions document.

Appendix A – Terms

- The terms have been updated to reflect the above noted WHDP Guide updates.

Appendix B - Legal Addendum

- An updated legal addendum has been added.

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Workforce Housing Development Program

Program Guide

~~01/25/2024~~ Last Updated: October 2025



The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation in the provision of services.

An equal opportunity employer.

This information will be made available in alternative format upon request.

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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 Workforce Housing Development Program (the Program) assists Eligible Recipients ~~with~~^{ing} financing Qualified Expenditures to develop Market Rate Residential Rental Properties to address the lack of workforce housing in Greater Minnesota. This ~~P~~^Program was established by [Minnesota Statute 462A.39](#).

Funds will be awarded ~~as deferred forgivable loans to Eligible Recipients~~ through a competitive Request for Proposals (RFP) process. ~~Funds will be awarded as deferred forgivable loans to~~ Eligible Recipients ~~that must~~ use the funds to make loans to developers to create new Market Rate Residential Rental Properties.

All Recipients must maintain compliance with the Program requirements through the term of the Deferred Loan Agreement; however, Minnesota Housing strongly encourages Recipients to assess local workforce housing needs beyond the term of the Deferred Loan Agreement. Projects that remain available and affordable to the local workforce beyond the initial funding term will further strengthen the community by providing a long-term housing asset.

1.02 Program Guide

This Program Guide, including subsequent changes and additions, will be incorporated into the Deferred Loan Agreement executed between the Recipient and Minnesota Housing. If there are any conflicts between the terms of this Program Guide and the Deferred Loan Agreement, the Deferred Loan Agreement will control.

1.03 Definitions

Appendix A includes definitions of capitalized terms used in this Program Guide and is attached and incorporated into 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, which is attached and incorporated into this Program Guide.

Chapter 2 – Eligibility Criteria

2.01 Eligible Recipient

Applications for Program funding must be submitted by an Eligible Recipient. An Eligible Recipient is one of the following Eligible Project Areas:

- A home rule charter or statutory city ~~with a population exceeding 500~~ located outside of a Metropolitan County.
- ~~A community that has a combined population of 1,500 residents located within 15 miles of a home rule charter or statutory city located outside a Metropolitan County.~~
- ~~An area located outside of a Metropolitan County that serves~~ A Tribal Community or Tribal Reservation governed by a federally recognized Indian Tribe in Minnesota, ~~or their associated Tribally Designated Housing Entity as defined by United States Code, title 25, section 4103(22), as approved in writing by Minnesota Housing.~~
- An area served by a Joint County-City Economic Development Authority.

~~The application must be submitted by an Eligible Recipient.~~

Eligible Project Areas with fewer than 30,000 people will be given preference. Refer to [Minn.esota Stat.ute 462A.39](#) for additional information.

2.02 Eligible Housing Types

Eligible housing types must meet the definition of a Market Rate Residential Rental Property to serve employees of businesses located in an Eligible Project Area or surrounding area. A portion of the units can have rent restrictions or income restrictions.

2.03 Eligible Activities

Eligible activities include the following or a combination of the following:

- New construction
- Acquisition and rehabilitation of a property that creates new housing units; ~~this Program would only fund those new units of housing.~~
- Adaptive reuse of an existing property that is not currently used for housing.

2.04 Qualified Expenditures

Program funds must be used for the following Qualified Expenditures for Market Rate Residential Rental Properties:

- Acquisition of property

- Construction of improvements
- Provisions of loans or subsidies, grants, interest rate subsidies, public infrastructure, and related financing costs~~;~~

Reserves, commercial spaces and related infrastructure, and community spaces that may be rented for public use are not-in eligible expenses for this Program.

2.05 Maximum Funding Amount per Project

The Program funds shall not exceed 50% of the total development costs to complete the Market Rate Residential Rental Property.

2.06 Funding Match Required

For every \$2 of ~~the~~ Program funding awarded to a Recipient, the project shall secure at least \$1 of matching funds from a local unit of government, business, nonprofit organization, or federally recognized Indian Tribes in Minnesota. The match may be provided by one or more of the listed organizational types. The developer or an entity affiliated with the developer will not qualify as a source for the match unless they are an Eligible Recipient, and the match is approved in writing by Minnesota Housing. Minnesota Housing's approval of an eligible source of a match is at its sole discretion.

~~NOTE:~~ The matching funds can be a below market deferred loan. However, Minnesota Housing reserves the right to determine, at its sole discretion, that the loan does not qualify as a matching contribution based on the loan terms or source of funds.

2.07 Subrecipients

A Recipient may lend or grant Program funds to a Subrecipient. In such cases, the Subrecipient shall conform to all Program requirements. Program funds received by a Subrecipient may only be awarded or loaned to another entity that owns the project and in which the Subrecipient also possesses an ownership interest. Any funds awarded or loaned by a Subrecipient must obtain the prior written consent of Minnesota Housing, which consent may be withheld at its sole discretion. If Recipients or Subrecipients award funds as a loan, then the loan terms must be as set forth in section 3.02 of this Program Guide.

Chapter 3 – Funding Information

3.01 Funding Source

Funds for the Program are appropriated by the Minnesota Legislature.

3.02 Funding Type and Terms

Funds will be awarded to Recipients as a 0% deferred loan forgiven after three years. Recipients or Subrecipients can then award funds in the form of a grant or a deferred loan directly to the project.

If Recipients or Subrecipients award funds as a loan, then the loan must:

- (i) ~~(i)~~ Be unsecured;
- (ii) ~~(ii)~~ Be deferred;
- (iii) ~~(iii)~~ Have a 0% interest rate; and
- (iv) ~~(iv)~~ Will be forgiven after three years provided the project has been completed and there is no default or noncompliance under the loan documents and Deferred Loan Agreement.

The term of the Deferred Loan Agreement will be three years from the effective date of the Deferred Loan Agreement after which the Recipient will have no obligation to repay the deferred loan provided construction of the project has been completed and there is no default or noncompliance under the Deferred Loan Agreement.

3.03 Return of Funding

Any awarded Program funds that are disbursed to the Recipient and not used to pay for Qualified Expenditures within a reasonable timeframe, as determined at the sole discretion of Minnesota Housing, must be immediately returned to Minnesota Housing upon request. Any awarded Program funds returned or repaid to the Recipient or Subrecipient must be immediately returned to Minnesota Housing.

3.04 Disbursement Schedule

Minnesota Housing will disburse up to one-third of the total awarded funds upon Deferred Loan Agreement execution, closing, and commencement of project construction. An additional amount, up to one-third of the total awarded funds, will be disbursed once ~~no sooner than commencement of project~~ project construction is 50% complete. The remaining balance will be disbursed upon project completion, as determined by Minnesota Housing. Recipients will submit supporting documentation to determine eligibility prior to each disbursement. Notwithstanding the foregoing, Minnesota Housing reserves the right to require that any awarded Program funds disbursed are used by the Recipient to

pay for Qualified Expenditures within a set timeframe, as determined by Minnesota Housing at its sole discretion.

Chapter 4 – Application Requirements and Responsibilities

Minnesota Housing encourages sustainable, healthy housing that optimizes the use of cost-effective, durable building materials and systems that minimize the consumption of natural resources ~~both~~ during construction, ~~or~~ rehabilitation, and in the long-term maintenance and operations. Minnesota Housing encourages 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 site.

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

4.01 Applicant Responsibilities

The applicant is responsible for understanding the submission requirements necessary for a complete application. Applicants can access the Workforce Housing Development Program RFP [Application Instructions](#), supplemental materials, and resources on Minnesota Housing's [Workforce Housing Development Program](#) webpage.

4.02 Application Content

Required application materials are available on Minnesota Housing's [Workforce Housing Development Program](#) webpage. The Workforce Housing Development Program RFP [Application Instructions](#) provide ~~a comprehensive resources review for of~~ these application materials and submittal instructions. The application package must include, at a minimum, all items listed on the Application Checklist. Upon review of the application materials, applicants must be willing to provide additional documentation, if requested, to help ensure a viable project. Denial of an application for funding may result from incomplete or insufficient documentation.

4.03 Design and Construction Requirements

Recipients are responsible for complying with all applicable state and local requirements.

4.04 Visitability

Recipients and Subrecipients must comply with visitability requirements contained in [Minn.esota Stat.ute 462A.34](#).

4.05 Building Standards

Recipients, ~~and~~ Subrecipients, and all third parties involved must adhere to the local building code. If a project area does not have a local building code, adherence to the state of Minnesota building code is required.

4.06 Federal, State, and Local Laws

Recipients and Subrecipients receiving financial assistance from Minnesota Housing under the Program must comply with the requirements of all applicable federal, state, and local laws.

Chapter 5 – Selection and Award Process

5.01 Statutory Requirements ~~and Threshold Criteria~~

Program applications must meet all statutory requirements and threshold criteria in order to remain eligible for funding.

Statutory Application Review Requirements

Program applications must meet each of the following statutory requirements:

- Eligible Project Area: Small-to medium-sized cities in Greater Minnesota or areas serving an Indian Tribe; ~~(refer to Chapter 2 (Eligibility Criteria) for more information above)~~
- Project Area Rental Vacancy Rate: The average vacancy rate for rental housing located in the ~~e~~Eligible ~~p~~Project ~~a~~Area, and in any other city located within 15 miles or less of the boundaries of the area, has been five percent or less for at least the prior two-year period
- Eligible Uses: Funds will be used on Qualified Expenditures; ~~(refer to Chapter 2 (Eligibility Criteria) for more information above)~~
- Match: Secured matching funds of one dollar for every two dollars requested in funding
- Community Need: One or more letters of support from one or more businesses located in the ~~e~~Eligible ~~p~~Project ~~a~~Area, or within 25 miles of the area that employ a minimum of 20 full-time employees in aggregate.
- Maximum Award Amount: Funding request cannot exceed 50% of the project's total development costs

Matching funds can come from a local unit of government, ~~a~~ business, ~~a~~ nonprofit organization, or ~~a~~ federally recognized Indian Tribe in Minnesota. *The developer or an entity affiliated with the developer will not qualify as a source for the match unless they are an Eligible Recipient, and the match is approved in writing by Minnesota Housing. Minnesota Housing's approval of an eligible match is at its sole discretion.*

~~Threshold Criteria~~

- ~~• The application must be complete and include all required items listed in the Application Checklist~~
- ~~• The application must be submitted by the deadline. Refer to the Workforce Housing Development Program RFP Instructions for more detailed information.~~

5.02 ~~Self-Scoring Worksheet. Review of the Application~~ Review

This is a competitive application process. Program applications that meet threshold criteria and statutory requirements will be scored on the selection criteria. Refer to the Workforce Housing

Development Program RFP [Application](#) Instructions for detailed information on the [threshold and selection criteria](#).

Program applications will be reviewed and scored by Minnesota Housing staff [to](#) determine selection and funding recommendations. Final selection and funding recommendations are subject to approval by the Minnesota Housing board.

In addition to the competitive selection criteria and final project score, Minnesota Housing considers the following when reviewing applications and making selection recommendations:

- [Project feasibility](#)
- [Geographic distribution](#)
- [Underwriting standards](#)
- [Amount of funding requested](#)
- [Development cost review](#)
- [Statutory preference](#)

A. Project Feasibility

Projects must demonstrate and satisfy the following feasibility requirements in their application:

- The proposed site is appropriate for the proposed housing and the target population
- The proposed housing is needed in the intended market based ~~upon~~ [on](#) population, job growth, and vacancy rates
- The costs of developing the housing 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 when the Program underwriting standards are applied

Projects determined not to be feasible 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 to meet required components of the Program underwriting standards, as applicable, and a reduction to the application's scoring may occur as a result of these revisions.

B. Geographic Distribution

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

C. Underwriting Standards

The Program underwriting standards are used by Minnesota Housing for underwriting and sizing of all the Program funding awards and can be found in the Workforce Housing Development Program RFP [Application](#) Instructions.

D. 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, including instances where insufficient resources are available to fully fund or nearly fully fund a project.

E. Development Cost Review

Minnesota Housing will review project costs based on comparability and reasonableness. Minnesota Housing may, at its sole discretion, reject applications that have excessive project costs.

F. Statutory Preference

Preference will be given to applicants located in an Eligible Project Area with a population of fewer than 30,000. Preference will also be given to projects with a higher proportion of units that are not income or rent restricted.

5.03 Selection Notification

Applications recommended for acceptance will be presented to the Minnesota Housing board. All applicants will be notified of their status after Minnesota Housing's board has acted upon selection recommendations.

5.04 Workforce Housing Development Program Fees

Please review the [Multifamily Loan Programs and Housing Tax Credit Program Fee Schedule](#) for applicable fees associated with the loan products in this Program Guide.

Chapter 6 – Compliance Monitoring and Reporting

6.01 Compliance Reporting Requirements

For the length of the Deferred Loan Agreement, Recipients must submit an annual report that includes, at a minimum, the name of the developer, the amount of award, the amount of award received to date, the number of units in the project, the purpose of Program funding, the share of the project costs in relation to the total development costs, and information about Qualified Expenditures. Minnesota Housing reserves the right to ask for additional information. Minnesota Housing will provide a reporting template to Recipients.

6.02 Compliance Monitoring Requirements

Prior to final disbursement of Program funds, all disbursement records are subject to Minnesota Housing's review. This will include a reconciled account balance showing when Program funds were received ~~by the Recipient~~ and disbursed by the Recipient. Minnesota Housing reserves the right to ask for additional information.

6.03 Compliance Term

All Recipients awarded Program funds are required to comply with all monitoring and reporting requirements for the term of the Deferred Loan Agreement. Recipients must retain files for six years after the expiration or termination of the Deferred Loan Agreement. Additionally, Recipients must ensure compliance of Subrecipients with all monitoring, reporting, and records retention requirements.

Appendix A – Terms

Table 1: Terms and Definitions

Term	Definition
Deferred Loan Agreement	The Deferred Loan Agreement between Minnesota Housing and <u>a</u> Recipient, and any related documents evidencing a deferred loan.
Eligible Project Area	A home rule charter or statutory city located outside of a Metropolitan County with a population exceeding 500; a community that has a combined population of 1,500 residents located within 15 miles of a home rule charter or statutory city located outside a Metropolitan County; an area located outside of a Metropolitan County that serves a Tribal Community or Tribal Reservation governed by a federally recognized Indian Tribe in Minnesota, or their associated Tribally Designated Housing Entity as defined by United States Code, title 25, section 4103(22), as approved in writing by Minnesota Housing; or an area served by a Joint County-City Economic Development Authority.
Eligible Recipient	Those entities described in section 2.01 of this Program Guide.
Greater Minnesota	The areas outside of a Metropolitan County as defined in <u>Minn.esota Stat.ute 473.121, subdivision 4.</u>
Joint County-City Economic Development Authority	An economic development authority formed under <u>Minnesota Laws 1988, chapter 516, section 1,</u> as a joint partnership between a city and county and excluding those established by the county only.
Market Rate Residential Rental Property	A property that is rented at market value, including new modular homes, new manufactured homes, and new manufactured homes on leased land or in a manufactured home park.
Metropolitan County	Any one of the following counties: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington as defined in <u>Minn. Stat. §473.121, subdivision 4.</u>
Minnesota Housing	The Minnesota Housing Finance Agency
<u>One Minnesota</u>	<u>The One Minnesota Plan is a vision for what our state can be and how we can make this vision a reality.</u>
Program	The Workforce Housing Development Program established by <u>Minn. Stat. §462A.39</u> to award deferred loans to Eligible Project Areas for Qualified Expenditures.
<u>Program Guide</u>	<u>The Program Guide for Workforce Housing Development Program</u>
Qualified Expenditures	An expenditure for Market Rate Residential Rental Properties including acquisition of property, construction of improvements, and provisions of loans or subsidies, grants, interest rate subsidies, public infrastructure, and related financing costs.
Recipient	An Eligible Project Area that has been selected for funding by <u>the</u> Minnesota Housing <u>board</u> .

Term	Definition
Request for Proposals (RFP)	The competitive process of applying for Program funds.
Subrecipient	An entity awarded Program funds by a Recipient that awards or loans the funds to a related entity to be used for Qualified Expenditures related to a Market Rate Residential Rental Property.
<u>Tenant Selection Plan Guidelines</u>	<u>Required for all projects that are selected for an applicable program and funding source as a result of a funding application submitted to Minnesota Housing after March 31, 2021.</u>
<u>Tribal Community</u>	<u>Those Tribal Communities as listed in Table 2 of the Workforce Housing Development Program 2025 Eligible Cities and Federally Recognized Indian Tribes.</u>
<u>Tribal Reservation</u>	<u>Those Tribal Reservation as listed in Table 2 of the Workforce Housing Development Program 2025 Eligible Cities and Federally Recognized Indian Tribes.</u>

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 (i.e., 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 (e.g., 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.~~

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~~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); (2) a single entity receives from Minnesota Housing \$200,000 or more of grant proceeds or \$500,000 of loan proceeds.~~

~~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.~~

~~All determinations regarding prevailing wage are made by the Minnesota Department of Labor and Industry. All questions regarding state prevailing wages and compliance requirements should be directed to that agency 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, after a determination by the Minnesota Department of Labor that prevailing wage does apply, a contractor or subcontractor fails to adhere to prevailing wage laws, then that contractor or subcontractor could face civil and/or criminal liability.~~

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

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

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Item: Approval, HOME American Rescue Plan (HOME ARP) Program Guide

Action Item: 7.C
Date: 10/23/2025
Staff Contacts: Cindy Diel, 651.296.3376, cindy.diel@state.mn.us
Summer Jefferson, 651.296.9790, summer.jefferson@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff requests approval of the HOME ARP Program Guide.

Fiscal Impact

None.

Agency Priorities

- | | |
|---|---|
| ☒ Improve the Housing System | ☐ Make Homeownership More Accessible |
| ☒ Preserve and Create Housing Opportunities | ☒ Support People Needing Services |
| | ☒ Strengthen Communities |

Attachments

- Background
- HOME ARP Program Guide

Background

Authorized by the American Rescue Plan Act of 2021, the HOME American Rescue Plan (HOME ARP) Program was created to provide \$5 billion in one-time funding across the nation to support affordable housing initiatives. Under the HOME ARP Program, funds were allocated to states and local jurisdictions based on a formula that considered various factors such as population size, poverty rates and housing needs. Its objectives include investing in permanent affordable rental housing, upgrading shelter facilities to include non-congregate shelter and providing tenant-based rental assistance and supportive services. HOME ARP Program must serve specific Qualifying Populations (QPs), as further detailed later in this memorandum. Up to 30% of HOME ARP assisted units may be restricted to households that are low-income as defined in 24 CFR 92.2.

Minnesota Housing was awarded a one-time allocation of \$31,383,882, of which up to 15% can be used for administrative costs associated with managing the program. The funds will be disbursed through a competitive request for proposals (RFP). While HOME ARP has similar elements as the longstanding federal HOME program, it is a wholly separate program with different requirements. See Appendix C of the HOME ARP Program Guide for a high level comparison of HOME ARP and HOME. Due to the one time nature of the program and unique program requirements, Minnesota Housing engaged with a consultant, ICF, to assist with the program development.

Minnesota Housing conducted stakeholder engagement sessions to determine the best use of these one-time resources. The engagement and planning process included consultations with a wide range of groups serving the four qualifying populations, including Continuums of Care (CoCs); service providers serving those at risk or experiencing homelessness, domestic violence and human trafficking, as well as disability service providers; veterans' groups; public housing agencies; fair housing and civil rights organizations; and Tribal governments. The consultation work was completed with a public hearing that took place on February 1, 2023.

The sessions assessed and analyzed gaps and needs of the HOME ARP qualifying populations to prepare the HOME ARP Allocation Plan (Allocation Plan). The Allocation Plan is required by the legislation that established HOME ARP, and it describes how Minnesota Housing intends to distribute HOME ARP funds, including how it will use these funds to address the needs to HOME ARP Qualifying Populations.

The Allocation Plan describes how funds will be distributed, including how it will address the needs of qualifying populations. The Allocation Plan was first approved by the U.S. Department of Housing and Urban Development (HUD) originally in June 2023. Minnesota Housing was initially awarded \$31,137,836 and the allocated HOME-ARP funds were to be used for the following activities with a focus on rental housing: 89% of the funds to Development of Affordable Rental Housing, 1% to Non-Profit Capacity Building, and 10% to Administration and Planning. In April 2025, Minnesota Housing's funding allocation was recalculated and increased to \$31,383,882. An amendment to the Allocation Plan was approved by HUD in July 2025, allocating the increased funds as follows: 90.1% Development

of Affordable Rental Housing and 9.9% Administration and Planning. The funds must be used by September 30, 2030.

Summary

The HOME ARP Program Guide incorporates the federal and state requirements of the HOME ARP Program and is designed to assist owners and their project teams in maintaining compliance with the regulatory requirements associated with the utilization of these funds during underwriting, construction and project closeout.

The HOME ARP program has extensive federal regulatory requirements for administering funding and ongoing monitoring throughout the affordability period, which is 15 years. Minnesota Housing will use the allocation of HOME ARP Program funds to provide financing for any of the following activities:

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

As noted, the funding must serve specific Qualifying Populations fully defined in Chapter 1 of the Program Guide, which includes:

- Homeless, as defined in 24 CFR 91.5 Homeless (1), (2), or (3)
 - An individual or family who lacks a fixed, regular, and adequate nighttime residence
 - An individual or family who will imminently lose their primary nighttime residence
 - Unaccompanied youth under 25 years of age, or families with children and youth, who do not otherwise qualify as homeless under this definition
- At risk of Homelessness, as defined in 24 CFR 91.5
 - Has an annual income below 30 percent of median family income for the area, as determined by HUD
 - Does not have sufficient resources or support networks, e.g., family, friends, faith-based or other social networks, immediately available to prevent them from moving to an emergency shelter
 - A child or youth who does not qualify as “homeless” under this section, but qualifies as “homeless” under another statute
- Fleeing, or Attempting to Flee, Domestic Violence, Dating Violence, Sexual Assault, Stalking, or Human Trafficking, as defined by HUD
- Other Populations, where providing supportive services or assistance under section 212(a) of National Affordable Housing Act (42 U.S.C. 12742(a)) would prevent the family’s homelessness or would serve those with the greatest risk of housing instability

- Households (i.e., individuals and families) who have previously been qualified as “homeless” as defined in 24 C.F.R. 91.5, are currently housed due to temporary or emergency assistance
- At Greatest Risk of Housing Instability
- Has annual income that is less than or equal to 30% of area median income (AMI)
- Has annual income that is less than or equal to 50% of AMI and has moved because of economic reasons two or more times during the 60 days immediately preceding the application, is living in the home of another because of economic hardship, has been notified in writing that their right to occupy their current housing or living situation will be terminated within 21 days, lives in a hotel or motel and the cost of the hotel or motel stay is not paid by charitable organizations or by federal, state, or local government programs, lives in a single-room occupancy or efficiency apartment unit in which there reside more than two persons or lives in a larger housing unit in which there reside more than 1.5 persons reside per room, is exiting a publicly funded institution, or system of care, or otherwise lives in housing that has characteristics associated with instability

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

Features of these loans include (Chapter 2 of the Program Guide):

- 0% interest rate
- The full loan amount, including any principal and interest, is due at the end of the loan term—a minimum of 15 years, or longer depending on other funding sources and requirements. However, payment may be triggered earlier because of 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 ARP Program assistance is \$1,000 per HOME ARP Program Assisted Unit in the project
- The interest rate may be adjusted to allow these funds to be utilized with other sources of funding, such as Federal Low-Income Housing Tax Credits (HTCs)
- 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

Next Steps

Subject to board approval, staff will continue working with the consultant to create an RFP and related forms to solicit HOME ARP applications from local government units, developers and/or service providers to implement eligible activities that are identified and prioritized in the Allocation Plan.

Minnesota Housing will issue an RFP specific for and tailored to HOME ARP activities. The RFP is anticipated to be released by the end of this calendar year with applications due in 2026. The Agency will also create a webinar ahead of the application deadline to provide guidance and information about the RFP. Technical assistance will also be available. Project selections are subject to board approval.

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HOME American Rescue Plan Program

HOME ARP Program Guide

October 2025



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An equal opportunity employer.

This information will be made available in alternative format upon request.

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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 – Purpose and Background

This Program Guide is applicable to projects with HOME American Rescue Plan (HOME ARP) funds. HOME ARP is separate and distinct from the HOME Investment Partnerships (HOME) and National Housing Trust Fund (NHTF) programs. Projects with HOME or NHTF program funds must refer to the applicable HOME and NHTF Combined Program Guide for questions related to compliance with Minnesota Housing requirements for those programs.

1.01 Program Purpose and Regulations

The HOME ARP Program was created in 2021, providing \$5 billion in one-time funding across the nation to support affordable housing initiatives. Under the HOME ARP Program, funds were allocated to states and local jurisdictions based on a formula that considered various factors such as population size, poverty rates, and housing needs. This formula ensured that the funds were directed to areas where they could have the most significant impact.

The HOME ARP Program provides financing to help preserve or increase the supply of decent, safe and sanitary affordable housing, upgrading shelter facilities to include non-congregate shelter, and providing tenant-based rental assistance and supportive services. HOME ARP Program funds are intended to benefit specific Qualifying Populations and Low-Income Households.

Minnesota Housing will use its one-time allocation of HOME ARP Program funds to provide financing to selected applicants for any of the following activities:

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

Regulations

Program specific federal statutes and rules referenced in this Program Guide can be found on the U.S. Department of Housing and Urban Development's (HUD) [HOME ARP](#) webpage.

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

- [CPD-21-10 Notice: Requirements for the Use of Funds in the HOME ARP Program](#)
- [Waivers and Alternative Requirements for Implementation of the HOME ARP Program](#)

The information presented in this guide is not intended to be a complete description of the owner/developer's responsibilities under the HOME ARP Program. It is the responsibility of the owner/developer to ensure they are compliant with all relevant regulatory requirements. Absence of

any applicable regulatory requirements in this Program Guide does not negate an owner/developer's obligation to comply with said requirements.

Noncompliance by any participating party with certain HOME ARP Program requirements may have serious financial or legal consequences.

1.02 Highlights of the HOME ARP Program

HUD published the HOME ARP Notice CPD 21-10 and Appendix in 2021, which contains many provisions that impact how the funding is administered. This Program Guide specifies areas where Minnesota Housing has implemented more restrictive requirements.

The provisions of the HOME ARP Notice listed below are of particular importance as they relate to the most significant changes for the administration of the HOME ARP Program. Details can be found in subsequent chapters specific to the change.

- Targeting requirements related to meeting eligibility of Qualifying Populations rather than to income targeting requirements
- Unit mix requirements with no more than 30% of units restricted for occupancy to Low-Income Households, the remaining units (70%) are restricted for occupancy to Qualifying Populations
- Addition of a Capitalized Operating Cost Assistance Reserve as an eligible cost
- Maximum per unit subsidy amount waived
- Alignment of HOME ARP Program rent limits for households with rental assistance with other rental assistance programs
- HOME ARP Program Compliance Period is 15 years regardless of rental housing activity type
- No matching contribution requirements
- Homeownership and owner-occupied activities, including assistance to homebuyers, development of affordable housing for homeownership, and homeowner rehabilitation are not eligible

1.03 HOME ARP Intended Beneficiaries

HOME ARP Program regulations require that funds primarily benefit the four Qualifying Populations:

1. Homeless
2. At Risk of Homelessness
3. Fleeing, or Attempting to Flee, Domestic Violence, Dating Violence, Sexual Assault, Stalking, or Human Trafficking, as defined by HUD
4. Other Populations

These Qualifying Populations are defined below. Veterans and Families that include a Veteran Family Member that meet the criteria for one of the Qualifying Populations are eligible to receive HOME ARP Program assistance.

Any individual or family who meets the criteria for these populations is eligible to receive assistance or services funded through the HOME ARP Program without meeting additional criteria. All income calculations to meet income criteria of a Qualifying Population or required for income determinations in HOME ARP Program eligible activities must use the annual income definition in 24 C.F.R. 5.609 in accordance with the requirements of 24 C.F.R. 92.203(a)(1).

All rental housing units that are acquired, rehabilitated, or constructed using HOME ARP Program funds must be primarily targeted to all four Qualifying Populations.

Homeless

As defined in 24 C.F.R. 91.5 *Homeless (1), (2), or (3)*:

- An individual or family who lacks a fixed, regular, and adequate nighttime residence meaning:
 - (i) An individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, or camping ground;
 - (ii) An individual or family living in a supervised publicly or privately operated shelter designated to provide temporary living arrangements (including congregate shelters, transitional housing, and hotels and motels paid for by charitable organizations or by federal, state, or local government programs for low-income individuals); or 4
 - (iii) An individual who is exiting an institution where he or she resided for 90 days or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution;
- (2) An individual or family who will imminently lose their primary nighttime residence, provided that:
 - (i) The primary nighttime residence will be lost within 14 days of the date of application for homeless assistance;
 - (ii) No subsequent residence has been identified; and
 - (iii) The individual or family lacks the resources or support networks, e.g., family, friends, faith-based or other social networks needed to obtain other permanent housing;
- (3) Unaccompanied youth under 25 years of age, or families with children and youth, who do not otherwise qualify as homeless under this definition, but who:
 - (i) Are defined as homeless under section 387 of the Runaway and Homeless Youth Act (42 U.S.C. 5732a), section 637 of the Head Start Act (42 U.S.C. 9832), section 41403 of the

- Violence Against Women Act of 1994 (42 U.S.C. 14043e-2), section 330(h) of the Public Health Service Act (42 U.S.C. 254b(h)), section 3 of the Food and Nutrition Act of 2008 (7 U.S.C. 2012), section 17(b) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(b)), or section 725 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434a);
- (ii) Have not had a lease, ownership interest, or occupancy agreement in permanent housing at any time during the 60 days immediately preceding the date of application for homeless assistance;
 - (iii) Have experienced persistent instability as measured by two moves or more during the 60-day period immediately preceding the date of applying for homeless assistance; and
 - (iv) Can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse (including neglect), the presence of a child or youth with a disability, or two or more barriers to employment, which include the lack of a high school degree or General Education Development (GED), illiteracy, low English proficiency, a history of incarceration or detention for criminal activity, and a history of unstable employment;

At Risk of Homelessness

As defined in 24 C.F.R. 91.5 *At risk of homelessness*:

- (1) An individual or family who:
 - (i) Has an annual income below 30 percent of median family income for the area, as determined by HUD;
 - (ii) Does not have sufficient resources or support networks, e.g., family, friends, faith-based or other social networks, immediately available to prevent them from moving to an emergency shelter or another place described in paragraph (1) of the “Homeless” definition in this section; and
 - (iii) Meets one of the following conditions:
 - (A) Has moved because of economic reasons two or more times during the 60 days immediately preceding the application for homelessness prevention assistance;
 - (B) Is living in the home of another because of economic hardship;
 - (C) Has been notified in writing that their right to occupy their current housing or living situation will be terminated within 21 days after the date of application for assistance;
 - (D) Lives in a hotel or motel and the cost of the hotel or motel stay is not paid by charitable organizations or by federal, State, or local government programs for low income individuals;
 - (E) Lives in a single-room occupancy or efficiency apartment unit in which there reside more than two persons or lives in a larger housing unit in which there reside more than 1.5 people per room, as defined by the U.S. Census Bureau;

- (F) Is exiting a publicly funded institution, or system of care (such as a health-care facility, a mental health facility, foster care or other youth facility, or correction program or institution); or
- (G) Otherwise lives in housing that has characteristics associated with instability and an increased risk of homelessness, as identified in the recipient's approved consolidated plan;
- (2) A child or youth who does not qualify as “homeless” under this section, but qualifies as “homeless” under section 387(3) of the Runaway and Homeless Youth Act (42 U.S.C. 5732a(3)), section 637(11) of the Head Start Act (42 U.S.C. 9832(11)), section 41403(6) of the Violence Against Women Act of 1994 (42 U.S.C. 14043e-2(6)), section 330(h)(5)(A) of the Public Health Service Act (42 U.S.C. 254b(h)(5)(A)), section 3(l) of the Food and Nutrition Act of 2008 (7 U.S.C. 2012(l)), or section 17(b)(15) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(b)(15)); or
- (3) A child or youth who does not qualify as “homeless” under this section but qualifies as “homeless” under section 725(2) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434a(2)), and the parent(s) or guardian(s) of that child or youth if living with her or him.

Fleeing, or Attempting to Flee, Domestic Violence, Dating Violence, Sexual Assault, Stalking, or Human Trafficking, as defined by HUD

For the HOME ARP Program, this population includes any individual or family who is fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking. This population includes cases where an individual or family reasonably believes that there is a threat of imminent harm from further violence due to dangerous or life-threatening conditions that relate to violence against the individual or a family member, including a child, that has either taken place within the individual’s or family’s primary nighttime residence or has made the individual or family afraid to return or remain within the same dwelling unit. In the case of sexual assault, this also includes cases where an individual reasonably believes there is a threat of imminent harm from further violence if the individual remains within the same dwelling unit that the individual is currently occupying, or the sexual assault occurred on the premises during the 90-day period preceding the date of the request for transfer.

Domestic violence, which is defined in 24 C.F.R. 5.2003, includes felony or misdemeanor crimes of violence committed by:

- (1) A current or former spouse or intimate partner of the victim (the term “spouse or intimate partner of the victim” includes a person who is or has been in a social relationship of a romantic or intimate nature with the victim, as determined by the length of the relationship, the type of the relationship, and the frequency of interaction between the persons involved in the relationship);
- (2) A person with whom the victim shares a child in common;

- (3) A person who is cohabitating with or has cohabitated with the victim as a spouse or intimate partner;
- (4) A person similarly situated to a spouse of the victim under the domestic or family violence laws of the jurisdiction receiving HOME ARP Program funds; or
- (5) Any other person against an adult or youth victim who is protected from that person's acts under the domestic or family violence laws of the jurisdiction.

Dating violence, which is defined in 24 C.F.R. 5.2003, means violence committed by a person:

- (1) Who is or has been in a social relationship of a romantic or intimate nature with the victim; and
- (2) Where the existence of such a relationship shall be determined based on a consideration of the following factors:
 - (i) The length of the relationship;
 - (ii) The type of relationship; and
 - (iii) The frequency of interaction between the persons involved in the relationship.

Sexual assault, which is defined in 24 C.F.R. 5.2003, means any nonconsensual sexual act proscribed by Federal, Tribal, or State law, including when the victim lacks capacity to consent.

Stalking, which is defined in 24 C.F.R. 5.2003, means engaging in a course of conduct directed at a specific person that would cause a reasonable person to:

- (1) Fear for the person's individual safety or the safety of others; or
- (2) Suffer substantial emotional distress.

Human Trafficking includes both sex and labor trafficking, as outlined in the Trafficking Victims Protection Act of 2000 (TVPA), as amended (22 U.S.C. 7102). These are defined as:

- (1) Sex trafficking means the recruitment, harboring, transportation, provision, obtaining, patronizing, or soliciting of a person for the purpose of a commercial sex act, in which the commercial sex act is induced by force, fraud, or coercion, or in which the person induced to perform such act has not attained 18 years of age; or
- (2) Labor trafficking means the recruitment, harboring, transportation, provision, or obtaining of a person for labor or services, through the use of force, fraud, or coercion for the purpose of subjection to involuntary servitude, peonage, debt bondage, or slavery.

Other Populations

Other populations where providing supportive services or assistance under section 212(a) of the National Affordable Housing Act (42 U.S.C. 12742(a)) would prevent the family's homelessness or would serve those with the greatest risk of housing instability. HUD defines these populations as individuals and households who do not qualify under any of the populations above but meet one of the following criteria:

- (1) Other Families Requiring Services or Housing Assistance to Prevent Homelessness is defined as households (i.e., individuals and families) who have previously been qualified as “homeless” as defined in 24 C.F.R. 91.5, are currently housed due to temporary or emergency assistance, including financial assistance, services, temporary rental assistance or some type of other assistance to allow the household to be housed, and who need additional housing assistance or supportive services to avoid a return to homelessness.
- (2) At Greatest Risk of Housing Instability is defined as household who meets either paragraph (i) or (ii) below:
 - (i) has annual income that is less than or equal to 30% of AMI, as determined by HUD and is experiencing severe cost burden (i.e., is paying more than 50% of monthly household income toward housing costs);
 - (ii) has annual income that is less than or equal to 50% of AMI, as determined by HUD, AND meets one of the following conditions from paragraph (iii) of the “At risk of homelessness” definition established at 24 C.F.R. 91.5:
 - (A) Has moved because of economic reasons two or more times during the 60 days immediately preceding the application for homelessness prevention assistance;
 - (B) Is living in the home of another because of economic hardship;
 - (C) Has been notified in writing that their right to occupy their current housing or living situation will be terminated within 21 days after the date of application for assistance;
 - (D) Lives in a hotel or motel and the cost of the hotel or motel stay is not paid by charitable organizations or by Federal, State, or local government programs for low-income individuals;
 - (E) Lives in a single-room occupancy or efficiency apartment unit in which there reside more than two persons or lives in a larger housing unit in which there reside more than 1.5 persons reside per room, as defined by the U.S. Census Bureau;
 - (F) Is exiting a publicly funded institution, or system of care (such as a health-care facility, a mental health facility, foster care or other youth facility, or correction program or institution); or
 - (G) Otherwise lives in housing that has characteristics associated with instability and an increased risk of homelessness, as identified in the recipient's approved consolidated plan

1.04 HOME ARP Definitions

Appendix A (Terms), which is attached and incorporated into this Program Guide, includes definitions of capitalized terms used in this Program Guide.

1.05 Legal Addendum

Any recipient of an award pursuant to the HOME ARP Program Guide agrees to comply with the additional requirements and obligations as described in Appendix C (Legal Addendum), which is attached and incorporated into this Program Guide.

Chapter 2 – Eligible Uses and Eligibility Criteria

2.01 Eligible Activities

The HOME ARP 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

2.02 Eligible Projects

The property may contain one or more buildings on a single site. Properties may also be located on more than one site if it meets each of the following requirements:

- 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 is also required to:

- 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 (for example, 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])

2.03 Ineligible Projects

HOME ARP Program funding *cannot* be used for any of the following ineligible property types:

- **Emergency Shelters:** Properties that function as emergency shelters are not eligible for HOME ARP Program funding. The program focuses on providing permanent housing solutions rather than temporary or emergency accommodations.
- **Nursing Homes and Convalescent Homes:** Facilities that provide long-term care and medical services, such as nursing homes and convalescent homes, are not eligible for funding under the HOME ARP Program.

- **Hospitals and Residential Treatment Facilities:** Properties that operate as hospitals or residential treatment facilities, which provide medical or therapeutic services, are not eligible for HOME ARP Program funding.
- **Correctional Facilities and Halfway Houses:** Properties used for correctional purposes, including prisons, jails, and halfway houses, are not eligible for funding. The program aims to provide housing that supports community integration and stability.
- **Student Housing and Dormitories:** Housing specifically designed for students, including dormitories and farmworker dormitories, are not eligible for HOME ARP Program funding. The focus is on providing housing for low-income individuals and families, as well as those experiencing homelessness or housing instability.

Additionally, a project is considered ineligible if it is:

- 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
- A Minnesota Housing financed project actively participating in its Redefined Equity Program
- A 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 owned by a borrower who has been suspended from doing business with Minnesota Housing
- 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
- A property previously funded under the HOME Program (by Minnesota Housing or any other Participating Jurisdiction) that is still within its Period of Affordability unless a waiver has been granted by Minnesota Housing and HUD

2.04 Eligible Costs

Certain fees and costs are eligible to be paid for or reimbursed using federal funds.

Hard Costs

Eligible hard costs include:

- The actual cost of constructing or rehabilitating housing, including the activities in the HOME ARP Notice section VI.B.3.c which refers to the HOME Program regulation at 24 C.F.R. 92.206(a).
 - 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 the HOME ARP Notice section VI.B.11 referring to the HOME Program regulations under 24 C.F.R. 92.251, Minnesota Housing's Multifamily Rental Housing Design/Construction Standards, and National Standards for Physical Inspection of Real Estate (NSPIRE) standards specified in 24 C.F.R. 5.705.
- Acquisition costs of improved or unimproved real property.
 - Eligible acquisition costs that are incurred prior to execution of the Written Agreement will become ineligible project costs for the purposes of cost allocation.

HOME ARP Program funds are restricted in their use for Public Housing units. Applications for Public Housing units must meet the eligibility requirements of 24 C.F.R. 92.213(a)-(c) per the HOME ARP Notice section VI.B.7.

Soft Costs

Eligible soft costs include those contained in 24 C.F.R. 92.206(d):

- Architectural, engineering, or related professional services required to prepare plans, drawings, specifications, work write-ups; for HUD environmental reviews or other environmental studies, assessments, or fees; and certain costs to process and settle financing for the project, such as private lender origination fees, credit reports, fees for title evidence, legal fees, accounting fees, filing fees for zoning or planning review and approval, private appraisal fees, fees for independent cost estimates, and other lender-required third-party reporting fees if they are incurred no more than 24 months prior to the execution of the Written Agreement that commits the funds to the property or during the construction phase
- Fees for recordation and filing of legal documents, building permits, and builders or developers fees
- Costs of a project audit, including certification of costs performed by a certified public accountant, that 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 tenants or owners of an assisted project
- Payment of impact fees that are charged for all projects within a jurisdiction
- Relocation costs

- Other soft costs eligible under 24 C.F.R. 92 that are approved by Minnesota Housing in advance of incurring the soft costs

Eligible Operating Cost Assistance

The HOME ARP Program allows grantees to request a capitalized operating cost assistance reserve (COCAR) for HOME ARP Program Assisted Units restricted for occupancy by Qualifying Populations when project-based rental assistance is not available, and underwriting determines that a reserve is necessary for operational feasibility. Minnesota Housing may make funds available for a COCAR based on the projected operating deficits for approved units. HOME ARP Program Assisted Units restricted for occupancy by Low-Income Households are not eligible for operating cost assistance.

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

Any HOME ARP Program funds for a COCAR must be held in a separate interest-bearing account by the project owner. The project owner must request written approval from Minnesota Housing prior to disbursing funds from the COCAR. Minnesota Housing will review each requested distribution to ensure that distributions are reasonable and necessary to cover the operating deficit associated only with the HOME ARP Program units occupied by Qualifying Population households.

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. Minnesota Housing reserves the right to modify any portion of this Program Guide to respond to federal guidance.

2.05 Ineligible Costs and Activities

Additional details for ineligible activities and fees can be found under 24 C.F.R. 92.214. Note that the HOME ARP Program waives 24 C.F.R. 92.214 as it relates to operating cost assistance as described in the Appendix at III. Subpart C.10.

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

Ineligible Improvements and Expenses

Ineligible improvements and expenses include:

- 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 the commitment of federal funds
- 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:

- Application fees
- Management agent fees
- Monitoring fees
- Other soft costs incurred prior to the commitment of federal funds that have not been approved by Minnesota Housing

2.06 Eligible Forms of Assistance

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

Features of these loans include:

- 0% interest rate
- The full loan amount, including any principal and interest, is due at the end of the loan term—a minimum of 15 years, or longer depending on other funding sources and requirements. However, payment may be triggered earlier because of 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 ARP Program assistance is \$1,000 per HOME ARP Program Assisted Unit in the 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 (HTCs)
- 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

Refer to Minnesota Housing's [HOME ARP Program Underwriting Standards](#) for more information on HOME ARP Program funding.

2.07 Eligible Owners, Sponsors, Developers, and Capacity

Eligible Entities for the HOME ARP Program must be one of the following:

- A for-profit entity
- A 501(c)(3) nonprofit entity
- A government unit (excluding the federal government)
- A Federally recognized American Indian Tribe located in Minnesota or its Tribally Designated Housing Entity
- A religious organization

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.

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

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.

2.08 Underwriting Considerations

All projects funded through the HOME ARP Program must follow Minnesota Housing's [HOME ARP Program 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 ARP Program funds and will assist owners with understanding their compliance obligations.

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 requirements, operating expense requirements, energy efficiency standards, fair housing policy requirements, and accessibility standards. These requirements are outlined throughout this Program Guide, the [HOME ARP Program Underwriting Standards](#), the [Architect's Guide](#), and Minnesota Housing's [Multifamily Rental Housing Design/Construction Standards](#).

Underwriting for Rehabilitation

Projects undergoing acquisition and rehabilitation have unique differences that include, but are not limited to, market demand requirements, occupancy and marketing requirements, operating expense requirements, energy efficiency standards, relocation requirements, fair housing policy requirements, and accessibility standards. These requirements are outlined throughout the [HOME ARP Program Underwriting Standards](#), the [Architect's Guide](#), and Minnesota Housing's [Multifamily Rental Housing Design/Construction Standards](#).

2.09 Site and Neighborhood Standards

Minnesota Housing will administer the HOME ARP Program 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 standards 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 C.F.R. 983.55(e)(2) and 24 C.F.R. 983.55(e)(3).

Project records must illustrate that a site and neighborhood standards review was conducted for each assisted project that included new construction of rental housing to determine that the site meets the requirements of 24 C.F.R. 92.202 per the HOME ARP Notice section VIII.F.q.

HUD does not apply specific site and neighborhood standards to rehabilitation projects under the HOME ARP Program.

In addition, the requirements of 24 C.F.R. 8 (which implements section 504 of the Rehabilitation Act of 1973) apply to the HOME ARP Program and specifically addresses the site selection with respect to accessibility for persons with disabilities.

2.10 HOME ARP Program Compliance Period

The HOME ARP Program Compliance 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 HOME ARP Program Compliance Period as a condition of funding. The HOME ARP Program Compliance 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.

All HOME ARP Program loans, regardless of the amount or number of units, must adhere to a fifteen-year HOME ARP Program Compliance Period.

2.11 Cost Allocation

Minnesota Housing will identify the eligible HOME ARP Program project costs to determine the maximum amount of HOME ARP Program funds that the project may receive, and the required number of HOME ARP Program Assisted Units.

The federal funding must only pay the share of project eligible costs proportionate to the number of HOME ARP Program Assisted Units. Assisted Units must be evenly distributed among the different unit types.

The final number and type of units to be assisted will be determined prior to signing the HOME ARP Program Written Agreement. If there are any changes to eligible project costs during underwriting and construction, the number of HOME ARP Program Assisted Units and maximum funding will be recalculated. This recalculation may result in revising the number of HOME ARP Program Assisted Units.

2.12 Applying for Funds

Funds allocated for HOME ARP Program activities are available through Minnesota Housing's HOME ARP Program Request for Proposals (RFP).

Minnesota Housing's HOME ARP Program RFP will be a one-time opportunity to apply for HOME ARP Program funds, unless subsequent RFPs are necessary to expend the full allocation. Notification is posted with resources and requirements for program eligibility found on Minnesota Housing's [HOME American Rescue Plan Program](#) webpage. Technical assistance and web training are made available prior to the date applications are due.

If Minnesota Housing determines that the total amount of federal funds and other governmental assistance exceeds the amount necessary to make the project feasible (for example, 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

HOME ARP funding selections are subject to approval by Minnesota Housing's board.

Chapter 3 – Federal Requirements

3.01 Federal Cross Cutting Requirements

The HOME ARP Program provides federal funds that require compliance with various cross-cutting requirements, which may impact the entire project. These cross-cutting requirements are triggered by Minnesota Housing Funding Selection for a HOME ARP Program project.

The owner/applicant is required to comply with all applicable cross-cutting requirements.

The following table 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 Multifamily Consolidated RFP and in the Code of Federal Regulations.

Table 1: Federal Cross-Cutting Requirements

Requirement	Trigger Point	Term of Requirement
Environmental Reviews – including choice-limiting actions	Funding Selection	Selection until HUD environmental clearance received
Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA)	Funding Selection	Selection until project construction closeout
Section 3	Funding Selection	Selection until project construction closeout
Black, Indigenous and People of Color-owned Business Enterprise/Women-owned Business Enterprise ¹	Funding Selection	Selection until project construction closeout
Davis-Bacon and Related Acts	Funding Selection	Selection until project construction closeout
Lead-Based Paint	Funding Selection (pre-1978 construction date)	Selection and ongoing
Build America, Buy America	N/A	Not applicable to the HOME ARP Program
Fair Housing – Accessibility	Funding Selection	Selection and ongoing
Fair Housing – Marketing	Funding Selection	Selection and ongoing

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.

Requirement	Trigger Point	Term of Requirement
EEO – Included in Contracts	Funding Selection	Selection until project construction closeout
Debarment/Suspension	Funding Selection	Selection until project construction closeout
Physical Condition Standards	Funding Selection	Selection and ongoing

3.02 Environmental Reviews

The HOME ARP Program requires an environmental review prior to execution of the Written Agreement.

The environmental review requirements for the HOME ARP Program are found in the Notice section VII.C which refer to the applicability of 24 C.F.R. 92.352 to HOME ARP Program projects. This section's regulations align with the environmental review requirements found under 24 C.F.R. 58.

After Minnesota Housing Funding Selection and until receiving notification from Minnesota Housing that the project has received HUD environmental clearance, the owner/developer and all project partners cannot undertake any actions that are considered “choice limiting” or that could cause an “adverse impact” on the environment. These actions include but are not limited to:

1. Execution of a legally binding agreement or contract to commit or expend HUD or non-HUD funds for property acquisition, rehab, conversion, repair, or construction
2. Site/property acquisition or leasing
3. Purchasing or otherwise procuring construction materials
4. Construction
5. Rehabilitation/repair/remediation
6. Demolition
7. Any site work beyond general maintenance

Violating the choice-limiting action prohibitions will result in the loss of HOME ARP Program funds and withdrawal of Minnesota Housing's Funding Selection. Therefore, it is important for developers to consult with the Minnesota Housing underwriter to review the noted regulations to ensure the relevant protocols are followed. Written Agreements will not be entered into until the environmental review is completed.

If you have questions about choice-limiting actions, contact Minnesota Housing staff.

3.03 Uniform Relocation Assistance and Real Property Acquisition Policies Act

The purpose of the Uniform Relocation Assistance and Real Property Acquisition Policies 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, it is recommended that an experienced relocation specialist manage the entire process.

For lower income residents displaced as a direct result of demolition and conversions in HOME ARP Program assisted projects, section 104(d) of the Housing and Community Development Act of 1974 may also apply.

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.

3.04 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 (U.S. Code, title 12, section 1701u), as amended. These requirements are described in 24 C.F.R. 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. Noncompliance with HUD's Section 3 regulations may result in sanctions and debarment or suspension from future Section 3 covered contracts.

Refer to Minnesota Housing's [Section 3 Compliance Guide](#) for more information on these requirements.

3.05 Black-, Indigenous-, and People of Color-Owned Business Enterprises and Women-Owned Business Enterprises

It is the policy of Minnesota Housing that Black-, Indigenous-, and People of Color-Owned Business Enterprises and Women-Owned Business Enterprises² (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:

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.

- The owner's and general contractor's certification to determine compliance with laws prohibiting discrimination in employment and that they hire affirmatively
- The extent to which bids from BIPOCBE/WBE 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/WBE 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.

Refer to the [Multifamily Division Black, Indigenous, and People of Color-Owned Business Enterprise and Women-Owned Business Enterprise Compliance Standards](#) for more information on these requirements, including hiring goals for specific geographic areas.

3.06 Federal Labor Standards

Owners agree to abide by and ensure compliance with the federal labor standards laws and regulatory requirements. At a minimum, the three laws that apply to HOME ARP Program funded projects are:

1. 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.
2. 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.
3. Contract Work Hours and Safety Standards Act: Workers must receive overtime compensation at a rate at least 1.5 times their regular wage after they have worked 40 hours in one week.

Refer to [HUD's Federal Labor Standards Handbook](#) and the [Davis-Bacon and Labor Standards Agency/Contractor Guide](#) for additional information about the laws outlined above.

Davis-Bacon Act

Each HOME ARP Program assisted project that contains 12 or more HOME Program and/or HOME- ARP Program 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 ARP Program assistance with other federal sources, follow the Davis-Bacon standards of the program that applies the standards to the fewest number of units. HOME and HOME ARP cannot be combined in a unit to reduce the number of units. The number of

HOME Program and HOME ARP Program Assisted Units are cumulative, therefore, Davis-Bacon would apply to a project with four HOME Program Assisted Units and eight HOME ARP Program Assisted Units since there are 12 total HOME Program and HOME ARP Program Assisted Units.

Owners must require each 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 the labor compliance software used by Minnesota Housing to comply with Davis-Bacon requirements

The completion and submission of all documentation for conformance with federal labor standards requirements is a condition for the release of HOME ARP Program funds.

3.07 Lead Hazard Evaluation and Reduction

All rehabilitation or conversion projects built prior to 1978 that are funded through the HOME ARP Program must follow HUD 24 C.F.R. 35, subparts A, B, J, K, M and R, Minnesota Housing's Multifamily 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 through 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 Minnesota Housing's HOME ARP Program 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, Childcare 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.

Refer to HUD's [Lead-Based Paint](#) webpage for additional information about the documents and requirements outlined above.

3.08 Build America, Buy America Act

The Build America, Buy America (BABA) Act requirements do not apply to any HOME ARP Program projects. If a project is receiving other federal funding in the project, BABA may apply if awarded funds from Federal Fiscal Year 2024 or later. Contact Minnesota Housing staff to confirm whether your project is subject to BABA requirements.

3.09 Fair Housing Accessibility and Marketing

It is illegal to discriminate in the rental of housing, including against individuals seeking housing assistance, or in other housing-related activities. The Fair Housing Act prohibits this discrimination because of race, color, national origin, religion, sex, familial status, and disability. A variety of other federal civil rights laws, including Title VI of the Civil Rights Act, section 504 of the Rehabilitation Act, and the Americans with Disabilities Act, prohibit discrimination in housing and community development programs and activities.

Affirmative marketing aims to ensure that housing opportunities are available to all, regardless of protected characteristics like race, color, national origin, sex, familial status, disability, or religion.

Accessibility requirements, as outlined in the Fair Housing Act and HUD's guidance, cover design features to ensure housing is usable by people with disabilities.

3.10 Equal Employment Opportunity

Employers with federally assisted construction contracts must not discriminate in employment practices. Refer to Minnesota Housing's [Equal Employment Opportunity Policy Statement](#) for more information.

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.

3.11 Debarment and Suspension

Minnesota Housing will confirm that no members of the project team, including the owner, are debarred or excluded from receiving federal assistance prior to Mortgage Credit Committee approval, 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 are in the SAM on the [SAM.gov](https://sam.gov) website and listed as debarred, they will not be eligible to receive HOME ARP Program funds.
- If the owner(s) are listed on Minnesota Housing's suspension list, they will not be eligible to receive HOME ARP Program funds or any other funding.
- If anyone on the owner's development team is listed on either HUD's LDP list, the SAM debarment list or Minnesota Housing's suspension list, they must be replaced by someone who does not appear on these debarment or suspension lists.

3.12 Design and Property Standards

Properties served with HOME ARP Program 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 Compliance Period. If no such standards exist, HUD's NSPIRE, as set forth in 24 C.F.R. 5.705, will apply.

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.

Chapter 4 – Post-Selection

4.01 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 ARP Program funds that the project may receive and the required number of HOME ARP Program Assisted Units.

Minnesota Housing will work with the owner to determine if the HOME ARP Program Assisted Units will be designated as fixed or floating. When HOME ARP Program Assisted Units are fixed, the units remain the same during the Compliance Period. Units designated as fixed must be occupied by tenants that meet the eligibility criteria for the duration of the Compliance Period. When HOME ARP Program Assisted Units are floating, the units may change during the Compliance Period so long as both the total number of HOME ARP Program Assisted Units in the project remains the same, and any newly designated units are comparable and maintain the applicable unit mix.

The final number and type of HOME ARP Program units to be assisted will be determined prior to signing the Written Agreement. If there are any changes to eligible costs during underwriting or construction, the number of HOME ARP Program Assisted Units and maximum funding will be recalculated.

Refer to Minnesota Housing's Multifamily HOME ARP Program Compliance Guide for more information and compliance requirements during the Compliance Period.

4.02 Income and Rent Limits

The HOME ARP Notice establishes gross rent limits for HOME ARP Program, using the HOME Program rent limits that are published annually by HUD. Gross rent limits include the contract rent plus a utility allowance (UA) for any tenant-paid utilities. When the new rent and income limits are released, Minnesota Housing notifies owners and managers by email and the new limits are published to Minnesota Housing's [Multifamily Rent and Income Limits](#) webpage.

Every HOME ARP Program 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 ARP Program rents. The HOME ARP Program uses HOME Program rent limits. There are two HOME Program rents established for properties; High and Low HOME Program Rents represent the maximum that owners can charge for rent, including an allowance for tenant-paid utilities.

In the absence of other project-based or tenant-based rental subsidies, the maximum amount of rent allowable for HOME ARP Program Assisted Units restricted for occupancy by Qualifying Populations (Qualifying Population Units) is equal to the Low HOME Rent. For HOME ARP Program Assisted Units

restricted for occupancy by Low-Income Households (Low-Income Units), rent limits match the High HOME Rent.

If a HOME ARP Program Assisted Unit receives federal or state project-based or tenant-based rental assistance and the unit is occupied by a household who pays not more than 30% of the household's adjusted income for rent, the maximum rent (tenant contribution plus the rental subsidy) is the rent allowable under the federal or state project-based or tenant-based rental subsidy program.

The HOME ARP Program requires an annual review and approval of rents for the Assisted Units. Rent limits and rent increases must be determined and verified in accordance with the requirements of Minnesota Housing's Multifamily HOME ARP Program Compliance Guide.

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. Minnesota Housing's Multifamily HOME ARP Program Compliance Guide describes this process.

HOME ARP Program Income Limits

The HOME ARP Program is intended to serve primarily those who meet the definition of a Qualifying Population rather than targeted to specific income levels. Income determinations for eligibility may be required for some Qualifying Populations whose definition includes a defined median income (at-risk of homelessness, other populations). A household must meet the definition upon admission to the HOME ARP Program Assisted Unit – changes in income do not impact their Qualifying Population status.

For units restricted for Low-Income Households, tenants must meet the definition of low-income. Refer to the HOME ARP Notice section IV.A and B for a more detailed definition.

Housing Support

Applicable to properties receiving HOME ARP Program funds and Housing Support (formerly known as Group Residential Housing [GRH]).

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 C.F.R. 92.214(b)(3).

- 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.

4.03 Utility Allowances

Owners are required to establish maximum monthly allowances for utilities and services (excluding telephone) and update these annually.

Owners may use a project-specific UA or use the local 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.

If using a project-specific UA, a list and description of these methodologies can be found in the [Multifamily HOME Investment Partnerships and National Housing Trust Fund Program Compliance Guide](#). The [Utility Allowance Certification](#) and [Utility Allowance Utility Grids](#) must be submitted to Minnesota Housing along with supporting documentation prior to receiving Mortgage Credit Committee approval. Owners are permitted to switch methodologies only after approval by Minnesota Housing. Once approved a project specific utility allowance must be updated annually and include the required supporting documentation regardless of when lease up occurs.

4.04 Minnesota Housing Rental Housing Design/Construction Standards

All projects funded through the HOME ARP Program must follow Minnesota Housing's Multifamily Rental Housing Design/Construction Standards. These guidelines are available on Minnesota Housing's [Building Standards](#) webpage.

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 (for example, 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 Compliance Period, the system(s) must either be 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.

4.05 Initial Inspections

All projects funded through the HOME ARP Program 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 [Multifamily Rental Housing Design/Construction Standards](#).

In addition, the HOME ARP Program requires an initial property inspection for rehabilitation projects to identify any NSPIRE deficiencies. This inspection is completed by Minnesota Housing staff or by an entity or person contracted by Minnesota Housing.

Any violations discovered during the initial inspection found to fall under the Life Threatening or Severe category will require correction within 24 hours. Any remaining violations, including those categorized as routine maintenance, will be reviewed for possible integration 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 requirements outlined in Minnesota Housing's [Multifamily Rental Housing Design/Construction Standards](#).

4.06 Reserves

If the useful remaining life of one or more major system(s) is less than the applicable Compliance 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.

Capitalized Operating Cost Assistance Reserves (COCAR)

- A COCAR may be funded for the amount estimated to be necessary for 15 years from the start of the Compliance 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 and maintained by either Minnesota Housing or a depository designated by Minnesota Housing. The owner must submit draw requests with documentation for Minnesota Housing review prior to disbursement.
- If the property fails to meet the compliance 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.

4.07 Capital Needs and Major Systems

Minnesota Housing must underwrite all projects to help ensure that each project is financially sustainable over its Compliance 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 Compliance Period as outlined in the HOME ARP Notice section VI.B.5 and 24 C.F.R. 92.251(b)(ii) and (viii).

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 Compliance Period. A Minnesota Housing architect reviews and approves the assessment before the

project starts its Compliance Period. Handling of reserves during the Compliance Period can be found in section 4.06 of this Program Guide.

4.08 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 done through competitive or negotiated bids. If the bid for a general contractor is negotiated, all subcontractors must be competitively solicited. Refer to section 4.10 of this Program Guide for important information on eligible contractors and subcontractors and Minnesota Housing's Contractor Guide for more information on soliciting bids.

Minnesota Housing must be given a copy of the bid specifications and bid documents before they are released for bid. Minnesota Housing staff will review and approve the bid package before it is released for bid to ensure all required forms are included with the understanding that the wage decision may have to be updated before the contract is signed.

4.09 Wage Determination

Each project with 12 or more HOME/HOME ARP Program Assisted Units must obtain a wage decision from the [SAM.gov](https://sam.gov) website. The owner's architect is responsible for obtaining the wage decision and ensuring it is included in all bid documents. Note: Under certain circumstances, awards of Minnesota Housing funds may also trigger state prevailing wage requirements under [Minnesota Statutes Chapter 177](#) or [Minnesota Statutes Section 116J.871](#), resulting in a dual wage decision.

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 subcontractors. All construction contracts must contain Davis-Bacon language binding the contractor to Davis-Bacon requirements (HUD 4010). The general contractor must also ensure that all contracts with subcontractors contain all applicable labor standards.

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 ARP Program 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. If the contract is awarded more than 90 days after bid opening, the wage decision shall be updated as of the date of award.
- The project that negotiates the general contractor's contract will lock in the wage decision when the contract is signed.
 - If the general contractor's contract is negotiated, all of the subcontractor's work must be competitively bid.
- For projects that receive construction advances 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.

Work closely with Minnesota Housing staff to determine when your project's wage decision is locked in.

The construction contract, relocation contract (if applicable), any environmental remediation contracts outside of the construction contract (if applicable), architect contract, and subcontractor contracts must include all forms required by Minnesota Housing and federal requirements.

4.10 Debarment and Suspension

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 the SAM debarment list on the [SAM.gov](https://sam.gov) website, 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.
- If the general contractor is listed on Minnesota Housing's suspension list, they are not eligible to work on the project and will have to be replaced by another contractor who does not appear on Minnesota Housing's suspension list.

Subcontractor Debarment

Before awarding a subcontract to a subcontractor, the general contractor must verify that the subcontractor is not debarred or excluded from working on federally assisted projects.

- 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 the SAM debarment list.

- If the subcontractor is listed on HUD's LDP list, the SAM debarment list or Minnesota Housing's suspension list, they are not eligible to work on the project and will have to be replaced by another subcontractor who does not appear on these debarment or suspension lists.

4.11 Market Analysis

The HOME ARP Program requires an assessment of market demand for HOME ARP Program Assisted Units restricted for occupancy by Low-Income Households. 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 the HOME ARP Request for Proposals Standards and HOME ARP Underwriting Standards.

A market study is required for any project which will contain HOME ARP Low-Income Units or market rate units that will cross-subsidize the HOME ARP units. The study must, at a minimum, demonstrate sufficient current demand for these units. If a project is funded through another source other than HOME ARP and that source requires a market study, a market study will be required.

A market study is not required for the HOME ARP Program Assisted Units restricted for occupancy for Qualifying Populations. If a project is seeking HOME ARP Program funding for units that will be 100% restricted for Qualifying Populations, the need was already established in the accepted HOME ARP Program Allocation Plan and an additional market study is not required.

4.12 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.

4.13 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 for the project are reasonable and only the necessary amount of HOME ARP Program funds is invested in the housing project.

Minnesota Housing will refer to the HOME ARP Program 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, grant (including a Community Development Block Grant), guarantee, insurance, payment, rebate, subsidy, tax credit benefit, operating cost assistance reserve (NHTF Only), 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.

4.14 Written Agreement – Commitment of Funds to a Project

Written Agreements are required for:

- HOME ARP Program capital funds
- HOME ARP Program COCAR 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 ARP 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 Compliance 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.

HOME ARP Program funds must be fully expended by September 30, 2030. Funds remaining after September 30, 2030 will be cancelled by HUD and no longer available for draw from Minnesota Housing. While funds for a HOME ARP COCAR must be committed by the deadline, the HOME ARP COCAR will remain available for draw through the HOME ARP Compliance Period.

4.15 Tenant Selection Policies

Owners must adopt written tenant selection policies and criteria. Additionally, owners must develop a Tenant Selection Plan per all applicable guidelines, which is then used by prospective tenants to self-screen and determine their eligibility for a property prior to submitting an application for housing. These must be made available to Minnesota Housing upon request.

Tenant selection policy requirements and related prohibited activities include:

- Tenant Selection Plans must be consistent with the purpose of providing housing for Qualifying Populations and Low-Income Households, and housing must be limited to eligible households.
- Tenant Selection Plans must provide for the selection of tenants from an existing written waiting list in the chronological order of their application, insofar as is practicable. Or the Tenant Selection Plan must use a waiting list to receive referrals from a Continuum of Care (CoC) Coordinated Entry (CE) and other referral agencies for a project, where a referral agency refers an applicant that is placed on the waiting list for that project in chronological order as described in the HOME ARP Notice section IV.2.ii.
- Any preferences for households must comply with Minnesota Housing's preferences established in the accepted HOME ARP Program Allocation Plan and must not violate nondiscrimination requirements in 24 C.F.R. 92.350.
- Tenant Selection Plans must allow for prompt written notification of the grounds for rejection to any rejected applicant.
- Tenant Selection Plans must be reasonably related to the applicants' ability to perform the obligations of the lease (for example, to pay the rent, to not damage the housing, to not interfere with the rights and quiet enjoyment of other tenants).
- Owners shall comply with the Fair Housing Act, applicable provisions of 24 C.F.R. 5, and any applicable HUD guidance.
- Owners must comply with VAWA requirements as described in 24 C.F.R. 92.359.

In addition, projects selected for HOME ARP Program funding must follow Minnesota Housing's Tenant Selection Plan guidelines as well. Refer to Minnesota Housing's [Tenant Selection Plan Guidelines](#) webpage for more information on these guidelines.

4.16 Mandatory Lease Terms

The HOME ARP Program requires written leases. Leases for HOME ARP Program Assisted Units must be for a period of one year unless a shorter term is mutually agreed upon by the tenant and the owner.

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 the 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 provide or sign consents to third-party income verification as reasonably requested by the owner.
- The owner may terminate the lease or refuse to renew the lease of a household for failure to supply the third-party income verification or sign consents 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, making improvements and repairs, and 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 ARP Program funds must be for no 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.

4.17 Prohibited Lease Terms

The HOME ARP Program prohibits the following terms within tenant leases for HOME ARP Program Assisted Units:

- **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 to not hold the property owner or the property owner's agents, employees, or representatives 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 member(s) 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:** The lease cannot require the tenant, as a condition of occupancy, to participate in or agree to accept supportive services that are offered (other than a tenant in transitional housing).

4.18 Termination of Tenancy

The owner must comply with HOME ARP Program requirements related to evictions as well as state law regarding eviction procedures. Refer to Minnesota Housing's Multifamily HOME ARP Program Compliance Guide for additional information about these requirements.

4.19 Violence Against Women Reauthorization Act

On March 15, 2022, HUD issued its Violence Against Women Reauthorization Act of 2022 (VAWA) Final Rule ([FR-6330-N-01](#)) implementing housing protections authorized in the VAWA. Unique monitoring and implementation dates apply to the HOME ARP Program. Compliance with VAWA regulatory requirements under the 2022 VAWA Final Rule is required for all HOME ARP Program projects. Written Agreement provisions and lease addendums will be updated to include current regulatory language for these projects.

One of the key elements of VAWA housing protections 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, VAWA includes notification and documentation requirements by owners. Owners must be familiar with regulatory requirements impacting their developments and should consult with their legal counsel as needed.

Refer to Minnesota Housing's [Violence Against Women Act](#) webpage for more information, including required forms and documentation.

For more information on fair housing, refer to Minnesota Housing's Multifamily HOME ARP Program Compliance Guide.

4.20 Uniform Relocation Assistance and Real Property Acquisition Policies Act

Guiding Statutes, Regulations, and Reference Materials

Applicable statutes and regulations pertaining to displacement include:

- Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970: 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)
- 49 C.F.R. 24: The implementing regulations for URA
- Section 104(d) of the Housing and Community Development Act of 1974
- HOME ARP Program uses HOME Program regulations found in 24 C.F.R. 92.353
- Tenant Assistance, Relocation and Real Property Acquisition Handbook ([HUD Handbook 1378](#)), as updated: Consolidates relocation requirements for all HUD programs in one document and provides instructions for compliance

Displacement, Temporary Relocation, and 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 residential or nonresidential tenant, regardless of income, who is forced to move from the property permanently or temporarily as a direct result of rehabilitation, demolition, or acquisition of a HOME ARP Program 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 permanent displacement under URA regulations.

Any person or business who qualifies as a permanently or temporarily displaced person must be fully informed of their rights and entitlements to relocation assistance and payments under URA regulations.

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.

URA requirements are triggered by Minnesota Housing Funding Selection. Once this occurs, the owner/developer will review the scope of work and determine if there will be any displacement, temporary relocation, or non-displacement.

Tenant Relocation Plan

A residential or nonresidential Tenant Relocation Plan that conforms to all URA requirements may be required for federally assisted projects involving rehabilitation, acquisition, or adaptive reuse. If required, the plan must contain 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 relocation or permanent displacement. The outline should include:

- 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 versus overnight or extended time periods
 - Estimated schedule of construction and relocation
 - Where temporarily relocated tenants will be housed (for example, 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 the relocation exceeds 12 months, it is considered permanent displacement. 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 estimates

- 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 (for example, 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

This list is intended as a guide and is not all inclusive. It is the owner/developer's responsibility to ensure they comply with all applicable regulatory requirements.

Notices

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 (for example, 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 list 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 for other needed help.

Owners may use the templates of all notices found on Minnesota Housings [HOME Investment Partnerships \(HOME\)](#) and [National Housing Trust Fund \(NHTF\)](#) webpage for HOME ARP Program assisted projects. The Ninety-Day Notice 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 items for review and approval. Once the drafts are approved, the owner/developer must deliver applicable notices to the tenants. All notices must be delivered (at a minimum) 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 [Publications](#) webpage.

General Information Notice (GIN): The GIN informs tenants of the receipt of federal funds for acquisition, rehabilitation, and/or adaptive reuse. Tenants residing in the property at the time of

Minnesota Housing board selection must be provided a GIN within 30 days, or adhere to another timeline that Minnesota Housing, at 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 GIN is disbursed will be eligible for URA benefits. There are two versions of the GIN, and the owner/developer should work with Minnesota Housing staff 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 continue to reside 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 Notice: Tenants who move into the project after the GIN has been delivered to current tenants 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)³: The NOE informs tenants who will be permanently or temporarily displaced of 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).

Notice of Intent (NOI): A notice of intent to acquire, rehabilitate, and/or demolish is an agency's written communication that is provided to a person to be displaced, including persons required to temporarily move, which clearly sets forth that the agency intends to acquire, rehabilitate, and/or demolish the property. A notice of intent to acquire, rehabilitate, and/or demolish establishes eligibility for relocation assistance prior to the initiation of negotiations and/or prior to the commitment of HOME ARP Program funds.

Ninety-Day Notice: Owners/developers will develop their own vacate notices, which must be provided to tenants who will be permanently or temporarily displaced, at least 90 days prior to their move out. The notice may not be given before they receive an NOE for relocation assistance. Depending on the project timeline, the Ninety-Day Notice may be combined with the NOE. The date provided in this notice may be different for each person or group of persons residing in a project based on whether or not the project will be phased, the location of the occupied building(s), or the project schedule.

³ 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.

Additional Notice Requirements – Tenant Track Down: If an owner/developer fails to disperse the GIN 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. 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 in accessing appropriate advisory services and applicable relocation payments. 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
- Other appropriate methods

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 their rights and responsibilities. As soon as feasible, the owner/developer must contact each person who is affected by the project to discuss their 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.

Comparable Replacement Dwellings Before Displacement

No residential tenant to be permanently or temporarily displaced shall be required to move unless at least one comparable replacement dwelling unit has been made available to them. Information on comparable replacement dwellings that were used in the determination process must be provided to permanently or temporarily displaced persons. When possible, three or more comparable replacement dwellings shall be made available. More information on these requirements can be found at 49 C.F.R. 24.202(a)(2) and 49 C.F.R. 24.204.

Claim Forms

HUD provides claim forms on their [Forms and Brochures](#) webpage 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

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 C.F.R. 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.

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.

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 (for example, 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:
 - [Form HUD-40061](#): 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 C.F.R. 982.401), must be deemed to be in compliance with URA decent, safe, and sanitary standards if it meets the applicable HQS.

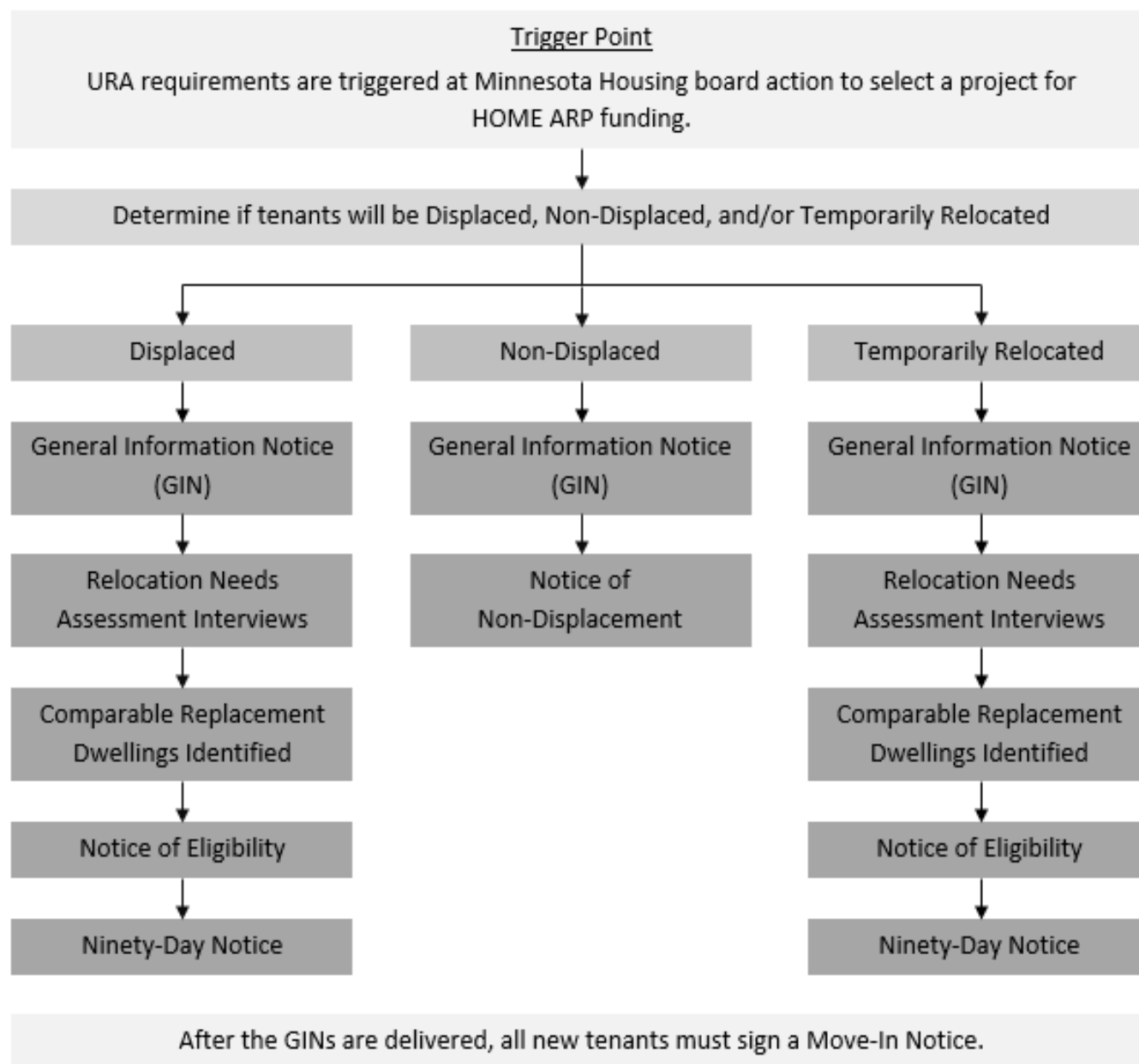
Records Retention

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.

URA Flowchart

Figure 1 below provides a general outline of the process and materials needed to comply with the URA, as described throughout section 4.20 (Uniform Relocation Assistance and Real Property Acquisition Policies Act) of this Program Guide.

Figure 1: URA Flowchart



4.21 Monitoring and Reporting Requirements

The HOME ARP Program requires regular reporting throughout the underwriting period for certain activities. These include:

- URA requirements
- Section 3 requirements

4.22 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 ARP Program Declaration of Covenants, Conditions, and Restrictions; this does not affect lien priority. Rather, it ensures that applicable rent, income, and occupancy requirements run with the property for the duration of the Compliance 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.

Chapter 5 – Construction and Project Closeout

5.01 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 can be found on Minnesota Housing's [Building Standards](#) webpage.

5.02 Construction and Project Closeout Inspections

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.

5.03 Change Orders

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

5.04 Required Documentation for Davis-Bacon

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. Additionally, once per project and before the subcontractor starts working on the project, the general contractor is required to submit documentation showing that the employed subcontractors are not on HUD's Limited Denial of Participation (LDP) list or listed as debarred in the SAM on the [SAM.gov](#) website.

The general contractor must, at a minimum, submit the following records on a weekly basis into the labor compliance software used by Minnesota Housing to comply with Davis-Bacon requirements:

- A list showing all contractors and subcontractors working on the project during the work week
- 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.

Minnesota Housing will also 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.

Davis-Bacon Notices for Job Site

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
- [Form HUD-4010](#): Federal Labor Standards Provision
- [Worker 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.

5.05 Construction Draws

Minnesota Housing reviews and approves all monthly draws for the HOME ARP Program prior to disbursement of any funds. Minnesota Housing cannot approve a draw or disburse HOME ARP Program 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, URA reports, and Section 3 documentation.

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

5.06 Monitoring and Reporting Requirements

The HOME ARP Program requires regular reporting throughout the construction period for certain activities. These include:

- URA requirements
- Section 3 requirements
- Labor Standards (Davis-Bacon), when applicable

5.07 Labor Standards and Payment of Wages Disputes

Disputes arising from 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 DOL, 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 processes described below are specific to Davis-Bacon labor standards, please note state prevailing wage requirements may also be applicable to the project. See Minnesota Housing's [Prevailing Wage website](#) for more information.

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 DOL for reconsideration. Such disputes must be resolved in accordance with the procedures of the DOL set forth in 29 C.F.R. 5-7.

A request for DOL reconsideration of a work classification and wage rate must be submitted in writing to the DOL within 30 days of the decision and must be accompanied by a full statement and supporting data or information.

The information in this guide 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 an applicant is not well versed in labor standards issues and compliance, they may want to consider hiring an experienced consultant to ensure full compliance.

5.08 Owner's Letter Certifying Compliance

Upon completion, the owner must submit a letter to Minnesota Housing certifying compliance with all Davis-Bacon labor standards requirements.

5.09 Project Completion

Project completion for projects financed with HOME ARP Program funds 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 ARP Program assisted rental units must be occupied by eligible qualifying households or low-income households within 12 months of project completion; for units that remain vacant six months following completion, a report containing efforts to coordinate with the local CoC, homeless providers, social services, and other public agencies to fill units for qualifying households and, if appropriate, an enhanced marketing plan to fill units for Low-Income Households will be required to be submitted to HUD (HOME ARP Notice section VI.B.21).

To help ensure that new construction properties fully comply with HUD's HOME ARP Program project completion requirements, a project will not be deemed to have reached project completion until satisfactory evidence has been submitted confirming that all HOME ARP Program responsibilities have been met and that all associated documentation needed for project closeout is complete. Reference HOME ARP Notice section VI.B.

5.10 Funds for Final Draw

Minnesota Housing may withhold a portion of the HOME ARP Program loan proceeds until the final project draw. The amount may be adjusted depending on the specific requirements of the project. Final disbursement will be contingent on satisfactory evidence that all HOME ARP Program requirements and compliance responsibilities have been met and that all associated documentation needed for project closeout is complete.

For projects using HOME ARP Program funds for new construction, Minnesota Housing may withhold the final draw until all federally Assisted Units are occupied by eligible tenants and required due diligence has been reviewed and approved.

Chapter 6 – Compliance Period

The federal HOME ARP Program establishes specific compliance responsibilities for the duration of the fifteen-year Compliance Period and the term of the loan. For information on compliance using HOME ARP Program funds, refer to applicable regulations as referenced throughout this guide.

6.01 Monitoring and Reporting Requirements

Minnesota Housing actively monitors each development. This includes monitoring of tenant incomes, rents, affirmative marketing, and equal opportunity requirements.

Developments financed by Minnesota Housing are subject to periodic management reviews and physical inspections. Assisted Units must be leased to qualified households who must disclose their annual household income at initial occupancy on an Initial Occupancy Statement by Tenant Form (other, more detailed income certification forms may be acceptable, approval of which will be determined by Minnesota Housing). This form is used to certify households are qualified to occupy an Assisted Unit.

Owners must also request (but cannot require) that qualified households complete a Head of Household Demographic Information Form, which provides additional information for program evaluation. Occupancy information for all units must be reported annually in the form and manner requested by Minnesota Housing.

Each adult member of a household occupying an Assisted Unit must sign and date a Minnesota Government Data Practices Act Disclosure Statement. This statement informs the tenant that their annual household income and other information will be reported to Minnesota Housing and may be reviewed by other governmental agencies. This is required for the administration and management of state and/or federal programs that provide housing for low- and moderate-income families.

All relevant forms can be found on Minnesota Housing's [Oversight and Support for Property Managers](#) webpage.

6.02 Financial Reporting and Reserves

For projects that receive HOME ARP Program funds, Minnesota Housing may require the owner to establish a replacement cost reserve account any time prior to repayment of the HOME ARP Program 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 ARP Program Compliance 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 Minnesota Housing may request.

If the owner has established a replacement cost reserve account that is not held by a lender, then during the Compliance Period, 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, but is not limited to, the current balance, deposits and disbursements made from the account, purpose for which disbursements were made, and any other information the lender may request.

Financial Oversight

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 Physical Needs Assessment (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.

Physical Needs Assessments and Capital Needs Assessments

The owner must submit a post rehabilitation capital expenditure that includes capital projections through the end of the Compliance 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 assigned Asset Manager 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 Physical Needs Assessment (PNA)/Capital Needs Assessment (CNA) as needed
- Ensure reserves balance remains positive through the Compliance Period end date

Use the 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 be in place of an annual budget and will reflect actual annual financial viability.

6.03 Ongoing Property Inspections and Property Standards

Ongoing property inspections are required during the Compliance Period as noted in the HOME ARP Notice section VI.B.11 which references 24 C.F.R. 92.251.

Minnesota Housing's inspection schedule for HOME ARP Program projects can be found in Minnesota Housing's Multifamily HOME ARP Program Compliance Guide. The first monitoring inspection will be conducted in conjunction with project completion.

6.04 Rent and Income Eligibility During Occupancy

All HOME ARP Program Assisted Units in a rental housing project must be occupied by households that are eligible as either a Qualifying Population or Low-Income Household based on the unit type, with the following additional requirements. More restrictive requirements may be applicable based on project underwriting.

Initial and subsequent occupancy:

- At least 70% of all HOME ARP Program Assisted Units must be initially occupied by households who meet the definition of one of the Qualifying Populations, with rents at or below the Low HOME Rent.
 - Tenants meeting a definition of a Qualifying Population upon admission retain their eligibility throughout their tenancy, regardless of income or other status changes.
- No more than 30% of the HOME ARP Program Assisted Units may be occupied by households with annual gross incomes at or below 80% of AMI, with rents at or below the High HOME Rent.

6.05 Utility Allowances

As part of ongoing property inspections, Minnesota Housing staff will review the current utility allowances and supporting documentation for the property.

Refer to Minnesota Housing's Multifamily HOME ARP Program Compliance Guide for more information.

6.06 Lease Terms and Tenant Selection Policies

As part of ongoing property inspections, Minnesota Housing staff will review the following property information:

- Current written Tenant Selection Plan, occupancy policy, and/or house rules
- Current lease and lease addenda (including Program Form 22, VAWA Lease Addendum, and Minnesota Housing's attachment)
- Affirmative Fair Housing Marketing Plan

- Marketing and advertising
- Tenant ledgers for all units inspected

Refer to Minnesota Housing's Multifamily HOME ARP Program Compliance Guide for more information.

6.07 Lead-Based Paint Requirements

As part of ongoing property inspections, Minnesota Housing staff will review the ongoing lead-based paint maintenance records for the property, where applicable.

Refer to Minnesota Housing's Multifamily HOME ARP Program Compliance Guide for more information.

Appendix A – Terms

Table 1: Terms and Definitions

Term	Definition
Assisted Unit	A unit that is subject to the HOME ARP Program requirements.
Capitalized Operating Cost Assistance Reserves (COCAR)	Project reserves used to pay for the insurance, utilities, real property taxes, maintenance, and scheduled payments to a reserve for replacement of the major systems of HOME ARP Program Assisted Units restricted for occupancy for Qualifying Populations for which project-based rental assistance is not available.
Compliance Period	The 15-year period during which HOME ARP Program funding requirements must be adhered to, including rent and income restrictions and occupancy targeting.
Declaration of Covenants, Conditions, and Restrictions	Legal document that outlines the rules and regulations governing the use, maintenance, and development of real property within a specific community.
Federal Low-Income Housing Tax Credits (HTCs)	A financing program for qualified residential rental properties. The HTC program offers investors a 10-year reduction in tax liability in exchange for capital to build eligible affordable rental housing units in new construction, rehabilitation, or acquisition with rehabilitation.
Funding Selection	Minnesota Housing board action to select a project for funding.
High HOME Rent	If a Low-Income Household is participating in a program where the household pays as a contribution toward rent no more than 30% of the household's monthly adjusted income or 10% of the household's monthly income, then the maximum rent due from the household is the household's contribution. For all other cases, the rent does not exceed the lesser of: (i) The fair market rent for existing housing for comparable units in the area as established by HUD under 24 C.F.R. 888.111; or (ii) 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. High HOME Rent is used in the HOME ARP Program for setting rents for HOME ARP Program Assisted Units restricted for occupancy by Low-Income Households in absence of other rental subsidies.
HOME American Rescue Plan (HOME ARP) Program	A federal program that provides funds for homelessness and supportive services assistance under the HOME statute of Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, as waived and amended by the HOME ARP Notice.
HOME Investment Partnerships (HOME) Program	A federal program established by Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, as amended, that provides financing for the acquisition, new construction, or rehabilitation of

Term	Definition
	federally and non-federally assisted multifamily rental housing for low-income individuals and families.
HOME ARP Notice	CPD Notice 21-10: Requirements for the Use of Funds in the HOME American Rescue Plan Program.
Low HOME Rent	If a very low-income household is participating in a program where the household pays as a contribution toward rent no more than 30% of the household's monthly adjusted income or 10% of the household's monthly income, then the maximum rent due from the household is the household's contribution. All other Low HOME Rent units must have rent that meet one of the following requirements: (i) The rent does 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. If the rent determined under 24 C.F.R. 92.252(a)(2)(i) is higher than the fair market rent under 24 C.F.R. 92.252(a)(1)(i), then the maximum rent for units under 24 C.F.R. 92.252(a)(2)(i) is the fair market rent under 24 C.F.R. 92.252(a)(1)(i); (ii) The rent contribution of the family is not more than 30% of the family's adjusted income; or (iii) The unit is a LIHTC unit and has rents not greater than the gross rent for rent-restricted residential units as determined under 26 U.S.C. 42(g)(2). Low HOME Rent is used in the HOME ARP Program for setting rents for HOME ARP Program Assisted Units restricted for occupancy by Qualifying Populations in absence of other rental subsidies.
Low-Income Units	HOME ARP Program Assisted Units restricted for occupancy by Low-Income Households.
Low-Income Household	Household whose annual income does not exceed 80% of AMI, as determined by HUD, with adjustments for smaller and larger families.
Mortgage Credit Committee	A Minnesota Housing cross-divisional management group that approves credit analysis, ownership structures, and financing of projects for multifamily loans and related matters.
Multifamily Consolidated Request for Proposals	Multifamily Consolidated Request for Proposals funding round offered once a year which consolidates and coordinates multiple housing resources into one application process, including deferred loans and amortizing first mortgages.
National Housing Trust Fund (NHTF) Program	A federal program established by Title I of the Housing and Economic Recovery Act of 2008 that provides financing for acquisition, new construction, or rehabilitation activities that increase or preserve the supply of multifamily rental housing for extremely low-income individuals and families.

Term	Definition
Operating Cost Assistance	Funds used to pay for the insurance, utilities, real property taxes, maintenance, and scheduled payments to a reserve for replacement of the major systems of HOME ARP Program Assisted Units restricted for occupancy for Qualifying Populations for which project-based rental assistance is not available.
Participating Jurisdiction	A jurisdiction (as defined in this section) that has been so designated by HUD in accordance with 24 C.F.R. 92.105 to administer HOME Program and HOME ARP Program funds.
Period of Affordability	The period of time, as specified in 24 C.F.R. 92.252 and 24 C.F.R. 92.254, that HOME Program requirements apply to HOME Program-assisted housing.
Program Guide	HOME ARP Program Guide
Public Housing	Housing owned by a local political subdivision that is federally subsidized via an annual contributions contract and is restricted by a HUD declaration of trust.
Qualifying Population(s)	The HOME ARP Program requires that funds be used to primarily benefit individuals and households who meet the criteria of one of the four populations as defined in the HOME ARP Notice section III.A.
Qualifying Population Units	HOME ARP Program Assisted Units restricted for occupancy by Qualifying Populations.
Section 8	The Housing Choice Voucher Program which helps low-income families, elderly persons, veterans, and disabled individuals afford housing in the private market.
Tenant Selection Plan	A plan that outlines the procedures and criteria used to select tenants for a property, ensuring compliance with fair housing laws and program requirements.
Tribally Designated Housing Entity	Entities that meet the requirements defined by United States Code, title 25, section 4103(22).
Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA)	The Uniform Relocation Assistance and Real Property Acquisition Policies 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 required 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.

Term	Definition
Written Agreement	A legally binding agreement with a project owner to commit a specific amount of HOME ARP Program funds to a specific local project.

Appendix B - Program Comparison Chart

Table 2: HOME ARP Program and HOME Program Characteristics and Requirements

Category	HOME ARP Program	HOME Program
Statutory Authority	Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, as amended.	Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, as amended.
Regulatory Authority	24 C.F.R. 92 , waived and amended by the HOME ARP Notice and Appendix to provide flexibility in the use of funds.	24 C.F.R. 92
Purpose	Produce affordable rental housing, tenant-based rental assistance, supportive services, and non-congregate shelter primarily for Qualifying Populations. The state determines priority housing need throughout the state.	Preserve the supply of decent, safe, and sanitary affordable housing for Low-Income Households. Meet identified priority housing needs through development or rehabilitation of rental housing. The state determines priority housing need throughout the state.
Allocation	Formula that uses several indicators to determine a state's need for affordable housing and determine each state's share of HOME ARP Program funds.	Formula that uses several indicators to determine a jurisdiction's need for affordable housing and determine each jurisdiction's share of HOME Program funds.
Minimum Income Targeting	The HOME ARP Program does not have specific income targeting requirements. At least 70% of the units must be restricted for occupancy to tenants meeting the definition of a Qualifying Population. No more than 30% of the units must be restricted for occupancy by Low-Income Households ($\leq 80\%$ of Area Median Income [AMI])	100% for Low-Income Households ($\leq 80\%$ of AMI). 90% of HOME Program rental units for households at $\leq 60\%$ of AMI. 20% of HOME Program Assisted Units in projects with five or more HOME Program units for households at $\leq 50\%$ of AMI.
Eligible Activities	• New construction • Acquisition Only • Acquisition and rehabilitation • Operating Cost Assistance	• New construction • Acquisition • Acquisition and rehabilitation
Limits on Eligible Activities	Minnesota Housing will use HOME ARP Program funds to construct or rehabilitate multifamily rental properties.	Minnesota Housing will use HOME Program funds to construct or rehabilitate multifamily rental properties.
Rents	Rent plus utilities for HOME ARP Program units must be at or below the HOME ARP Program rent limit for the geographic	Rent plus utilities for Low and High HOME Program units must be at or below the HOME Program rent limit for

Category	HOME ARP Program	HOME Program
	area, as determined by HUD, with adjustments for smaller and larger families. See Minnesota Housing's HOME ARP Program Compliance Guide for more details.	the geographic area, as determined by HUD, with adjustments for smaller and larger families. See Minnesota Housing's HOME and NHTF Program Compliance Guide for more details.
Maximum Per-Unit Subsidy Limits	No per unit subsidy limit. Maximum per-unit subsidy cannot exceed actual costs.	Limits are set by HUD. Cannot exceed 240% of the section 234 basic mortgage limit for elevator-type projects published by HUD.
Compliance Period/Period of Affordability	Rental Projects – New Construction, Rehabilitation, Rehabilitation and Acquisition: 15 years	Rental Projects – Rehabilitation, Rehabilitation and Acquisition: 5, 10, 15 years depending upon the amount of the HOME Program investment Rental Projects – New Construction: 20 years
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)

Appendix C – Legal Addendum

Any recipient of an award pursuant to the HOME Program (including the HOME ARP Program) and/or the NHTF Program agrees to comply with the additional requirements and obligations as described below.

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.

1.04.1 Federal Conflict of Interest Requirements

State and federal conflict of interest requirements differ, and Minnesota Housing business partners must comply with all requirements.

Minnesota Housing administers various programs using federal funds. Minnesota Housing requires that each of its external business partners (for example, administrators, borrowers, contractors, grantees or subrecipients) complies with all applicable federal conflict of interest standards. Specifically, no external business partner's employee, agent or consultant may participate in the selection, award or

administration of a contract supported by a federal award if they have a real or apparent conflict of interest. Such a conflict of interest would arise when the business partner's employee, agent, consultant or any member of their immediate family, their partners, or an organization which employs or is about to employ any of these parties, has a financial or other interest in, or obtains a tangible personal benefit from, a firm considered for a contract. External business partner's employees, agents and consultants may neither solicit nor accept gratuities, favors or anything of monetary value from contractors or parties to subcontracts supported by a federal award. Minnesota Housing will not consider it a violation of this policy if the external business partner's employee, agent or consultant receives an unsolicited item of nominal value.

In addition, no external business's partner employees, agents or consultants "who exercise or have exercised any functions or responsibilities with respect to activities assisted with" funds from HOME Investment Partnerships (HOME), HOME American Rescue Plan (HOME ARP), Housing Opportunities for Persons with AIDS (HOPWA) or National Housing Trust Fund (NHTF) "or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from" a HOME, HOME ARP, HOPWA or NHTF-assisted activity "or have a financial interest in any contract, subcontract, or agreement with respect to the" HOME, HOME ARP, HOPWA or NHTF-assisted activity "or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including a stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person."⁴ Violation of federal conflict of interest requirements by business partners, agents or consultants will result in appropriate actions by Minnesota Housing, including the potential termination of the relationship and additional contractual or other remedies. Violation of federal conflict of interest requirements may need to be reported to the federal government in appropriate circumstances.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing relating to federal funds 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.

⁴ See generally, HOME: [24 CFR 92.356](#); including any revisions by the Appendix to the HOME ARP Notice as amended; HOPWA: [24 CFR 574.625](#); NHTF: [24 CFR 93.353](#). In limited circumstances, a conflict of interest could be waived via an exception request, in writing. For further information, see federal regulations at: HOME: [24 CFR 92.356](#); HOPWA: [24 CFR 574.625](#); NHTF: [24 CFR 93.353](#).

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.

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Item: Forgiveness, Affordable Rental Investment Fund (ARIF) Program Loan and Housing Trust Fund (HTF) Program Loan – Agate Housing & Services, D0946, Minneapolis

Action Item: 7.D
Date: 10/23/2025
Staff Contacts: Sarah Matala, 651.215.5577, sarah.matala@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests board adoption of a resolution authorizing forgiveness of the following loans:

- \$500,000 Affordable Rental Investment Fund (ARIF) loan;
- \$25,000 ARIF loan; and
- \$15,000 Housing Trust Fund (HTF) loan, which has a current balance of \$750.

Fiscal Impact

None. Minnesota Housing does not earn fee or interest income on these loans.

Agency Priorities

- | | |
|---|---|
| ☐ Improve the Housing System | ☐ Make Homeownership More Accessible |
| ☒ Preserve and Create Housing Opportunities | ☒ Support People Needing Services |
| | ☐ Strengthen Communities |

Attachments

- Background
- Map and Photo
- Resolution

Background

A. Project Description

Agate Housing and Services, Inc. (Agate) is a shelter property located at 510 South 8th Street in downtown Minneapolis (510 building). The property provided 88 units and up to 121 transitional housing beds.

Agate was formed when House of Charity, Inc. and St. Stephen's Human Services merged in 2021. Since the merger, Agate continued to operate the shelter program at the 510 building. Since 2023, the program's operational costs placed a substantial and unsustainable strain on Agate's financial stability. At the end of 2023, Agate experienced a net loss of approximately \$1.1 million directly attributable to operations at the 510 building. In 2024, losses increased to \$1.3 million. Compounding the operational costs was the significant estimated cost to rehabilitate the property. A physical needs assessment projected rehabilitation costs ranging from \$5.4 million to \$6.4 million. Faced with these costs and no clear fundraising path to address them, Agate's board of directors voted to permanently close the building in October 2024. All residents were temporarily housed in hotels until appropriate alternative housing could be secured.

The current building conditions have impacted its insurability. The plumbing system requires significant repair. Emergency repairs have required cutting into floors, walls and ceilings to access and stop persistent leaks. The risk of frozen pipes during winter months ultimately led to shutting down the boiler system and draining the pipes. Without a functioning boiler, portions of the insurance coverage have been cancelled. Holding costs for the building include utilities, insurance, security monitoring, maintenance, repairs and administrative overhead. With monthly holding costs of nearly \$14,000, the strain is significant on the financial resources that Agate requires to sustain its core housing and shelter programs.

In April 2025, Agate contracted with Platform, a commercial real estate broker, to facilitate the disposition of the 510 building. Platform conducted a targeted outreach and marketing strategy to potential buyers in specialized markets. Target audiences included affordable housing providers, arts organizations, recovery housing operators, healthcare-related housing coordinators and emerging developer programs. Thirteen affordable housing providers provided written responses that described how they could not identify a path for a new ownership to continue to provide housing at the property. While an organization that serves homeless individuals was looking for a shelter space, the fundraising required would take an estimated two years to fulfill. Agate has stated that they cannot afford to hold the building for this time frame.

Agate has received a letter of intent from an individual who intends to continue using the property as a source of affordable, single-resident-occupancy housing. The offer is for \$500,000 to close within 60 to 90 days. This purchase price would pay back the City of Minneapolis Community Development Block Grant (CDBG) loan and accumulated interest (\$383,276), as well as partially reimburse Agate

(\$116,724) for closing costs and organizational funds which have been spent to secure the vacant property from intrusion. Since the property was vacated, Agate has spent \$164,974 from reserves. The Minneapolis loan cannot be forgiven because the City's procedures require a public purpose or benefit be identified, and in this case, it was determined that standard could not be met.

Agate is not stepping away from providing permanent supportive housing. The organization recently opened The Valiance that provides 50 units of permanent supportive housing and 54 shelter beds.

B. Existing Debt Summary (as of 08/19/2025)

Lender	Program/Source	Note Rate	Maturity Date	Original Balance	Current Balance
Minnesota Housing	ARIF	0%	11/18/2027	\$ 500,000	\$ 500,000
City of Minneapolis	CDBG	1%	11/18/2027	\$ 300,000	\$ 383,276
Minnesota Housing	HTF	0%	5/23/2026	\$ 15,000	\$ 750
Minnesota Housing	ARIF	0%	11/18/2027	\$ 25,000	\$ 25,000
TOTAL				\$ 840,000	\$ 909,026

The ARIF Regulatory Agreement has a 15-year minimum term which ended on November 18, 2012. According to its terms, the Regulatory Agreement would terminate with loan forgiveness.

The City of Minneapolis loan will be paid off in full with the proposed sale. The CDBG income and rent restrictions will terminate with the loan satisfaction.

Starting on May 23, 2006, the HTF Loan decreased by 5% for each year that the property remained in compliance with the restrictions. The initial amount of the loan was \$15,000. According to these terms, the current balance is \$750. The Loan Repayment Agreement would terminate with loan forgiveness.

C. Conclusion

After reviewing the project and the considerations for debt forgiveness, this request meets the following:

Total debt on the property is greater than the value of the property.

The sales price of \$500,000 reflects the fact that the purchaser will need to invest additional funds into the property to continue using the property as housing. Between the debt that must be repaid and the funds Agate has expended on the property, there are no excess proceeds to repay all the existing debt.

Due to the state of the property and associated risks, the overall costs of pursuing legal debt recovery procedures are unknown but would likely exceed the amount of debt recoverable from the property value.

Forgiveness of debt as a part of a larger stabilization or preservation effort.

Forgiving Minnesota Housing's ARIF and HTF loans may allow the building sale to proceed, which will allow it to be reoccupied, thus preserving the building. Moving forward with this buyer would halt the drain on Agate and enable Agate to focus its staff and financial resources on other organizational needs and projects.

No reasonable expectation of repayment.

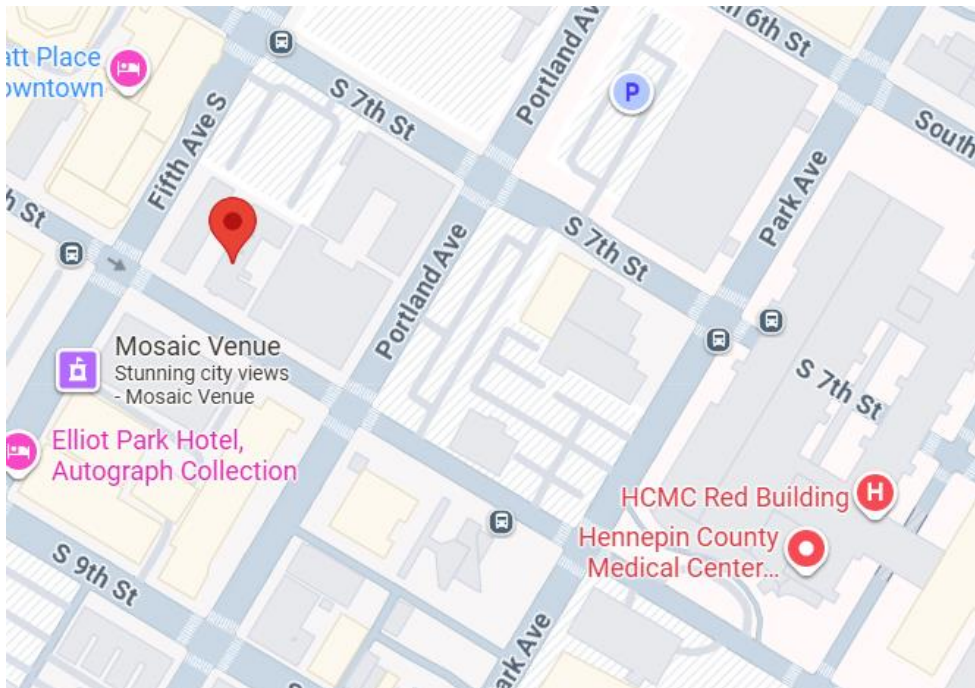
Given the building condition, Agate cannot anticipate attaining a market sales price for the property. The proposed purchase price of \$500,000 is not sufficient to cover all of the obligations. Given this scenario, there is no reasonable expectation of repayment of the ARIF and HTF loans.

Meets Agency Mission and Strategic Priorities

Minnesota Housing funds shelter beds differently today. The Valiance is an example of how shelter beds are provided within properties that also contain permanent supportive housing. Today's operating and capital funding structures would not fund a stand-alone shelter like the 510 building. Forgiving the property's debt helps strengthen the financial position of a valued supportive housing provider.

Map

The property is located in downtown Minneapolis.



Photo



**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

RESOLUTION NO. MHFA 25-xxx

**RESOLUTION APPROVING FORGIVENESS
AFFORDABLE RENTAL INVESTMENT FUND (ARIF) PROGRAM LOAN
HOUSING TRUST FUND (HTF) PROGRAM LOAN**

WHEREAS, at the October 26, 1995 meeting, the board approved a motion from the Program Development and Review Committee to approve selections for the Housing Trust Fund Program, which included House of Charity, Inc. for \$15,000 in HTF funds; and

WHEREAS, at the April 24, 1997 meeting, the board approved a motion from the Program Committee to approve selections from the Super Request for Proposals in the Multifamily Programs, which included House of Charity, Inc. for \$500,000 in ARIF funds; and

WHEREAS, the \$500,000 ARIF award was subsequently increased by \$25,000 on September 3, 1998; and

WHEREAS, starting on May 23, 2006, the HTF loan decreased by 5% for each year that the property remained in compliance with the restrictions and the remaining balance is \$750; and

WHEREAS, on January 1, 2021, House of Charity, Inc. and St. Stephen's Human Services merged to form Agate Housing and Services, Inc.; and

WHEREAS, the property no longer has the means to provide suitable affordable rental homes and services and rehabilitation is financially infeasible; and

WHEREAS, the property does not have the resources to repay the loan; and

WHEREAS, the development otherwise continues to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations and policies.

NOW, THEREFORE, BE IT RESOLVED:

THAT, the board hereby approves the following:

1. Forgiveness of the remaining balance of the HTF loan in the amount of \$750 as of the date of this resolution; and
2. Forgiveness of the ARIF loan in the amount of \$500,000 as of the date of this resolution; and
3. Forgiveness of the ARIF loan in the amount of \$25,000 as of the date of this resolution.

Adopted this 23rd day of October 2025

CHAIR



Item: Forgiveness, Housing Trust Fund (HTF) Program Loan and Housing Trust Fund and Housing Trust Fund Long-Term Homelessness (HTF-LTH) Program Loan – Memorial Park Apartments, D0447, Duluth

Action Item: 7.E
Date: 10/23/2025
Staff Contacts: Jennifer Nelson, 651.296.8148. jennifer.nelson@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests board adoption of a resolution authorizing forgiveness of the following loans:

- \$100,000 Housing Trust Fund (HTF) loan and \$28,094 in accrued interest; and
- \$482,490 Housing Trust Fund and Housing Trust Fund Long-Term Homelessness Program (HTF-LTH) loan.

Fiscal Impact

None. Minnesota Housing does not earn fee or interest income on these loans.

Agency Priorities

- | | |
|---|---|
| ☐ Improve the Housing System | ☐ Make Homeownership More Accessible |
| ☒ Preserve and Create Housing Opportunities | ☒ Support People Needing Services |
| | ☐ Strengthen Communities |

Attachments

- Background
- Map and Photo
- Resolution

Background

A. Project Description

Memorial Park Apartments is a 39-unit development located in Duluth. The property is owned by MPA Limited Partners II Limited Partnership (the Partnership). Center City Housing Corp. (CCHC) is the general partner and also manages the property. The property provides 30 single room occupancy (SRO) units with shared bathroom and kitchen facilities, including 15 units of supportive housing and eight units for long-term homeless individuals. Nine additional 1-, 2- and 3-bedroom units are provided for families.

The property was built in 1920. It was originally a school and athletic/recreation center for the local community. It was renovated in 1996 for residential use.

The property is in need of many repairs and replacements, including roof, windows and heating/ventilation (HVAC). There have been excessive break-ins and vandalism involving damage to common areas and residential units. For the past three years, the property has had a negative cash flow. As of December 31, 2024, the reserve balance was \$42,144 and the Partnership owed CCHC \$783,615 for outstanding management fees, reimbursements for payroll and other expenses incurred on behalf of the property. To cover operating shortfalls, CCHC has made two interest-free loans to the property totaling \$485,876.

CCHC has considered a full rehabilitation and the possibility of adding units in the building to improve the cash flow. Last year, CCHC asked a group of architects to evaluate the building. A Minnesota Housing architect participated in the walk-through and identified cost concerns. Rehabilitation of the building would require additional costs for asbestos and lead based paint abatement, removal of the pool in the basement and addressing the current inaccessibility of the building entrance. Considering the age of the building and the cost of the rehabilitation that would be required, the building is effectively at the end of its useful life. The architects recommended that the building be demolished in lieu of an expensive rehabilitation that would still not address the longer term cash flow difficulty. The City of Duluth is in favor of the demolition of the property.

In preparation for the demolition, CCHC worked with HUD, City of Duluth and the Duluth Housing and Redevelopment Authority (HRA) on a relocation plan for the residents. CCHC worked with Human Development Center (HDC), the service provider, on referrals and support to relocate the residents to other supportive housing properties in the area. The residents have been moved and will be moving to properties with 24/7 front desk support, larger units with bathrooms and kitchenettes or properties with meals provided. Some of these residents will receive Section 811 Project Rental Assistance (PRA), which provides integrated supportive housing for people with disabilities.

CCHC anticipates that the building will be vacant by mid-October. CCHC is working with the City of Duluth Planning and Community Development on obtaining funds for the demolition and removal of lead-based paint and asbestos. CCHC is also working to have the building physically secured, as well as having on-site security and additional drive-bys from the Duluth Police Department.

CCHC is not stepping away from providing permanent supportive housing. Welch Place Apartments is under construction nearby, which will provide 30 units of permanent supportive housing for single households experiencing homelessness. Wadena West Apartments is also under construction nearby, which will provide 60 units of permanent supportive housing for individuals and families experiencing homelessness.

B. Existing Debt Summary (as of October 1, 2025)

Lender	Program/ Source	Note Rate	Maturity Date	Original Balance	Current Balance (principal plus accrued interest)
Minnesota Housing	HTF-LTH	0%	7/23/2038	\$ 482,490	\$ 482,490
Greater Minnesota Housing Fund (GMHF)	Deferred Loan	0%	7/23/2038	\$ 195,000	\$ 195,000
Center City Housing Corp. (CCHC)	HOME Loan	0%	7/30/2038	\$ 162,376	\$ 162,376
Minnesota Housing	HTF	1%	7/23/2038	\$ 100,000	\$ 128,094
City of Duluth	Urban Revitalization Action Program (URAP)	0%	7/30/2038	\$ 100,000	\$ 100,000
Local Initiatives Support Corporation (LISC)	Deferred Loan	1%	7/30/2038	\$ 100,000	\$ 128,094
Center City Housing Corp. (CCHC)	Loan to Partnership	0%	06/30/2038	\$ 323,500	\$ 323,500
TOTAL				\$ 1,463,366	\$ 1,519,554

- Greater Minnesota Housing Fund (GMHF) will be recommending forgiveness at its October 2025 board meeting.
- CCHC intends to forgive their loans on the property.
- City of Duluth has already forgiven their loans on the property.
- Local Initiatives Support Corporation (LISC) has approved loan forgiveness on their debt contingent on Minnesota Housing's loan forgiveness.

C. Conclusion

After reviewing the project and the considerations for debt forgiveness, this request meets the following:

Total debt on the property is greater than the value of the property.

The total debt on the property is \$1,519,554. While St. Louis County property tax records show a 2025 property tax value of \$1,722,100, a Broker Opinion of Value obtained in March 2024 shows an estimated fair market value of \$850,000.

- The property tax value does not reflect the cost of needed repairs, improvements and potential rehabilitation of the building.
- Given the current property conditions and the cost of recommended improvements, the debt on the property exceeds the value of the property.

Due to the state of the property and associated risks, the overall costs of pursuing legal debt recovery procedures are unknown but would likely exceed the amount of debt recoverable from the property value.

Forgiveness of debt as a part of a larger stabilization or preservation effort.

Forgiving Minnesota Housing's HTF and HTF-LTH loans would allow for the demolition of the building. CCHC can then consider options for the property, including the potential for new development.

No reasonable expectation of repayment.

The property does not have sufficient cash flow or reserves to repay the HTF and HTF-LTH loans.

Meets Agency Mission and Strategic Priorities

The Agency would not fund a supportive housing project structured like Memorial Park Apartments today. Permanent supportive housing serving this population needs a 24/7 staffed front desk and a higher level of service staffing. Forgiving the property's debt strengthens the financial position of a valued supportive housing provider.

Map of 605 Central Ave N, Duluth

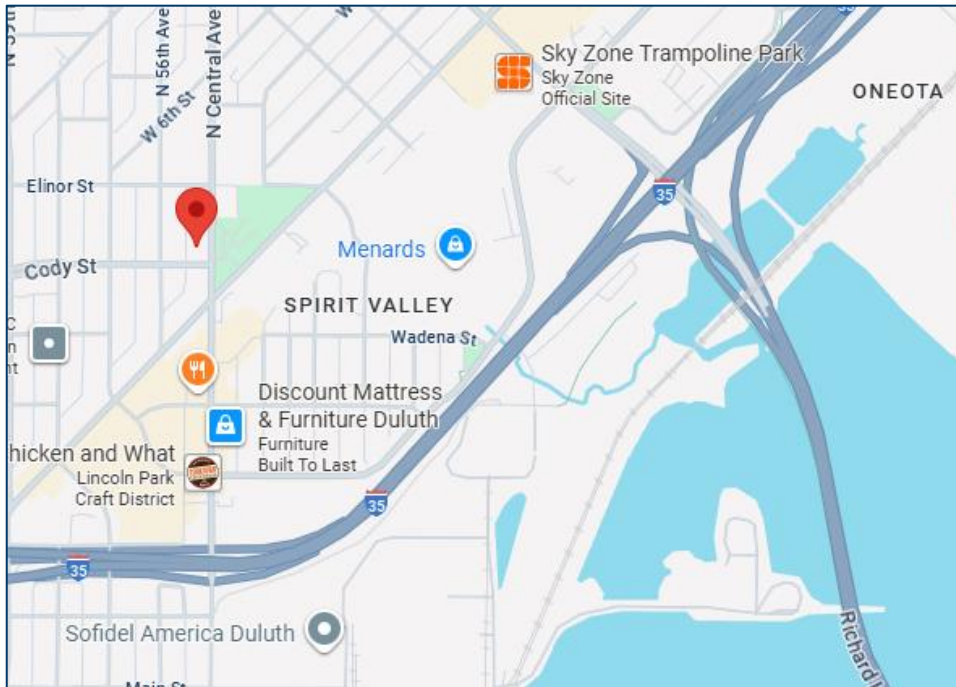


Photo of 605 Central Ave N, Duluth



**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

RESOLUTION NO. MHFA 25-xxx

**RESOLUTION APPROVING FORGIVENESS
HOUSING TRUST FUND (HTF) PROGRAM LOAN
HOUSING TRUST FUND AND HOUSING TRUST FUND LONG TERM HOMELESSNESS (HTF-LTH)
PROGRAM LOAN**

WHEREAS, at the April 24, 1997 meeting, the board approved a motion from the Program Committee to approve selections from the Super Request for Proposals in the Multifamily Program, authorizing the commitment for the Memorial Park Apartments development for \$100,000 in HTF funds; and

WHEREAS, the HTF loan interest is in the amount of \$28,094; and

WHEREAS, at the October 25, 2007 meeting, the board approved a motion authorizing the commitment for the Memorial Park Apartments development for \$168,592 in HTF-LTH funds and \$313,898 in HTF funds, for combined funds in the amount of \$482,490; and

WHEREAS, the development does not have the resources to repay the loan; and

WHEREAS, the debt forgiveness is in conjunction with the demolition of the Memorial Park Apartments building; and

WHEREAS, the development continues to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT, the board hereby authorizes:

1. Forgiveness of the HTF loan in the amount of \$100,000 as of the date of this resolution; and
2. Forgiveness of the HTF loan interest in the amount of \$28,094 as of the date of this resolution; and
3. Forgiveness of the HTF-LTH loan in the amount of \$482,490 as of the date of this resolution.

Adopted this 23rd day of October 2025

CHAIR



Item: 2026-2027 Affordable Housing Plan

Action Item: 7.F
Date: 10/23/2025
Staff Contacts: John Patterson, 651.296.0763, john.patterson@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff have prepared and attached for the board's approval the 2026-2027 Affordable Housing Plan (AHP). The board reviewed and discussed: (1) a draft of the plan at its August 2025 meeting, and (2) public comments about the draft at its September 2025 meeting. Changes to the text are shown with tracked changes, but changes to the tables do not have tracked changes. Based on more current information, there have been some adjustments to the funding levels, most notably, \$7.46 million for the Greater Minnesota Housing Infrastructure program. When staff originally drafted the AHP, we anticipated that these funds would be award before September 30, 2025, which is the end of program year 2025. The recommended selections for this program are coming to the board at this October 2025 meeting, which falls in program year 2026.

Fiscal Impact

None. While the AHP covers \$3.7 billion of expected awarding of funds, future action will be need to award the funds.

Agency Priorities

- | | |
|---|---|
| ☒ Improve the Housing System | ☒ Support People Needing Services |
| ☒ Preserve and Create Housing Opportunities | ☒ Strengthen Communities |
| ☒ Make Homeownership More Accessible | |

Attachments

- 2026-2027 Affordable Housing Plan



2026-2027 Affordable Housing Plan

Public Comment Draft

8/21/2025

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Summary – 2026 and 2027 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 initial estimate of the financial resources we expect to make available. This \$3.766 billion plan is a return to more traditional funding levels than the Go Big funding that the Agency received for the 2024-2025 biennium. With the 2026-2027 resources, we expect to annually serve over 621,000 households.

Table 1: Expected Investments by Activity in 2026-2027

Program Category	2026-2027 Estimated Resources Available
Homebuyer Financing and Home Refinancing	\$2,230,000,000
Homebuyer/owner Education and Counseling	\$5,762,000
Home Improvement Lending	\$95,041,000
Single-Family Production - New Construction and Rehabilitation	\$17,161,000
Manufactured Housing	\$5,238,000
Rental Production - New Construction and Rehabilitation	\$268,702,000
Rental Assistance Contract Administration	\$561,848,000
Housing Stability for Populations Needing Extra Support	\$226,522,000
Multiple Use Resources	\$254,431,000
Other	\$4,784,000
Total	\$3,669,489,000

These housing investments are critical. Minnesota continues to face large and persistent housing challenges, including a significant affordable housing shortage, some of the country's worst housing disparities, the potential loss of hundreds of thousands of homes that are currently affordable, and climate change creating additional housing instability. These issues are well documented in the Agency's [Chart Book: Key Housing Issues & Trends](#).

As the Agency, working with its partners, takes on these large and persistent challenges over the next two years, we face several head winds, including:

- **A return to a much smaller funding level from the state.** The 2023 Legislature invested \$1.3 billion in housing for the 2024-2025 biennium. This investment was a significant step in the right direction to address the state's housing challenges but nearly all the increase was one-time funding. State funding for Minnesota Housing's programs for the 2026-2027 biennium has returned to a much smaller amount of \$376 million, which includes the base budget for ongoing Agency programs, one-time appropriations, resources from state-financed bonds, revenues from the new metro sale tax, and contributions to the State Housing Tax Credit program.

- **Substantial policy and budgetary uncertainty at the federal level.** In the first half of 2025, the federal government proposed and started to implement major changes in how it will address the nation's housing needs. Congress has both enacted increases to federal Low-Income Housing Tax Credits and proposed funding reductions through the annual budgeting process for U.S. Housing and Urban Development (HUD). The outcome of these budget decisions is uncertain, which adds complexity to our planning and requires us to be nimble going forward.
- **More limited Agency resources.** Besides state and federal resources, Minnesota Housing distributes its own resources from bonding and Agency-generated resources (investment earnings). The Agency has deployed these much-needed resources into the community through highly successful lending and grant programs and partially relies on recycling loan repayments to fund new activity. With high interest rates, prepayment of loans has declined substantially in recent years (people are holding onto their existing low-interest loans rather than refinancing), which has reduced the amount of funding the Agency has on hand for additional activity. Previously, we were in a period when we fortunately had the resources on hand to carry out a substantial amount of discretionary lending. Now, we are in a period when we need to manage our discretionary lending more closely.

Despite these challenges and constraints, the Agency remains committed to stability and sustainability in its programs and financing. By creating and effectively implementing a full range of housing programs and sustaining strong finances, the Agency has navigated challenging and uncertain times in the past, including the financial and foreclosure crisis of 2007-2012 and the COVID-19 pandemic. While these events captured our attention and resources, we weathered them and came out strong. The Agency is in a position to continue financing its core work during the next two years while recognizing that more resources (similar to state appropriations for 2024 and 2025) are needed to systemically address the state's large and persistent housing challenges in the future. As documented in the Agency's [Chart Book: Key Housing Issues & Trends](#), the state annually needs billions of dollars to: (1) build enough new housing to support communities and promote choice, (2) preserve existing housing, and (3) ensure that the housing supply is affordable. Minnesota Housing's base budget, including appropriations for Housing Infrastructure Bond debt service, is 0.4% of the overall state budget. For comparison, the Department Health and Human Services accounts for 35.9% and the E-12 Education accounts for 38.4%. Housing is the foundation of a strong state and the well-being of Minnesotans and improves health and educational outcomes.

For the next two years, we will:

- **Sustain our core work.** While our ability to finance major new initiatives in the short term will be limited, we will maintain our core programs at their traditional funding levels (serving over 621,000 each year) and continue to strengthen our balance sheet. Minnesota Housing functions

as a financial institution, like a bank, providing loans and grants. Our balance sheet (assets and liabilities) is the foundation for our work and critical for financing our operations and increasing the amount of assistance that is available to help more households year after year.

- **Continue to create a more effective housing system where everyone thrives, not just some.** We are committed to all Minnesotans living and thriving 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 our programs and the housing economy. We:
 - Center the people and places most impacted by housing instability at the heart of our decision making,
 - Listen and share the power we have, and
 - Honor, respect and strengthen communities.

We acknowledge and understand the intentional harms of the past, how they came to be and show up today, and our responsibility to correct them and remove barriers.

- **Make our programs more accessible and easier to use.** This will include:
 - Reducing and eliminating barriers to programs and housing,
 - Simplifying and streamlining programs and processes,
 - Increasing flexibility in program eligibility and use of funds, and
 - Expanding housing choices and affordability.

Human-centered design is a critical part of program improvement and 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.

- **Continue to incorporate the voice and expertise of community and people with lived experience into all phases of our work.** This approach is also aligned with human-centered design and includes:
 - Supporting community vision and voices,
 - Co-creating solutions with community,
 - Utilizing the expertise of people with the lived experience of facing barriers to affordable housing in program design and operation and compensating them for their time,
 - Building community capacity and expanding the pool of organizations with which we partner, and
 - Providing technical assistance.

- **Address climate change.** Climate change resulting from the emission of greenhouse gases is a critical housing issue. Greenhouse gas emissions from Minnesota’s residential sector increased 35% between 2005 and 2022,¹ and the state’s climate has changed and will continue to change, affecting the well-being of our communities. Frequent and intense storms are now occurring more than at any time on record and are damaging Minnesota homes and costing property owners millions of dollars in cleanup/repairs and much higher property insurance costs, which can be passed down to residents. At the same time, high home energy bills disproportionately affect people with low incomes. Minnesotans with fewer financial resources are disproportionately impacted because they are less able to make money-saving home energy and climate-resiliency upgrades. All of this is contributing to greater housing instability.

Programmatic highlights for the next two years include:

- Maintaining annual home mortgage lending at about \$1.0 billion,
- Making available nearly \$50 million each year for home improvement loans,
- Annually awarding about \$100 million for rental development and rehabilitation,
- Continuing to administer Project-Based Section 8 contracts on behalf of HUD and annually provide about \$280 million of rental assistance (if current federal funding continues), and
- Fully launching our new Bring It Home rental assistance program, providing over \$60 million of state assistance each year.

Allocation of Resources. We must use appropriated funds as the State Legislature and Congress have authorized and are generally unable to transfers funds from one program activity to another (see Table 1).

The source of funding also plays a role in how the funds may be used. Appendix A of the Affordable Housing Plan outlines the sources of funds and how those funds are allocated by program. Our home mortgage lending (an estimated \$1 billion annually) comes primarily from bond financing. The funds we borrow from the bond market can only be used to finance loans with monthly principal and interest payments; they cannot be used for programs that provide grants or zero-interest, deferred loans. Loans with monthly payments allow us to pay back the bondholders with interest.

Chapter 1 – Advancing the Agency’s Work

The 2026-2027 Affordable Housing Plan (AHP) is Minnesota Housing’s business plan for implementing the final two years of our 2024-2027 Strategic Plan. The AHP covers October 1, 2025 through September 30, 2027 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

Minnesota continues to confront several large and persistent housing challenges.²

- Minnesota has a 65,000-unit shortage of housing. The additional units are need to: (1) achieve a balanced housing market with a 5% rental vacancy rate and 5.5-month supply of homes for sale, and (2) address homelessness and/or people doubling up in their housing. Having a balanced market means that there is enough housing overall, but it does not mean there is enough affordable housing.
- In Minnesota, 642,000 households are cost burdened by their housing, spending 30% or more of their income on it. Of these cost-burdened households, 430,000 have annual incomes less than \$50,000.
- Only a very small share of new housing is deeply affordable. While 27% of all renter households in Minnesota have incomes at or below 30% of the area median income (AMI), only 4% of newly constructed housing is affordable for them. Depending on the county, 30% of AMI is at or just above the poverty level.
- With higher interest rates since 2021, many potential homebuyers have been priced out of the market. The monthly payment for buying the median-priced home in Minnesota increased by \$700 from \$2,500 to \$3,200 because interest rates increased from 2.93% in June 2021 to 6.95% in June 2024. These high rates have continued through 2025.
- While Minnesota has the ninth highest homeownership rate in the country for white households (76.8%), the rate for Indigenous, Black and households of color (51.1%) is the 32nd highest, resulting in the 11th largest differential between white households and households of color.
- A Native American is 31 times more likely to experience homelessness in Minnesota than someone who is white.

- Over the next 10 years, the number of Minnesotans ages 75 and older will increase by 164,000 (35%). The share of people with a disability and households who are cost burdened by their housing increases substantially after age 74. When housing needs of older adults become more complex, their ability to pay for it declines.
- Minnesota has hundreds of thousands of housing units that need rehabilitation.

To tackle these challenges, Minnesota Housing pursued a strategy of Go Big So Everyone Can Go Home for the last six years. At the height of the effort, the Agency received \$1.3 billion from the state legislature for the 2024-2025 biennium, predominantly as one-time funding. This funding was dramatically higher than what had been the Agency's historical base budget of \$115 million and a step in the right direction to address the state's persistent housing challenges. Given the state's current fiscal constraints and forecasts of future budget deficits, the Agency's funding for the 2026-2027 biennium is closer to the historical base budget. Table 2 shows the new state funding provided for 2026 and 2027.

Table 2: New Funding from the State for 2026-2027

Type of Funding	Amount
Base Budget	\$165,596,000
One-Time Funding	\$20,789,000
Program Funding from Metro Sales Tax Revenue (estimate)	\$86,650,000
Contributions to the State Housing Tax Credit Fund (estimate)	\$23,294,000
Housing Infrastructure Bonds	\$50,000,000
State General Obligation Bonds	\$29,000,000
Total New Funding from the State	\$375,329,000

Note: In total, this AHP makes available \$5~~7265~~ million from state resources. The additional \$19~~70~~ million comes from uncommitted funds from previous appropriations and the repayment of loans funded from previous appropriations that Minnesota Housing expects to lend again.

The Agency is also grappling with substantial policy and budgetary uncertainty at the federal level. In the first half of 2025, the federal government proposed and started to implement major changes in how it will address the nation's housing needs. For example, the National Council of State Housing Agencies (NCSHA) estimated that in the first part of 2025, 2,300 HUD employees were let go or accepted the Trump Administration's offer of early retirement. Congress was also discussing substantial cuts to housing programs.

On the other hand, Congress enacted the federal budget reconciliation bill (H.R. 1) in July 2025, which expanded the Low-Income Housing Tax Credit (LIHTC) program by:

- Permanently increasing the allocation of 9% LIHTCs by 12%, which will allow Minnesota Housing to finance roughly one more rental development each year.
- Reducing the bond threshold needed to receive 4% LIHTCs from 50% to 25%. To receive 4% LIHTCs, a development previously needed 50% of the project's land and building costs financed with private activity bonds. With the threshold now 25%, it makes accessing 4% LIHTCs easier, which is beneficial; however, most projects will continue to need the same amount or more of deferred loan resources to fill funding gaps.

Meanwhile, the reconciliation bill, which includes tax provisions, also continued lower corporate tax rates that were due to expire and go back up. Investors buy the LIHTCs to lower their federal tax obligations. Lower federal tax obligations generally mean there is less demand for the tax credits. When there is less demand for the tax credits, the tax credits have less value. As a result, the continued lower value of the tax credits may offset some of the benefits of the other changes.

Overall, the changes in federal funding and policy for housing will likely make tackling Minnesota's large and persistent housing problems more challenging.

On top of reduced state and federal resources, Minnesota Housing faces constraints in the resources that it makes available from the earning on its investments. The Agency has effectively deployed these much-needed resources into the community through highly successful lending and grant programs and partially relies on recycling loan repayments to fund new activity. With higher interest rates, prepayment of loans has declined substantially in recent years (people are holding onto their existing low-interest loans rather than refinancing), which has reduced the amount of funding the Agency has on hand for additional activity. Previously, we were in a period when we fortunately had the resources on hand to carry out a substantial amount of discretionary lending. Now, we have had to take steps to more closely manage our discretionary lending and the deployment of Agency-generated resources, including:

- Reducing the maximum loan amounts available for downpayment and closing-cost assistance (Deferred Payment Loans and Monthly Payment Loans),
- Restricting eligibility for home improvement loans (Fix Up) by reducing the maximum income allowed to qualify for a loan,
- Pausing lending for manufactured home parks to become community owned (Manufactured Home Community Financing), and
- Pausing zero-interest, deferred lending from Agency resources (Flexible Financing for Capital Costs, or FFCC, and asset management loans) to fill funding gaps in the development of rental housing. This only applies to lending from the Agency's Housing Affordability Fund and does not apply to zero-interest, deferred lending from federal and state appropriations.

Our Work for the Next Two Years

Over the next two years, we will:

- Sustain our core work,
- Continue to create a more effective housing system where everyone thrives, not just some,
- Make our programs more accessible and easier to use,
- Continue to incorporate the voice and expertise of community and people with lived experience into all phases of our work, and
- Address climate change.

Sustain our Core Work

Despite the challenges and constraints the Agency will face for the next two years, the Agency remains committed to creating stability and sustainability in our programs and financing. We will maintain our core programs at their traditional levels (serving over 624,000 households each year) and continue to strengthen our balance sheet. By creating and effectively implementing a full continuum of housing programs and sustaining strong finances, we have navigated challenging and uncertain times in the past, including the financial and foreclosure crisis of 2007-2012 and the COVID-19 pandemic. While these events captured our attention and resources, we weathered them and came out strong.

At its core, Minnesota Housing functions as a financial institution, like a bank, providing loans and grants to increase Minnesotans' access to housing that is safe, stable, accessible and affordable in a community of their choice. In a typical year, about two-thirds of our program financing comes from earnings on our investments and the bonds we issue. Our balance sheet (assets and liabilities) is the foundation for our work and critical for paying for our staff and operating costs and increasing the amount of assistance that is available to help more households. For the next two years, we will focus on:

- Maintaining a strong credit rating (currently, Aa1 and AA+ respectively from Moody's and S&P) so that we can access funds in municipal bond markets at the most favorable interest rates, which allows us to lend at favorable rates,
- Increasing our net assets, which allows us to have strong earnings and provide more financing on better terms, and
- Balancing the use of Agency earnings for operating costs, assistance provided, and reinvestment to support sustainable future earnings.

At the program level, we will maintain our core programs at traditional levels and expand them in a couple areas. These efforts will include:

- Maintaining annual home mortgage lending at about \$1.0 billion,
- Making available nearly \$50 million each year for home improvement loans,
- Annually awarding about \$100 million for rental development and rehabilitation,
- Continuing to administer Project-Based Section 8 contracts on behalf of HUD and annually provide about \$280 million of rental assistance (if current funding continues), and
- Fully launching our new Bring It Home rental assistance program, providing over \$60 million of assistance each year.

With these funding levels, the Agency will finance as many housing activities as possible during the next two years while recognizing that more resources (similar to state appropriations for 2024 and 2025) are needed to systemically address the state's large and persistent housing challenges in the future. As documented in the Agency's [Chart Book: Key Housing Issues & Trends](#), the state annually needs billions of dollars to: (1) build enough new housing to support communities and promote choice, (2) preserve existing housing, and (3) ensure that the housing supply is affordable. Minnesota Housing's base budget, including appropriations for Housing Infrastructure Bond debt service, is 0.4% of the overall state budget. For comparison purposes, the Department Health and Human Services accounts for 35.9% and E-12 Education accounts for 38.4%. Housing is the foundation to a strong state and the well-being of Minnesotans and improves health and educational outcomes.

Continue to Create a More Effective Housing System where Everyone Thrives, not Just Some

As outlined in our [2024-2027 Strategic Plan](#), Minnesota Housing is fully committed to this work, and we have made important progress. Key work going forward will include:

- **Identifying and addressing barriers faced by those experiencing housing challenges.** [For example, Aa](#) lack of resources to pay for downpayment and closing costs is a primary barrier to homeownership. According to the National Association of Realtors, 25% of first-time homebuyers used a gift or loan from family and friends for their downpayment,³ and it is more difficult for people who do not have access to intergenerational wealth to become homeowners. The First-Generation Homebuyer Loan Program (downpayment assistance for first-time homebuyers whose parents had been excluded from homeownership) that we created with one-time funding for 2024 and 2025 proved to be very successful in overcoming this barrier, particularly for Indigenous, Black and households of color. As referenced earlier, Minnesota has the 11th largest homeownership rate disparity in the country between white household and households of color. The success of the program led us to incorporate a first-generation homebuyer component into our ongoing Deferred Payment Loan Plus program, which provides downpayment assistance.

- **Adapting and incorporating the experiences of those facing housing instability into our work.** The Agency recently had cultural competency training for staff about veteran homelessness. The training involved representatives from the Minnesota Assistance Council for Veterans talking about veteran homelessness and their efforts to provide housing. To meet the needs of the people most impacted by housing instability, Minnesota Housing prioritizes serving households with incomes at or below 30% of the area median income (AMI). During the training, staff learned that a significant number of veterans have incomes above 30% of AMI with their pensions and benefits and are still experiencing homelessness. This has led the Agency to re-think how it communicates expectations about income limits.
- **Expanding the partners with whom we work so that we have a broad set of perspectives and community connections.** In the last few years, the Agency had added more organizations to administer our Housing Trust Fund Rental Assistance program. These new organizations have ties to specific communities, who are often underserved, increasing their access to the program. For example, we have added organizations that serve survivors of domestic violence, Native Americans, people with mental illness leaving segregated settings, Latinos, people on the path to recovery, and other communities.
- **Co-creating solutions with communities.** The Agency is in the process of creating a new homebuying program to provide financing to buyers who are interest averse. For several years, Minnesota Housing, our partners, and many community leaders have identified that traditional mortgage products that are structured with interest payments pose a barrier to access for some homebuyers who are averse to paying interest. Unable to use traditional mortgage products, community partners have raised concerns about homebuyers turning instead to unregulated and potentially high-risk contract for deeds. To design and create this future program, we are issuing an RFP to bring in people from the community who are interest averse to participate in the design process. The program would have parity with our current first-time homebuyer program so that homebuyers using either program would receive a similar economic benefit.
- **Thoroughly analyzing program outcomes and processes to identify which communities are benefiting from our work and which ones need more support.** Our evaluation of our RentHelpMN program, which provided emergency rental assistance to people who fell behind on their housing payments because of COVID-19, showed that the program did a very good job of reaching households most impacted by COVID-related hardships. However, the analysis also showed a gap in reaching some portions of low-income renter populations. Our data identified that, while Asian households accounted for 6% of renter households who were income eligible to receive assistance (about \$75,000), they only accounted for 2% of program participants. Language access may be a reason why. Low-income Asians have the highest rate of having limited English proficiency among lower-income renters (45%). Language access may be a

particularly challenging for languages, such as Hmong, that have only recently had a standard written form.⁴ To effectively reach all communities across the state, we need to understand how people most effectively get information and learn about and use our programs.

Make our Programs More Accessible and Easier to Use

This will include:

- Reducing and eliminating barriers to programs and housing,
- Simplifying and streamlining programs and processes,
- Increasing flexibility in program eligibility and use of funds, and
- Expanding housing choices and affordability.

Human-centered design is a critical step in this process and 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.⁵ Minnesota Housing has two levels of ~~partners~~/customers. We work directly with lenders, developers, property owners/managers, service providers and local communities (initial partners/customers) who access our programs and financing to make housing ~~available and~~ affordable to homebuyers/owners and renters (end-use customers). Because our initial partners/customers run the programs that we finance, their perspective and expertise are critical in making our programs more accessible and easier to use, along with the expertise of the end-use customers. How we design and implement our programs for the initial partners/customers directly impacts how homebuyers/owners and renters experience the products and services they receive. We will also incorporate the perspectives of potential customers who have not applied for our funding or applied but were unsuccessful in securing it. What barriers and challenges do they face in applying for and securing funding?

To lead our human-centered design efforts, we have added a Continuous Improvement Manager within the Agency's newly created Operations Department. While continuous improvement has been a priority of the Agency for years, this position will ensure that the work is done consistently and with rigor and support across the Agency. Over the next two years, we will start incorporating a human-center-design lens into all our programs. The Continuous Improvement Manager has created an Agency-wide framework for carrying out this work, started to train program managers, and launched pilot initiatives. The process includes:

- Understanding the needs and aspirations of customers with empathy, focusing on listening and learning,
- Framing the issues, problems and/or challenges that customers face,
- Brainstorming and prioritizing ideas and solutions,
- Developing and exploring prototypes,

- Implementing the final products, and
- Evaluating and creating a feedback loop for continuous improvement.

The whole process is centered on the experience of the customers with the goal of making our programs more accessible and easier to use.

Continue to Incorporate the Voice and Expertise of Community and People with Lived Experience into all Phases of our Work

This approach is centered on community and the end-use customers that we serve and is aligned with human-centered design. For the next two years, we will focus on:

- **Holding engagement events and housing dialogues to understand and lift up the vision and voice of communities across Minnesota.** For example, at the West Central Regional Housing forum in Fergus Falls, we recently heard from community members about their housing challenges and goals. We also featured presenters with the lived experience of housing instability to discuss their role in informing housing developments in their community.
- **Providing capacity building grants to community-based organizations so they can more effectively carry out our work.** Small community-based organizations, typically with limited resources, often have the deepest understanding of community needs along with strong connections and high level of trust in the community to effectively meet those needs. For example, in 2024, we awarded a capacity building grant to fund the work of the SHIP (Stable Housing is Priority) Collaborative, with the Housing Justice Center serving as fiscal agent. As a collaboration of people with lived experience of homelessness, the SHIP Collaborative aims to: (1) shift the Twin Cities Metro area towards a homelessness prevention-oriented framework with a diverse set of stakeholders, and (2) organize community members to use their voices to create the framework.
- **Engaging and compensating people with the lived experience of housing challenges to help design and implement our programs.** For example:
 - Mirroring the work of the Minnesota Interagency Council on Homelessness, the Olmstead Implementation Office (an interagency initiative hosted and supported by Minnesota Housing to have people with disabilities live, learn, work and enjoy life in the most integrated setting) has hired a consulting firm to provide 18 consultants with disabilities to co-create the next Olmstead Plan. Two of these consultants are working directly with Minnesota Housing to set a course for how the Agency will serve and support people with disabilities going forward. These consultants are compensated for their time.

- For the last several years, the Agency has brought on community reviewers to assess and score grant applications for several of our programs. These reviewers have a direct, hands-on understanding of community needs and how the applicants and grants can most effectively meet those needs. Their perspective and expertise are invaluable in making effective grant decisions. These reviewers are compensated for their time. Minnesota Housing has just hired a community reviewer manager to coordinate this work across the Agency.

Address Climate Change

Climate change resulting from the emission of greenhouse gases is a critical housing issue. Greenhouse gas emissions from Minnesota's residential sector increased 35% between 2005 and 2022,⁶ and the state's climate has changed and will continue to change, affecting the well-being of our communities. Frequent and intense storms are now occurring more than at any time on record and are damaging Minnesota homes and costing owners millions of dollars in cleanup/repairs and much higher property insurance costs, which can be passed onto residents. At the same time, high home energy bills disproportionately affect people with low incomes. Minnesotans with fewer financial resources are disproportionately impacted because they are less able to make money-saving home energy and climate-resiliency upgrades. All of this is contributing to greater housing instability.

Over the next two years, Minnesota Housing will take steps to decarbonize, electrify and make the homes we finance resilient to the impacts of a changing climate. These actions will make our homes safer, healthier and more affordable to live in. Minnesota Housing will continue to participate in the Governor's Climate Change Subcabinet and participate in Enterprise-wide decarbonization and climate resiliency planning activities, including releasing the 2026 Climate Action Framework and serving on the Board of the Minnesota Climate Innovation Finance Authority. In addition, the Agency will work to implement recommendations from the Minnesota Housing Climate Resilience and Housing Decarbonization Roadmap. Decarbonization and climate resilience are incorporated as key considerations in our programs across the Agency. Developers and homeowners are required to meet minimum sustainability requirements and incentivized to do more. Anticipated updates to sustainability standards and potential new activities include:

- Updating in 2026 the Single-Family Overlay and Guide to Enterprise Green Communities and requiring that it be used when developing properties funded through the Community Impact Fund (single-family development funded by the Economic Development and Housing Challenge program, Housing Infrastructure resources and the Workforce and Affordable Homeownership program);
- Updating in 2027 the Multifamily Overlay and Guide to Enterprise Green Communities and requiring that it be used when developing properties funded through the Consolidated RFP (multifamily development funded by a range of programs);

- Exploring new and innovative financing sources that would allow us to invest more decarbonization and climate-resilience funds in affordable housing across the state; and
- Continuing to coordinate and align with other federal, state and local energy programs, such as local utility incentive programs, the Weatherization Assistance Program, and the Minneapolis Green Cost Share Program.

Chapter 2 – Resources for Our Work

For 2026 and 2027 combined, we estimate we will make available \$3.766 billion for program investments, which is a return to a more traditional funding level after the Go Big investments of 2024 and 2025. 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.

With the 2026-2027 resources, we expect to serve over 624,000 households annually. As shown in Table 3, this will be a return to a more traditional level, when COVID-19 recovery funds and Go Big resources are not available.

Table 3: Number of Households Served in the Past

Program Year	Annual Households Served
2019	56,000
2020	59,000
2021	94,000
2022	109,000
2023	70,000
2024	74,000

In 2021 and 2022, the number of households served by Minnesota Housing increased significantly with the availability of COVID-19 housing resources from the federal government. Some of these funds carried over into 2023 and 2024. In addition, starting in program year 2024, Minnesota started to award the Go Big resources made available by the 2023 legislature, but it can take a year or two for awarded funds to start serving households, particularly for the development and rehabilitation of housing. The impact of the Go Big investment will be seen in the number of households being served in 2025 and later.

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 4, seven of the Agency's 41 active programs account for 867% of the estimated investment plan.

- **Home Mortgage Loans** (line 1) will involve an estimated \$2.1 billion in lending over the two-year period, supporting about 4,570 homebuyers in each of the two years.

- **Deferred Payment Loans** (line 2) will provide \$86.6 million for downpayment and closing-cost assistance, supporting about 2,910 homebuyers each year.
- **Fix Up Loans** (line 9) will provide \$78.0 million for owner-occupied home improvement projects, supporting roughly 1,220 homeowners each year.
- **Low- and Moderate-Income Rental (LMIR)** (line 21) will provide over the two years an estimated \$110.0 million of first mortgage lending for rental housing development, rehabilitation and refinancing, which will help finance roughly 250 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 23) is one of our primary programs for developing and rehabilitating affordable rental housing. Over the next two years, we expect to allocate nearly \$28.8 million of 9% credits from the federal government. While the tax credit allocation alone is not one of our seven largest programs from an award perspective, these tax credits should generate from the investors who buy the credits approximately \$215 million to \$235 million, depending on credit pricing, in private equity for the construction or rehabilitation of rental housing. This will support roughly 430 units of affordable rental housing in each of the next two years, making it a primary program for the Agency.
- **Contract Administration for Section 8 Project-Based Rental Assistance** (line 34) will provide an estimated \$561.8 million of federal project-based rental assistance over the two years and annually support nearly 34,260 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 38) will provide over the two years an estimated \$131.4 million for rental assistance, which will be: (1) administered by local Public Housing Authorities (PHAs) and Housing and Redevelopment Authorities (HRAs) and Tribal nations, and (2) modeled after the federal Housing Choice Voucher program. However, Bring It Home will allow the maximum subsidized rents to be up to 20% higher than allowed for Housing Choice Vouchers. We estimate that the program will annually assist about 4,700 households when fully operational.
- **Community Stabilization** (Line 48) is a major investment but from a one-time appropriation that has gone through some changes since it was first authorized by the state legislature. Originally, the legislature appropriated \$90 million for 2024-2025; however, during the 2024 session, the state legislature increased the amount to \$115 million and allocated amounts for specific purposes: (1) recapitalizing distressed multifamily properties, (2) preserving multifamily properties that are naturally occurring affordable housing (NOAH), (3) preserving single-family

NOAH, and (4) funding for two specific properties. The funds for the two named properties are now under contract and no longer available. Of the remaining funds, the 2025 legislature transferred \$2 million that had been designated for single-family NOAH to other Agency programs. After this change, the balance of funds for the three remaining uses is \$99.7 million. The request for proposal (RFP) processes to award these funds are underway and will be completed in 2026.

We will also use portions of our tax-exempt private activity bond allocation for multifamily projects to generate private equity from 4% Low-Income Housing Tax Credits (LIHTCs). 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% LIHTCs 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% LIHTCs, awards of 4% LIHTCs 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% LIHTCs generates a significant amount of private equity for affordable housing.

In Table 4, we have identified with an asterisk (*) the 19 programs that are not ongoing programs and received one-time funding as COVID-19 assistance or from either the 2024-2025 or 2026-2027 state appropriation bills.

To provide context, Table 4 describes the type of funding provided under each program, with more detailed descriptions of each program provided in Appendix B. Besides the 2026-2027 expected funding levels, Table 4 also provides the original projected funding for 2024-2025, which was our Go Big AHP. In addition, the table shows, by program, the median incomes of the households that we served in 2024 (the most recent year for which complete data is available), which ranged from \$2,364 to \$106,953. According to HUD, the statewide median family income in Minnesota in 2024 was \$111,800.

Sample of Programs	2024 Median Income
• Rental assistance programs (lines 34-39)	\$9,800 to \$14,000
• Rehabilitation Loan Program (line 10)	\$18,444
• Low-Income Housing Tax Credits (line 23)	\$25,075
• Single-Family Economic Development and Housing Challenge (line 43)	\$51,025
• Home Mortgage Loans (line 1)	\$80,629
• Monthly Payment Loans (line 3)	\$106,953

Table 4: Overview of 2024-2025 Program Investment Plan

		Resources to be Made Available for 2026-2027	Resources Originally Made Available for 2024-2025	Activity	Median Income Served (2024)	Share BIPOC (2024)
	Homebuyer Financing and Home Refinancing	\$2,230,000,000	\$2,498,000,000			
1	Home Mortgage Loans	\$2,100,000,000	\$2,200,000,000	First Mortgage	\$80,629	40.6%
2	Deferred Payment Loans	\$86,600,000	\$92,000,000	Downpayment and Closing Cost Loans	\$69,616	41.4%
3	Monthly Payment Loans	\$41,400,000	\$46,000,000	Downpayment and Closing Cost Loans	\$106,953	34.2%
4	First Generation Homebuyer Loan Program - Minnesota Housing *	\$0	\$50,000,000	Downpayment Assistance	\$79,190	80.4%
5	Community-Based First-Generation Homebuyers Assistance *	\$2,000,000	\$100,000,000	Downpayment Assistance	\$82,888	90.6%
6	NeighborWorks Fee-Based Home Purchasing *	\$0	\$10,000,000	Downpayment Assistance	Not Available	Not Available
	Homebuyer/owner Education and Counseling	\$5,762,000	\$7,369,000			
7	Homeownership Education, Counseling & Training (HECAT)	\$2,762,000	\$4,369,000	Education & Counseling	\$54,000	62.1%
8	Homeownership Capacity	\$3,000,000	\$3,000,000	Education & Counseling	\$47,532	89.4%
	Home Improvement Lending	\$95,041,000	\$75,544,000			
9	Fix Up Loans	\$78,000,000	\$60,000,000	Home Improvement Loan	\$104,019	16.1%
10	Rehabilitation Loan Program (RLP)	\$17,041,000	\$15,544,000	Home Improvement Loan	\$18,444	18.6%
	Single Family Production - New Construction and Rehabilitation	\$17,161,000	\$120,513,000			
11	Single-Family Interim Lending	\$4,400,000	\$20,000,000	Construction Loans	\$60,279	43.8%
12	Workforce and Affordable Homeownership Development Program	\$12,761,000	\$60,513,000	Loans and Grants	\$50,445	30.0%

		Resources to be Made Available for 2026-2027	Resources Originally Made Available for 2024-2025	Activity	Median Income Served (2024)	Share BIPOC (2024)
13	Homeownership Investment Grants *	\$0	\$40,000,000	Grants for Affordable Housing Lending	Not Available	Not Available
	Manufactured Housing and Communities	\$5,238,000	\$44,071,000			
14	Manufactured Home Community Financing	\$0	\$7,000,000	Amortizing and Deferred Loans	Not Available	Not Available
15	Manufactured Home Community Redevelopment Grants	\$2,238,000	\$17,071,000	Grants	Not Available	Not Available
16	Cooperative Manufactured Housing Infrastructure Grants *	\$3,000,000	\$0	Grants	Not Available	Not Available
17	Manufactured Home Park Cooperative Acquisition *	\$0	\$10,000,000	Grant for Revolving Loan Fund	Not Available	Not Available
18	Manufactured Home Lending Grants *	\$0	\$10,000,000	Grants for Lending Services	Not Available	Not Available
19	Manufactured Home Relocation Trust Fund	\$0	\$0	Relocation Assistance	Not Available	Not Available
	Other Single Family	\$0	\$5,000,000			
20	BuildWealth 9,000 Equities *	\$0	\$5,000,000	Grant for a Targeted Loan Pool	Not Available	Not Available
	Rental Production - New Construction and Rehabilitation	\$268,702,000	\$426,771,700			
21	Multifamily First Mortgages - Low- and Moderate- Income Rental (LMIR)	\$110,000,000	\$160,000,000	Amortizing Loans	\$30,000	54.2%
22	Flexible Financing for Capital Costs (FFCC)	\$0	\$0	Primarily Deferred Loans	Not Available	Not Available
23	Low Income Housing Tax Credits (LIHTC) - 9%	\$28,764,000	\$23,633,700	Investment Tax Credits	\$25,075	49.4%
24	National Housing Trust Fund (NHTF)	\$6,269,000	\$11,583,000	Deferred Loans and Operating Grants	\$2,364	61.3%

		Resources to be Made Available for 2026-2027	Resources Originally Made Available for 2024-2025	Activity	Median Income Served (2024)	Share BIPOC (2024)
25	HOME	\$37,260,000	\$30,560,000	Deferred Loans	Not Available	Not Available
26	Preservation - Affordable Rental Investment Fund (PARIF)	\$24,853,000	\$24,362,000	Deferred Loans	\$15,114	56.8%
27	HOME - ARP (American Rescue Plan) *	\$28,024,000	\$28,024,000	Loans and Grants	Not Available	Not Available
28	Asset Management	\$0	\$0	Loans	Not Available	Not Available
29	Rental Rehabilitation Deferred Loan (RRDL) Pilot	\$7,700,000	\$10,617,000	Deferred Loans	\$19,825	13.0%
30	Publicly Owned Housing Program (POHP)	\$12,697,000	\$88,794,000	Deferred Loans	\$13,003	47.2%
31	Local Public Housing Program *	\$2,439,000	\$0	Grants and Loans	Not Available	Not Available
32	Workforce Housing Development Program	\$4,160,000	\$39,198,000	Deferred Loans and Grants	Not Available	Not Available
33	High-Rise Sprinkler Grants *	\$6,536,000	\$10,000,000	Grants	Not Available	Not Available
	Rental Assistance Contract Administration	\$561,848,000	\$472,000,000			
34	Section 8 - Project-Based Rental Assistance	\$561,848,000	\$472,000,000	Rental Assistance	\$13,928	41.7%
	Housing Stability for Populations Needing Extra Support	\$226,522,000	\$292,910,000			
35	Housing Trust Fund (HTF)	\$28,200,000	\$31,183,000	Rental Assistance and Operating Support	\$9,817	64.3%
36	Homework Starts with Home	\$5,832,000	\$5,500,000	Rental Assistance and Other Supports	\$11,280	74.1%
37	Bridges	\$15,000,000	\$10,676,000	Rental Assistance	\$12,204	34.0%
38	Bring It Home Rental Assistance	\$131,400,000	\$124,000,000	Rental Assistance	Not Available	Not Available
39	Section 811 Supportive Housing Program	\$5,604,000	\$2,930,000	Rental Assistance	\$12,288	53.7%

		Resources to be Made Available for 2026-2027	Resources Originally Made Available for 2024-2025	Activity	Median Income Served (2024)	Share BIPOC (2024)
40	Family Homeless Prevention and Assistance Program (FHPAP)	\$30,688,000	\$92,538,000	Grants	\$11,808	60.7%
41	Housing Opportunities for Persons with AIDS (HOPWA)	\$454,000	\$1,083,000	Grants	Not Available	Not Available
42	Strengthen Supportive Housing *	\$9,344,000	\$25,000,000	Grants	Not Available	Not Available
	Multiple Use Resources	\$254,431,000	\$452,250,000			
43	Economic Development and Housing Challenge (EDHC)	\$46,297,000	\$124,850,000	Loans and Grants	MF: \$22,793 SF: \$51,025	MF: 71.8% SF: 59.8%
44	Housing Infrastructure Resources	\$70,412,000	\$214,100,000	Primarily Deferred Loans	MF: \$7,000 SF: \$56,530	MF: 58.7% SF: 37.8%
45	State Housing Tax Credit Program	\$23,294,000	TBD	Deferred Loans	Not Available	Not Available
46	Local Housing Aid Grants (Tier 2 cities)	\$1,250,000	\$4,500,000	Grants	Not Available	Not Available
47	Greater Minnesota Housing Infrastructure *	\$9,461,000	\$8,000,000	Grants	Not Available	Not Available
48	Community Stabilization *	\$99,738,000	\$90,000,000	Grants or Loans	Not Available	Not Available
49	Lead-Safe Homes *	\$3,979,000	\$4,000,000	Grants	Not Available	Not Available
50	Local Housing Trust Fund Grants *	\$0	\$6,800,000	Grants	Not Available	Not Available
51	Strategic Investments / Loans	\$0	\$0	Loans	Not Available	Not Available
	Other	\$4,784,000	\$62,702,000			
52	Technical Assistance and Operating Support	\$3,790,000	\$8,702,000	Grants	Not Applicable	Not Applicable
53	Disaster Recovery and Relief Contingency Fund	\$0	\$0	Grants	Not Available	Not Available
54	Stable Housing Organizational Relief Program *	\$0	\$50,000,000	Grants	Not Applicable	Not Applicable

		Resources to be Made Available for 2026-2027	Resources Originally Made Available for 2024-2025	Activity	Median Income Served (2024)	Share BIPOC (2024)
55	Housing Mediation Grant Programs *	\$0	\$3,000,000	Grants	Not Applicable	Not Applicable
56	Grant to City of Minneapolis *	\$994,000	\$1,000,000	Grant	Not Available	Not Available
	COVID Housing Recovery	\$0	\$76,240,000			
57	Emergency Rental Assistance (ERA) - Targeted Assistance *	\$0	\$37,140,000	Renter Assistance	\$23,148	78.0%
58	Emergency Rental Assistance (ERA) - Capital Funding *	\$0	\$39,100,000	Deferred Loans	Not Available	Not Available
	Total	\$3,669,489,000	\$4,533,370,700			

Annual Household and Unit Projections

As shown in Table 5, we expect the resources in this AHP will annually assist over 624,000 households or housing units. Our household and housing unit estimates assume that all the resources shown in this AHP will be deployed. In the end, we may not reach our resource estimates for some programs but may exceed the estimates for other programs. Our Home Mortgage Loans, Multifamily First Mortgages and Home Improvement Loans are driven by demand and financed with resources that may be constrained but do not have a fixed limit.

Table 5: 2026-2027 Forecast of Households or Housing Units Annually Assisted, by Program

Program		Annual Households or Units
Homebuyer Financing and Home Refinancing		4,600
1	Home Mortgage Loans	4,570
2	Deferred Payment Loans	Included in First Mortgage Count
3	Monthly Payment Loans	
4	First Generation Homebuyer Assistance Program - Minnesota Housing	
5	Community-Based First-Generation Homebuyers Assistance (excluding loans paired with Minnesota Housing mortgages)	30
Homebuyer/owner Education & Counseling		4,750
6	Homeownership Education, Counseling & Training (HECAT)	3,680
7	Homeownership Capacity	1,070

Program		Annual Households or Units
Home Improvement Lending		1,490
8	Fix Up Loans	1,220
9	Rehabilitation Loan Program (RLP)	270
Single Family Production - New Construction and Rehabilitation		280
10	Impact Fund - EDHC and Housing Infrastructure Resources	230
11	Single-Family Interim Lending	Included with Impact Fund
12	Workforce and Affordable Homeownership Development Program	50
Manufactured Housing and Communities		370
13	Manufactured Home Community Financing	0
14	Manufactured Home Community Redevelopment Grants (including Housing Infrastructure Resources)	340
15	Cooperative Manufactured Housing Infrastructure Grants	30
16	Manufactured Home Relocation Trust Fund	TBD
Rental Production - New Construction and Rehabilitation		1,830
17	Multifamily RFP/LIHTC/Pipeline Production	770
18	Multifamily First Mortgage - Low- and Moderate-Income Rental (LMIR)	Part of RFP/ LIHTC/ Pipeline Total
19	Flexible Financing for Capital Costs (FFCC)	
20	Low Income Housing Tax Credits (LIHTC) - 9%	
21	National Housing Trust Fund (NHTF)	
22	Housing Infrastructure Resources - Multifamily RFP	
23	Economic Development and Housing Challenge (EDHC)	
24	HOME	
25	Preservation - Affordable Rental Investment Fund (PARIF)	
26	HOME - ARP (American Rescue Plan)	90
27	Asset Management	0
28	Rental Rehabilitation Deferred Loan (RRDL) Pilot	110
29	Publicly Owned Housing Program (POHP)	320
30	Local Public Housing Program	20
31	Workforce Housing Development Program	50
32	High-Rise Sprinkler Grants	470
Rental Assistance Contract Administration		34,260
33	Section 8 - Project-Based Rent Assistance	34,260
Housing Stability for Populations Needing Extra Support		12,370
34	Housing Trust Fund (HTF)	1,830
35	Homework Starts with Home	320
36	Bridges	750
37	Bring It Home Rental Assistance	4,700
38	Section 811 Supportive Housing Program	240

Program		Annual Households or Units
39	Family Homeless Prevention and Assistance Program (FHPAP)	4,380
40	Housing Opportunities for Persons with AIDS (HOPWA)	150
41	Strengthen Supportive Housing	TBD
Multiple Use Resources		2,160
42	State Housing Tax Credit Program	580
43	Local Housing Aid Grants (Tier 2 cities)	10
44	Greater Minnesota Housing Infrastructure	550
45	Community Stabilization	620
46	Lead-Safe Homes	400
47	Strategic Investments / Loans	0
Other		100
48	Grant to City of Minneapolis	100
Total		62,210

The following graphs show three sets of numbers:

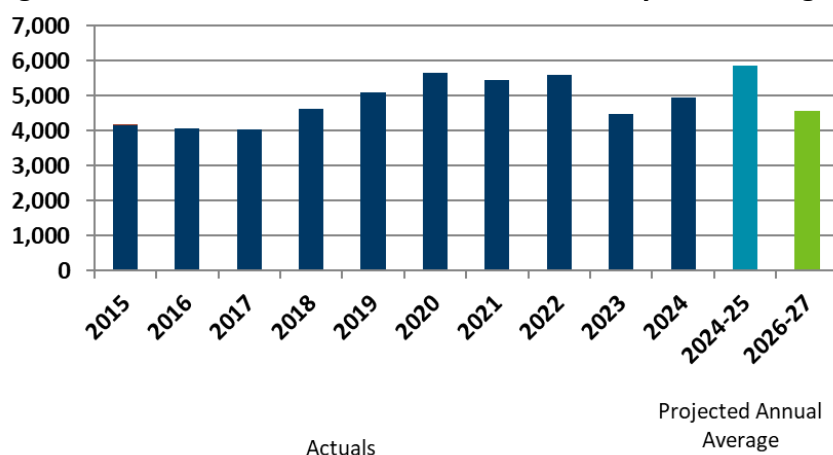
- **Households and units that we expect to assist annually with the funding we will award over the next two years (2026 through 2027), which are shown in the green bars and with the “2026-2027 Projected Annual Average” label.** AHP funding covers two years, but we annualized the data by taking the average for the two years.
- **Households and units that we actually assisted over the last 10 years (2015 through 2024), which are presented in the dark blue bars and with the “Actuals” label.** For these years, we counted households as assisted when we disburse the funds, which happens after we originally awarded the funds to specific housing projects, homes or partner organizations. This captures the actual number of households assisted, rather than planned to be assisted.
- **Households and units that we expected to annually assist with funds made available under the previous AHP (2024 through 2025), which are shown in the light blue bars and with the “2024-2025 Projected Annual Average” label.** These levels are based on households and units that we originally projected/planned to assist with funds made available under the previous plan. After the start of a program year, it can take time to award funds (particularly for new programs) and additional time to disburse the funds (particularly for housing developments). For example, a new rental housing development awarded funding in December of 2024 may not start construction and have funds disbursed until the spring or 2026 or even later. Thus, only a portion of the funds awarded in 2024 or 2025 will disburse in those years, which results in a timing mismatch between the household and unit data in the light blue and dark blue bars.

The comparisons provide context from two perspectives: (1) relative to historical activity, and (2) what we made available in the last AHP.

Homebuyer Financing and Home Refinancing

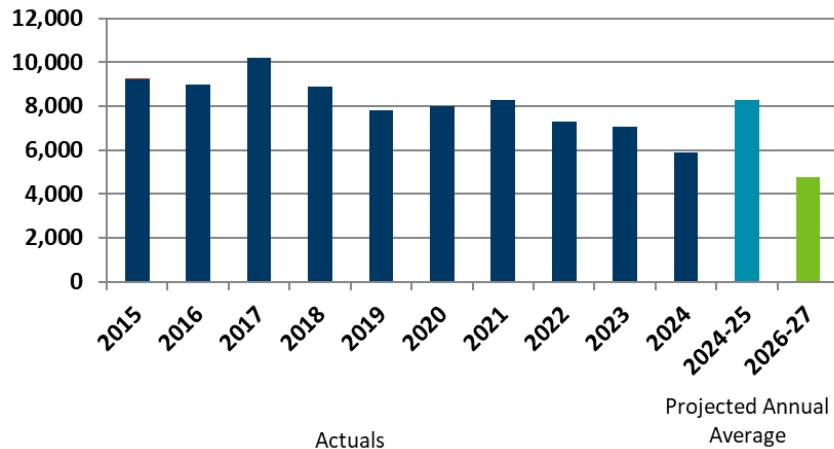
Figure 1 shows our historical home mortgage lending, which served around 4,000 households annually in 2015 through 2017. Production increased in 2018 through 2020, reaching nearly 5,700 households in 2020 and leveling off through 2022. The rise in interest rates a few years ago, which priced many low- and moderate-income households out of homeownership, limited our lending in 2023 when rates reached their highest level in over two decades. With the availability of additional downpayment assistance from the legislature starting in 2024 for first-generation homebuyers, we increased our lending.⁷ Now, with the first-generation assistance largely gone and interest rates remaining high, we expect lending levels to be lower in 2026. In addition, as discussed previously, we recently made program changes, such as lower maximum loan amounts, to limit our downpayment lending. (Figure 1 includes not only our first mortgage lending and downpayment assistance but lending that we support through: (1) Community-Based First-Generation Homebuyers Assistance, and (2) Neighborworks Fee-Based Home Purchasing.)

Figure 1: Households/Homes Assisted – Homebuyer Financing and Home Refinancing



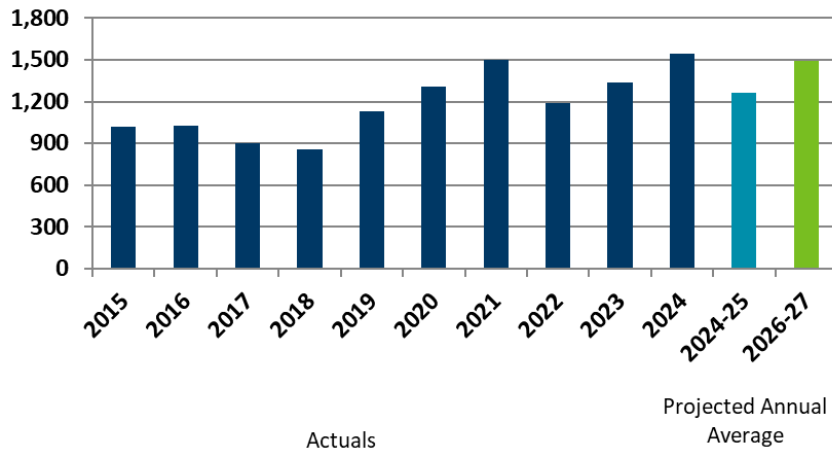
Homebuyer/owner Education, Counseling and Coaching

As shown in Figure 2, the number of households assisted through education and counseling that we directly fund has been declining over the past several years. Framework, which is an online course not funded by Minnesota Housing, is a growing alternative. In addition, the average cost of providing these services is going up, but the amount of funding is not, other than a one-time increase under the 2024-2025 AHP. (Figure 2 includes Homebuyer Education, Counseling and Training (HECAT) and the Homeownership Capacity.)

Figure 2: Households Assisted – Homebuyer/owner Education, Counseling and Coaching

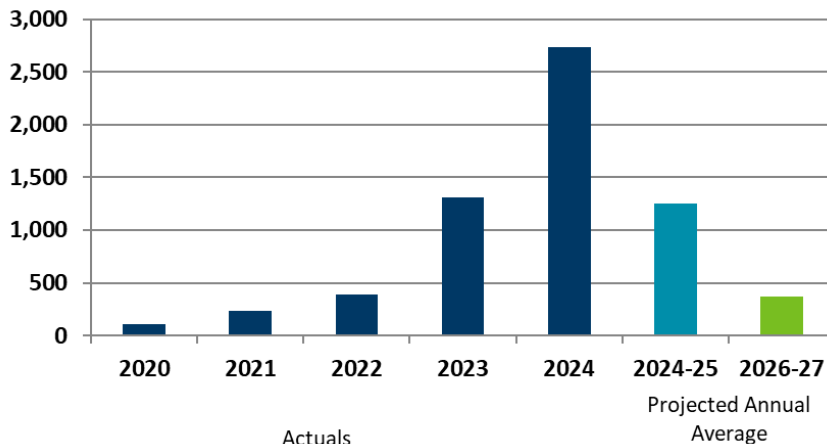
Home Improvement Lending

For several years (2015-2018), demand for our home improvement programs was reduced due to the availability of home equity lines of credit and cash from mortgage refinancing that was driven by low interest rates. The Agency then made changes to the Fix Up Loan program, making it more desirable for borrowers and easier to administer, which increased our lending in 2019 through 2021. Lending then dropped off in 2022. Construction costs and interest rates limited activity. Lending increased again in 2023 and 2024, which was unexpected with [the](#) continuation of high interest rates. This past year, we made program changes (such as a lower income limit to restrict eligibility) to keep the lending volume at about 1,500 loans per year going forward to help address the Agency's liquidity position. The lower level of forecasted lending anticipated in the 2024-2025 AHP (light blue bar) was an underestimate. At the time we developed that plan, we did not anticipate the subsequent increase in lending and thought it would stay at the 2022 level of about 1,200 loans each year. (Figure 3 includes both the Fix Up Loan Program and the Rehabilitation Loan Program.)

Figure 3: Households/Homes Assisted – Home Improvement Programs

Manufactured Housing and Communities

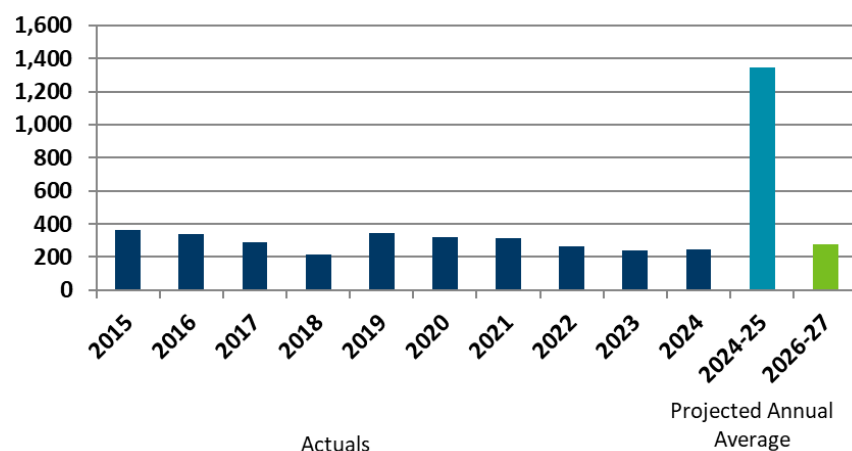
Over the past few years, Minnesota Housing has expanded its manufactured housing activities, as reflected in Figure 4. With the additional funds under the 2024-2025 AHP, we saw a large-scale increase in activity. On top of the additional funding, the level of assistance to support each lot in a community was much less than we had originally expected, allowing us to support even more lots. For example, when we developed the 2024-2025 AHP, we expected to spend \$13,000 per lot to improve a manufactured home community's infrastructure (roads, water and sewer systems, storm shelters, etc.), and the actual investment in 2024 turned out to be just \$4,200 per lot. As a result, we ended up supporting over 2,700 lots in 2024 when we anticipated serving closer to 1,250. With the more limited funding available under the 2026-2027 AHP, we will probably support [less than closer to](#) 500 lots annually. (Figure 4 includes Community-Owned Manufactured Home Parks, Manufactured Home Park Redevelopment Grants, Manufactured Home Community Infrastructure 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 200 to 400 single-family homes financed each year through these programs. The Go Big investment in 2024 and 2025 dramatically increased the available funding as reflected in Figure 5. Because the disbursement of funds for single-family developments can take a year or two after being awarded, the impact of the 2024-2025 funding won't show up in our actual results until 2025 or later. With funding returning to more traditional levels, we expect to assist the construction, rehabilitation and/or purchase of just over 200 homes annually with the funds that will be made available under the 2026-2027 AHP. (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



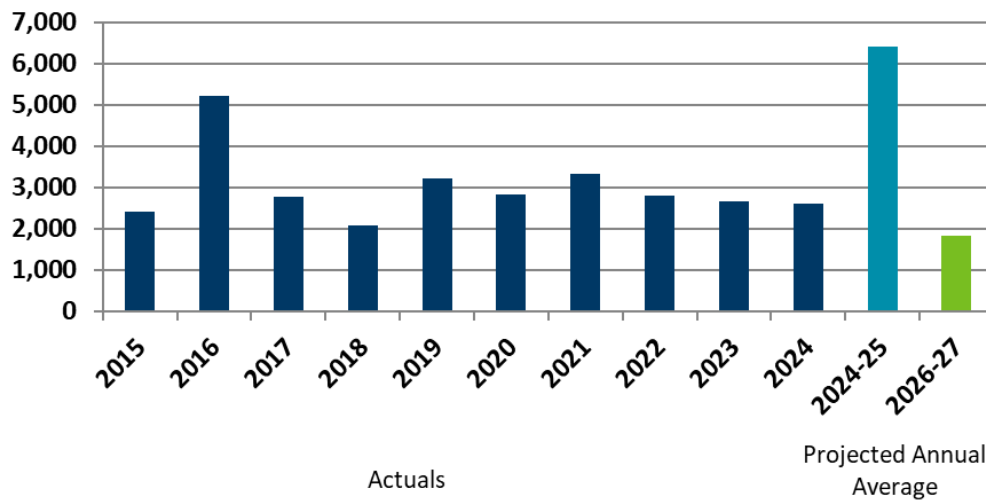
Rental New Construction and Rehabilitation

In a typical year, the rental new construction and rehabilitation that we finance has varied 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 \$5,000 to \$25,000 per unit), we can rehabilitate a large number of units.

For the last few years, the cost of construction, higher interest rates and lower pricing for low-income housing tax credits have limited the number of new development and rehabilitation units we can finance. Just like single-family, multifamily development saw a major increase in funding for 2024 and 2025. Again, with development funding, it will take a couple years to see the impact in actual

households assisted. For 2026-2027, funding is going back to traditional levels and the annual number of households assisted will drop to just under 2,000. (Figure 6 captures all the programs in the rental production area and the multifamily portion of the Economic Development and Housing Challenge program and Housing Infrastructure resources.)

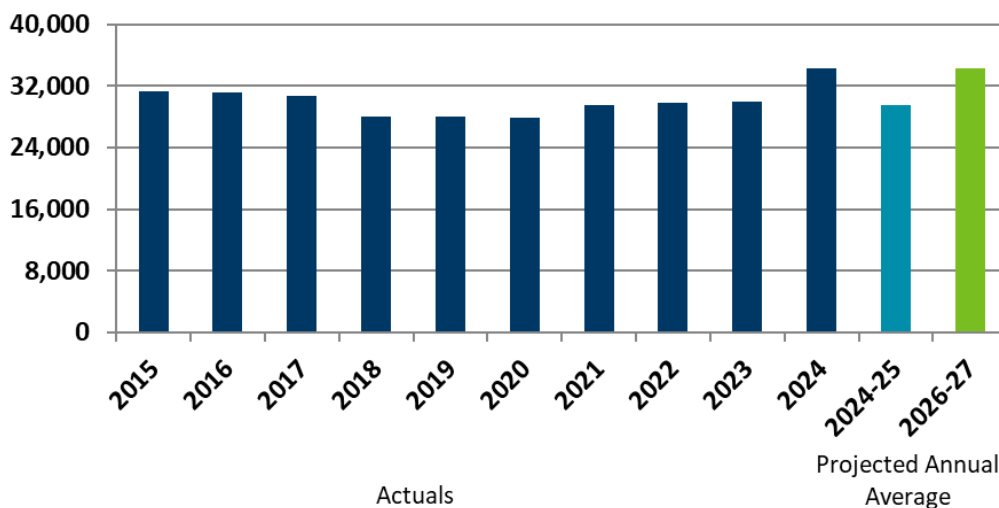
Figure 6: Units Assisted - Rental New Construction and Rehabilitation



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 varies little from year to year.

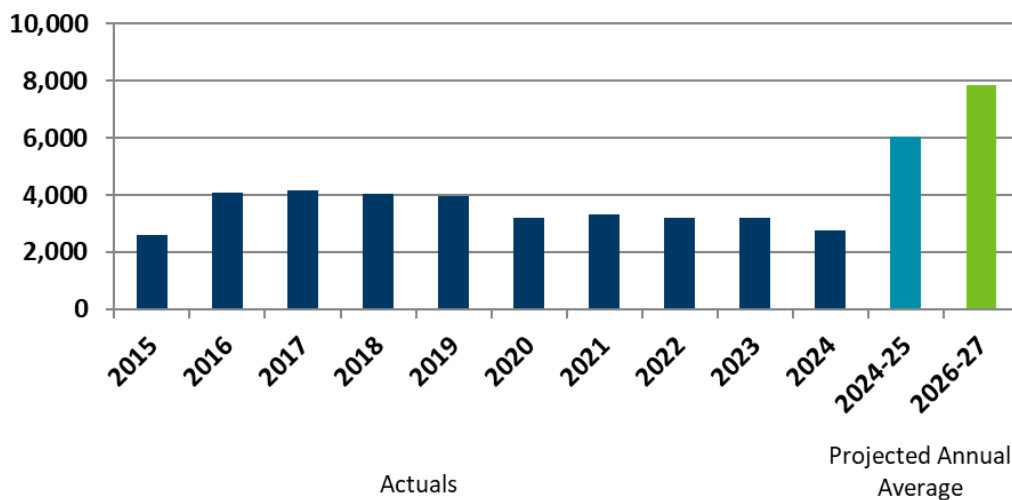
Figure 7: Housing Units Assisted – Rental Assistance Contract Administration



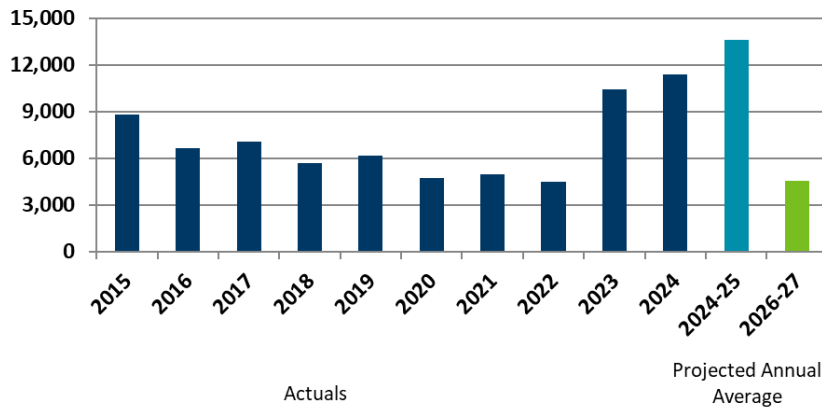
Housing Stability for Populations Needing Extra Supports

As shown in Figure 8, the creation of the Bring It Home Rental Assistance Program more than doubles the number households receiving assistance. When we created the 2024-2025 AHP, we anticipated creating a large program from scratch would take time, and the projected number of households for 2024 and 2025 reflects an anticipated ramp-up period. The initial funds have now been awarded to local public housing authorities, housing and redevelopment authorities and Tribal nations. The program will be fully ramped up in program years 2026 and 2027. (Figure 8 includes our five rental assistance programs and Housing Trust Fund operating subsidies.)

Figure 8: Households/Units Assisted – Agency Rental and Operating Assistance

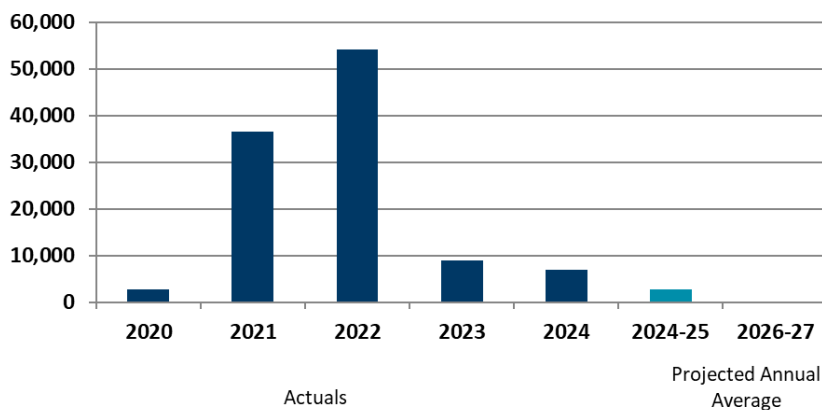


The number of households assisted by the Family Homeless Prevention and Assistance Program (FHPAP) and Housing Opportunities for Persons with AIDS (HOPWA) (Figure 9) declined between 2015 and 2022 because FHPAP has been targeting clients needing more support, which requires more funding per household. However, the 2023 Legislature made available \$115.5 million for FHPAP, which was \$95 million more than the base appropriation for a two-year biennium. About \$23 million of this was made available in program year 2023, which left \$92.5 million for 2024 and 2025. With funding returning to more traditional levels for 2026 and 2027, the number of households to be assisted is also declining.

Figure 9: Households Assisted – Targeted Assistance – FHPAP and HOPWA

COVID-19 Housing Recovery

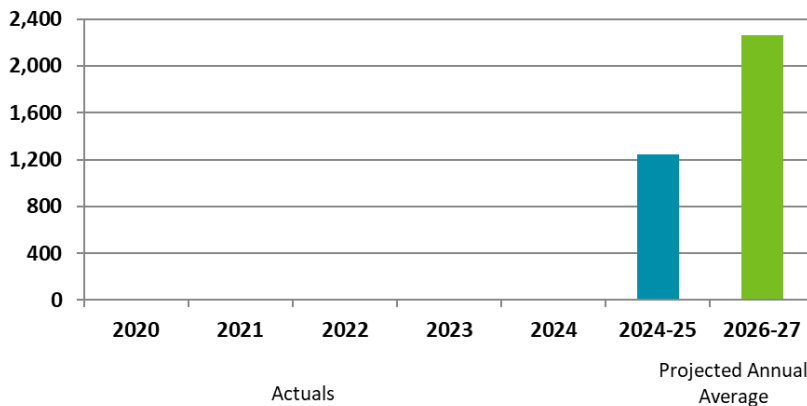
Our COVID-19 Housing Recovery efforts started in the summer of 2020 and reached peak activity in 2022, when we served more than 50,000 households who were behind on their rent or mortgage payments because of a COVID-related hardship. We awarded the last of these COVID funds in 2024 and 2025, largely from reallocations that we received from the U.S. Department of Treasury for effectively deploying our original rental assistance. The 2026-2027 AHP has no funding for these activities. Some of the COVID recovery funds (Emergency Rental Assistance – Capital Funding and HOME-ARP) have or will finance the development or rehabilitation of rental housing and are reflected in the rental production graph (Figure 6).

Figure 10: Households Assisted – COVID Housing Recovery (Renter and Homeowner Payment Assistance)

Other Programs

Finally, several new programs that we started launching under the 2024-2025 AHP serve specific needs or are for broad, general use and do not fit neatly into one of the previous activity areas. This “other” activity captures the programs listed under the Multiple Use Resources and Other categories of Table 5. This activity area has programs with one-time 2024-2025 funds that went uncommitted and carried forward to the 2026-2027 AHP, most notably the Community Stabilization Program. In addition, this area includes the State Housing Tax Credit program, under which eligible Minnesota taxpayers can contribute to the program and, in return, receive a state Tax Credit Certificate (TCC). The program does not receive any state appropriations and relies entirely on contributions. In the 2024-2025 AHP, this program was new, and it was very unclear the extent to which taxpayers would make contributions to get the tax credits. Given that, our estimate of the housing units to be assisted was “to be determined.” The program has turned [out](#) to be very popular and, when fully subscribed, can ~~receive~~ [provide a maximum overall contribution of](#) \$11.6 million [in](#) annual ~~contributions~~ [stabilization and/or refinancing](#). If the full amount of contributions are received, we estimate that we’ll annually assist in the development, [stabilization and/or refinancing](#) of roughly 580 housing units.

Figure 11: Households or Housing Units Assisted – Other



¹ Minnesota Pollution Control Agency and Department of Commerce, *Greenhouse Gas Emissions in Minnesota 2005-2022* (January 2025).

² The following housing issues, needs and trends are documented in: [Minnesota Housing, Key 2025 Housing Issues & Trends – Chart Book](#).

³ National Association of REALTORS, 2024 Profile of Homebuyers and Sellers 2024, p. 75.

⁴ This website explains the challenge of Hmong translations: <https://etcetera-translations.com/2025/02/why-hmong-to-english-translation-requires-a-professional-touch/#:~:text=Translating%20between%20languages%20is%20rarely,translations%2C%20professional%20expertise%20is%20essential.>

⁵ Human-Centered Design is a business practice that ensures a product meets the customer's needs. As [Harvard Business School Online](#) states, "Creating a successful business requires identifying an underserved need, validating your idea, and crafting an effective value proposition. When taking these steps, one way to ensure you're on the right path and developing products and services the market will adopt and embrace is bringing prospective customers into the process and leveraging human-centered design."

⁶ Minnesota Pollution Control Agency and Department of Commerce, *Greenhouse Gas Emissions in Minnesota 2005-2022* (January 2025).

⁷ The downpayment assistance for first-generation homebuyers involved two separate programs – one run by the Agency and another run by Midwest Minnesota Community Development Corporation.

Appendix A-1: 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 2026 and 2027. 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: 2026-2027 Estimated Program Investments by Funding Source

Program Category	2026-2027 Estimated Resources Available
Federal Resources	\$668,223,000
State Appropriated Resources	\$507,799,000
Capital from Agency and State Bonding	\$2,249,337,000
Housing Investment Fund (Pool2)	\$148,800,000
Housing Affordability Fund (Pool 3)	\$95,330,000
Total	\$3,669,489,000

Funding Source Description

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 2026 and 2027 HUD appropriations will remain at 2025 levels, which is subject to change. The amount of federal housing tax credits is based on a per capita formula.

State Resources: This includes state appropriations, dedicated revenues from the metro sales tax and contributions to the state housing tax credit fund.

Capital from Agency and State Bonding

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.

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 Pool 2, and most assets in Pool 2 produce revenue that supports our operations and programs. The earning assets that use the Pool 2 are required to be of investment-grade quality.

Housing Affordability Fund (Pool 3): Housing Affordability Fund 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.

Appendix A-2: 2026-2027 Estimated Program Resources by Source							
	Program	2026-2027 Estimated Total	Federal Resources	State Resources	Capital from Agency and State Bonding	Housing Investment Fund (Pool 2)	Housing Affordability Fund (Pool 3)
	Homebuyer Financing and Home Refinancing	\$2,230,000,000	\$0	\$9,770,000	\$2,100,000,000	\$41,400,000	\$78,830,000
1	Home Mortgage Loans	\$2,100,000,000	\$0	\$0	\$2,100,000,000	\$0	\$0
2	Deferred Payment Loans	\$86,600,000	\$0	\$7,770,000	\$0	\$0	\$78,830,000
3	Monthly Payment Loans	\$41,400,000	\$0	\$0	\$0	\$41,400,000	\$0
4	Community-Based First-Generation Homebuyers Assistance	\$2,000,000	\$0	\$2,000,000	\$0	\$0	\$0
	Homebuyer/owner Education & Counseling	\$5,762,000	\$0	\$3,762,000	\$0	\$0	\$2,000,000
5	Homeownership Education, Counseling & Training (HECAT)	\$2,762,000	\$0	\$2,762,000	\$0	\$0	\$0
6	Homeownership Capacity	\$3,000,000	\$0	\$1,000,000	\$0	\$0	\$2,000,000
	Home Improvement Lending	\$95,041,000	\$0	\$5,041,000	\$0	\$78,000,000	\$12,000,000
7	Fix Up Loans	\$78,000,000	\$0	\$0	\$0	\$78,000,000	\$0
8	Rehabilitation Loan Program (RLP)	\$17,041,000	\$0	\$5,041,000	\$0	\$0	\$12,000,000
	Single Family Production - New Construction and Rehabilitation	\$17,161,000	\$0	\$12,761,000	\$0	\$4,400,000	\$0
9	Single-Family Interim Lending	\$4,400,000	\$0	\$0	\$0	\$4,400,000	\$0
10	Workforce and Affordable Homeownership Development Program	\$12,761,000	\$0	\$12,761,000	\$0	\$0	\$0
1	Manufactured Housing and Communities	\$5,238,000	\$0	\$2,238,000	\$3,000,000	\$0	\$0
11	Manufactured Home Community Financing	\$0	\$0	\$0	\$0	\$0	\$0

Appendix A-2: 2026-2027 Estimated Program Resources by Source

		2026-2027 Estimated Total	Federal Resources	State Resources	Capital from Agency and State Bonding	Housing Investment Fund (Pool 2)	Housing Affordability Fund (Pool 3)
12	Manufactured Home Community Redevelopment Grants	\$2,238,000	\$0	\$2,238,000	\$0	\$0	\$0
13	Cooperative Manufactured Housing Infrastructure Grants	\$3,000,000	\$0	\$0	\$3,000,000	\$0	\$0
14	Manufactured Home Relocation Trust Fund	\$0	\$0	\$0	\$0	\$0	\$0
	Rental Production - New Construction and Rehabilitation	\$268,702,000	\$100,317,000	\$53,488,000	\$89,897,000	\$25,000,000	\$0
15	Multifamily First Mortgage - Low- and Moderate-Income Rental	\$110,000,000	\$0	\$0	\$85,000,000	\$25,000,000	\$0
16	Flexible Financing for Capital Costs (FFCC)	\$0	\$0	\$0	\$0	\$0	\$0
17	Low Income Housing Tax Credits (LIHTC) - 9%	\$28,764,000	\$28,764,000	\$0	\$0	\$0	\$0
18	National Housing Trust Fund (NHTF)	\$6,269,000	\$6,269,000	\$0	\$0	\$0	\$0
19	HOME	\$37,260,000	\$37,260,000	\$0	\$0	\$0	\$0
20	Preservation Affordable Rental Investment Fund (PARIF)	\$24,853,000	\$0	\$24,853,000	\$0	\$0	\$0
21	HOME - ARP (American Rescue Plan)	\$28,024,000	\$28,024,000	\$0	\$0	\$0	\$0
22	Asset Management	\$0	\$0	\$0	\$0	\$0	\$0
23	Rental Rehabilitation Deferred Loan (RRDL) Pilot	\$7,700,000	\$0	\$7,700,000	\$0	\$0	\$0
24	Publicly Owned Housing Program (POHP)	\$12,697,000	\$0	\$7,800,000	\$4,897,000	\$0	\$0
25	Local Public Housing Program	\$2,439,000	\$0	\$2,439,000	\$0	\$0	\$0

Appendix A-2: 2026-2027 Estimated Program Resources by Source

	Program	2026-2027 Estimated Total	Federal Resources	State Resources	Capital from Agency and State Bonding	Housing Investment Fund (Pool 2)	Housing Affordability Fund (Pool 3)
26	Workforce Housing Development Program	\$4,160,000	\$0	\$4,160,000	\$0	\$0	\$0
27	High-Rise Sprinkler Grants	\$6,536,000	\$0	\$6,536,000	\$0	\$0	\$0
	Rental Assistance Contract Administration	\$561,848,000	\$561,848,000	\$0	\$0	\$0	\$0
28	Section 8 - Project-Based Rental Assistance	\$561,848,000	\$561,848,000	\$0	\$0	\$0	\$0
	Housing Stability for Populations Needing Extra Support	\$226,522,000	\$6,058,000	\$220,464,000	\$0	\$0	\$0
29	Housing Trust Fund (HTF)	\$28,200,000	\$0	\$28,200,000	\$0	\$0	\$0
30	Homework Starts with Home	\$5,832,000	\$0	\$5,832,000	\$0	\$0	\$0
31	Bridges	\$15,000,000	\$0	\$15,000,000	\$0	\$0	\$0
32	Bring It Home Rental Assistance	\$131,400,000	\$0	\$131,400,000	\$0	\$0	\$0
33	Section 811 Supportive Housing Program	\$5,604,000	\$5,604,000	\$0	\$0	\$0	\$0
34	Family Homeless Prevention and Assistance Program (FHPAP)	\$30,688,000	\$0	\$30,688,000	\$0	\$0	\$0
35	Housing Opportunities for Persons with AIDS (HOPWA)	\$454,000	\$454,000	\$0	\$0	\$0	\$0
36	Strengthen Supportive Housing	\$9,344,000	\$0	\$9,344,000	\$0	\$0	\$0
	Multiple Use Resources	\$254,431,000	\$0	\$197,991,000	\$56,440,000	\$0	\$0
37	Economic Development and Housing Challenge (EDHC)	\$46,297,000	\$0	\$46,297,000	\$0	\$0	\$0
38	Housing Infrastructure Resources	\$70,412,000	\$0	\$13,972,000	\$56,440,000	\$0	\$0

Appendix A-2: 2026-2027 Estimated Program Resources by Source

		2026-2027 Estimated Total	Federal Resources	State Resources	Capital from Agency and State Bonding	Housing Investment Fund (Pool 2)	Housing Affordability Fund (Pool 3)
39	State Housing Tax Credit Program	\$23,294,000	\$0	\$23,294,000	\$0	\$0	\$0
40	Local Housing Aid Grants (Tier 2 cities)	\$1,250,000	\$0	\$1,250,000	\$0	\$0	\$0
41	Greater Minnesota Housing Infrastructure	\$9,461,000	\$0	\$9,461,000	\$0	\$0	\$0
42	Community Stabilization	\$99,738,000	\$0	\$99,738,000	\$0	\$0	\$0
43	Lead-Safe Homes	\$3,979,000	\$0	\$3,979,000	\$0	\$0	\$0
44	Strategic Investments / Loans	\$0	\$0	\$0	\$0	\$0	\$0
	Other	\$4,784,000	\$0	\$2,284,000	\$0	\$0	\$2,500,000
45	Technical Assistance and Operating Support	\$3,790,000	\$0	\$1,290,000	\$0	\$0	\$2,500,000
46	Disaster Recovery and Relief Contingency Fund	\$0	\$0	\$0	\$0	\$0	\$0
47	Grant to City of Minneapolis	\$994,000	\$0	\$994,000	\$0	\$0	\$0
	AHP Total	3,669,489,000	668,223,000	507,799,000	2,249,337,000	148,800,000	95,330,000

Appendix B: Program Descriptions

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Notes on Reading the Program Descriptions

- This appendix only covers active programs, those that have the potential to provide assistance in 2026 and 2027. A description of programs that were active in 2024 and/or 2025 but no longer active can be found in Appendix B of the [2024-2025 Affordable Housing Plan](#).
- The following descriptions provide a general overview of each program and do not capture every facet of the programs. Readers should go to [Minnesota Housing website](#) and program guides for specific details and complete 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 2026-2027. 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 address housing disparities by reaching households who face barriers to homeownership, including those with incomes below 80% of the area median income and Indigenous, Black and households of color.

Current household income limits for Start Up:

Property Location	Maximum Household Income	
	1-2 person	3 or more
Minneapolis/Saint Paul Metro Area (11-county)	\$132,400	\$152,200
Dodge and Olmsted Counties	\$125,600	\$144,400
All Other Counties	\$116,900	\$134,400

Current income limits for Step Up:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	\$197,900
Dodge and Olmsted Counties	\$197,900
All Other Counties	\$174,800

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, 2023 – September 30, 2024, we reported:

- 4,957 loans
- \$1,144,572,596 total loan amount
- \$230,900 average loan
- A median household income of \$78,227 or 70% of the statewide median family income
- 41% of households were Indigenous, Black or households of color overall, and 42% of first-time Start Up borrowers were Black, Indigenous or households of color.

Our home mortgage production is heavily supported by downpayment and closing-cost loans. About 98% 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 2026-2027

The estimated 2026-2027 resources are \$2.1 billion. Industry changes or changes in market conditions could affect production.

Based on resources available for new activity, we expect to finance on average about 4,570 home mortgages each year.

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. Generally, about 98% 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 one percent 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)	\$85,000
Dodge and Olmsted Counties	\$85,000
All Other Counties	\$75,000

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, 2023 – September 30, 2024, we reported:

- 3,400 loans
- \$54,297,786 total loan amount
- \$15,970 average loan
- A median household income of \$69,616 or 62% of the statewide median income
- 41% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$86,600,000.

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 on average about 2,910 households each year.

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 \$14,000. 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 one percent 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	3 or more
Minneapolis/Saint Paul Metro Area (11-county)	\$132,400	\$152,200
Dodge and Olmsted Counties	\$125,600	\$144,400
All Other Counties	\$116,900	\$134,400

Current income limits for MPL with Step Up:

Property Location	Maximum Household Income	
	1-2 person	3 or more
Minneapolis/Saint Paul Metro Area (11-county)	\$139,000	\$159,900
Dodge and Olmsted Counties	\$139,000	\$159,900
All Other Counties	\$122,700	\$141,200

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, 2023 – September 30, 2024, we reported:

- 1,345 loans
- \$20,156,677 total loan amount
- \$14,986 average loan
- A median household income of \$106,953 or 96% of the statewide median income
- 34% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$41,400,000.

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 support on average about 1,570 households each year.

Community-Based First-Generation Homebuyers Assistance

The Community-Based First-Generation Homebuyers Assistance Program is a new statewide pilot program and is administered by Midwest Minnesota Community Development Corporation (MMCDC). MMCDC originates and services funds and authorizes 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 ten percent 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: (1) converts to nonowner occupancy, (2) is sold, (3) is subjected to an ineligible refinance, (4) is subjected to an unauthorized transfer of title, or (5) 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 an eligible for this program, a household must:

- Have income at or below 100 percent 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

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported:

- 171 loans
- \$5,094,567 total loan amount
- \$29,793 average loan
- A median household income of \$82,888 or 74% of the statewide median income
- 91% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$2,000,000.

Based on resources available for new activity, we expect to support on average about 30 households each year with a few of them using a Minnesota Housing home mortgage and the rest using other home mortgages.

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, the Minnesota Homeownership Center contributes 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 education system that we support, HECAT does not fund Framework.

Program Performance and Trends

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported:

- 5,180 households served through HECAT program
- \$2,253,392 total funding
- \$435 average Minnesota Housing assistance per household
- A median household income of \$54,000 or 48% of the statewide median income

- 62% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$2,762,000 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 on average roughly 3,680 households will receive homebuyer/owner education and counseling each year 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 11th 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.

Program Performance and Trends

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported:

- 728 households served
- \$721,700 total grant amount
- \$991 average Minnesota Housing funding per household
- A median household income of \$47,532 or 43% of the statewide median income
- 89% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$3,000,000.

Based on the resources available for new activity, we anticipate serving on average about 1,070 households each year.

HOME IMPROVEMENT LENDING

Fix Up Loans

Fix Up Loans (including Community Fix Up) use 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 can improve and preserve their homes when other financing options may not be available to them.

Income limit:

Property Location	Income Limit
Minneapolis/Saint Paul Metro Area (11-county)	\$172,100
Dodge and Olmsted Counties	\$172,100
All Other Counties	\$152,000

(Energy Loan Plus has lower income limits: \$105,900 for the 11-County Twin Cities Metro Area, \$100,400 for Dodge and Olmstead Counties and \$93,500 for all other counties. There is no Income limit for accessibility loans.)

Maximum loan amount:

- \$75,000 for secured loans
- \$25,000 for unsecured loans
- \$30,000 for unsecured energy loans
- \$60,000 for secured energy loans
- \$35,000 for secured accessibility

Program Performance and Trends

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported:

- 1,262 loans
- \$39,427,230 total loan amount

- \$31,242 average loan
- A median household income of \$104,019 or 93% of the statewide median income
- 16% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$78,000,000.

Based on current loan production trends and the resources available for new activity, we anticipate serving on average about 1,220 households each year.

Rehabilitation Loan Program (RLP)

The Rehabilitation Loan Program (RLP) provides zero-interest, deferred loans to homeowners with income 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 \$27,800 for a single person household to \$39,300 for a four-person household. Other borrower assets cannot exceed \$25,000.

Program Performance and Trends

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported:

- 279 loans
- \$7,920,055 total loan amount
- \$28,387 average loan
- A median household income of \$18,444 or 16% of statewide median income
- 19% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$17,041,000.

Based on resources available for new activity, we expect to fund on average rehabilitation loans for approximately 270 households each year.

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 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 42 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, Workforce Affordable Homeownership Development Program, and interim construction financing for single-family owner-occupied housing.

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$4,400,000.

Based on resources available for new activity, we expect to support on average the construction of about 20 homes each year.

Workforce and Affordable Homeownership Development Program

The funds for the Workforce and Affordable Homeownership Development Program may 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, 2023 – September 30, 2024, we reported:

- 12 units
- \$1,278,992 of funds disbursed
- \$106,583 average assistance per household
- A median household income of \$50,445 or 45% of statewide median income
- 30% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$12,761,000.

Based on resources available for new activity, we expect to support on average about 50 homes each year.

MANUFACTURED HOUSING AND COMMUNITIES

Besides the programs listed below, this activity includes Housing Infrastructure resources, 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 has made available 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 have been used independently or in connection with other resources, including our Manufactured Home Community Redevelopment Program.

Program Performance and Trends

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported:

- Two loans for communities with 117 homes total
- \$1,993,500 total loan amount
- \$17,039 average assistance per home

Expected Activity for 2026-2027

Given the Agency's current fiscal constraints (limited cash on hand from Agency resources for new lending), we do not expect to award funds under this program over the next two years.

Manufactured Home Community Redevelopment Grants

This program 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, 2023 – September 30, 2024, we reported:

- 2,614 manufactured home lots
- \$10,918,359 total grant amount
- \$4,177 average assistance per lot

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$2,238,000.

Based on these funds, we expect to support on average about 140 manufactured home lots each 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 expect to support on average about 200 additional lots each year.

Cooperative Manufactured Housing Infrastructure Grants

Cooperative Manufactured Housing Infrastructure Grants is a new program financed with General Obligation bond proceeds. Under the program, Minnesota Housing provides counties

and cities grants to fund up to 50% of the capital costs for developing the housing infrastructure in eligible cooperatively-owned manufacture home communities. The Agency must prioritize projects with commitments of nonstate resources, which can be either in-kind or cash. The housing infrastructure must be publicly owned and include, but not limited to, sewers, water supply systems, utility extensions, streets, wastewater treatment systems, stormwater management systems, and facilities for the pretreatment of wastewater to remove phosphorus. Minnesota Housing will evaluate applications for funding to determine if: (1) the project will provide adequate housing stock for the current and future workforce, and (2) the increase in workforce housing will result in substantial public and private capital investment in the county or city. A county or city may receive no more than \$60,000 per manufactured home lot.

Program Performance and Trends

This is a brand-new program that will be launched in 2026 and 2027.

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$3,000,000.

Based on resources available for new activity, we expect to fund about 30 rental units each year on average.

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 the State. 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. Starting in 2024, Minnesota Housing has responsibility to collect the assessment from park owners, but since the Trust Fund balance has been above \$2 million, the assessment has not been collected. We also make payments to homeowners for eligible costs, with claims overseen by an appointed neutral third party selected by the city where the park is closing.

Program Performance and Trends

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported:

- Less than 5 home lots

- \$20,943 total grant amount

Expected Activity for 2026-2027

As of ~~March 31~~June 30, 2025, the fund had a \$2.056 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. Currently, we are not making an estimate of the assistance needs.

RENTAL PRODUCTION – NEW CONSTRUCTION AND REHABILITATION

In addition to the programs listed below, this activity area includes two other programs – 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.

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 Housing Investment Fund (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, 2023 – September 30, 2024, we reported:

- 17 loans for developments with 1,066 units
- \$108,957,000 total loan amount
- \$102,211 average LMIR funding per unit
- A median household income of \$30,000 or 27% of the statewide median income
- 54% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$110,000,000 for both permanent first mortgages and construction loans.

Based on resources we expect to be available for new permanent first mortgages, we expect to finance on average roughly 140 rental units each year. For bridge loan construction financing, we expect to assist on average approximately 110 units each year.

Flexible Financing for Capital Costs (FFCC)

We provide Flexible Financing for Capital Costs (FFCC) deferred loans at low- or no-interest, using Housing Affordability Fund (Pool 3) resources. FFCC is generally available only in conjunction with Agency-originated first mortgage loans for the refinance, acquisition, rehabilitation, or new construction of rental developments that house low- and moderate-income Minnesotans. FFCC loans may also be used in tandem with Housing Infrastructure loans to fund costs not otherwise eligible from Housing Infrastructure proceeds. Loans include both rent and income restrictions.

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.

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, 2023 – September 30, 2024, we reported:

- 1 FFCC loan for developments with 36 units
- \$575,000 total loan amount
- \$15,972 average FFCC assistance per unit

Expected Activity for 2026-2027

At this point, we are not expecting to use any FFCC funding in 2026 and 2027.

Low Income Housing Tax Credits – 9%

The Low-Income Housing Tax Credit (LIHTC) Program provides 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% LIHTCs 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 because of the allocation and sale of federal LIHTCs. The allocation 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 LIHTCs in Minnesota and qualified local cities and counties as suballocators.

We select housing development to award 9% LIHTCs in two rounds of a competitive allocation process held each year. Round 1 is held concurrent with our Multifamily 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 LIHTC allocating agencies develop an allocation plan for the distribution of the LIHTCs 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, 2023 – September 30, 2024, we reported:

- 9 projects with 481 LIHTC units receiving 9% LIHTCs
- \$100,359,050 in syndication proceeds (investor equity from the sale of credits)
- \$208,647 average syndication amount per unit
- A median household income of \$25,075 or 22% of the statewide median income
- 49% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

We estimate that that Minnesota Housing will allocate \$28,764,000 in 9% LIHTCs in 2026-2027, which should generate about \$215 million to \$235 million in syndication proceeds for the two years combined.

Based on the resources available for new activity, we expect to allocate 9% LIHTCs to support about 430 rental units each year on average.

National Housing Trust Fund (NHTF)

The National Housing Trust Fund (NHTF) Program 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 is administered by the U.S. Department of Housing and Urban Development (HUD).

The program provides financing for:

- New construction,
- Acquisition with rehabilitation,

- Rehabilitation without acquisition, and
- Operating cost assistance for one of the above developments (up to 33% of the annual grant)

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.

Income Restrictions: NHTF-assisted units must be occupied by households with incomes at or below 30% of the AMI, as published by HUD for the NHTF program.

Program Performance and Trends

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported:

- 1 loan for development of 45 units
- \$8,518,499 total loan amount
- \$189,300 average funding per unit
- A median household income of \$2,364 or 2% of the statewide median income
- 61% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$6,269,000.

Based on the resources available for new activity, we expect to support roughly 30 rental units each year on average.

HOME

The HOME Investment Partnership (HOME) Program provides deferred loans for the new construction, rehabilitation or acquisition/rehabilitation of permanent affordable rental housing for low- and very low-income households, including housing with state or federal project-based rental subsidies. The program is funded with federal appropriations.

We allocate HOME funds through the annual Multifamily 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 Restrictions: 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, 2023 – September 30, 2024, we reported no HOME program activity.

Expected Activity for 2026-2027

The estimated 2023-2024 resources are \$37,260,000.

Based on resources available for new activity, we expect to fund about 110 rental units each year on average.

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, (2) existing supportive housing developments, and (3) naturally occurring affordable housing (as determined by the commissioner). Eligible activities under PARIF include rehabilitation, acquisition and rehabilitation, and debt restructuring.

We allocate PARIF funds, which are state appropriations, through our annual Multifamily 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, 2023 – September 30, 2024, we reported:

- 1 loan for developments with 86 units
- \$5,883,000 total loan amount
- \$68,407 average PARIF assistance per unit
- A median household income of \$15,114 or 14% of the statewide median income
- 57% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$24,853,000.

Based on resources available for new activity, we expect to fund 170 rental units each year on average.

HOME-ARP (HOME 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 (90% of the grant) on the development of affordable rental housing, 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

So far, this program has not had any activity.

Expected Activity for 2024-2026

The estimated 2026-2027 resource availability is \$28,024,000.

Based on resources available for new activity, we expect to support about 90 units each year on average.

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) Housing Affordability Fund (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, 2023 – September 30, 2024, we provided no asset management assistance.

Expected Activity for 2026-2027

At this point, we are not expecting to use any Asset Management funding for 2026 and 2027.

Rental Rehabilitation Deferred Loan (RRDL) Pilot Program

RRDL provides deferred loans at no interest to individuals, developers, nonprofits, units of government and Tribal entities for the moderate rehabilitation of permanent rental housing outside 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 process. Owners can apply directly to Minnesota Housing for RRDL funds. Loan terms range from 20 to 30 years. RRDL loans are also subject to a minimum affordability period of 15 years. Properties containing eight or more units may apply for loans where 10% of the loan amount is forgiven after successful completion of the loan term and maintaining the RRDL rent and income requirements.

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, 2023 – September 30, 2024, we reported:

- 8 loans for development with 218 units
- \$5,801,400 total loan amount
- \$26,612 average RRDL assistance per unit
- A median household income of \$19,825 or 17% of the statewide median income
- 13% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$7,700993,000.

Based on resources available for new activity, we expect to fund about 110 rental units each year on average.

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. Loans from GO bonds are structured with a 20-year term and a 35-year compliance period.

For the 2024-2025 biennium, the program was funded with direct appropriations, which also allowed eligible Rental Assistance Demonstration (RAD) or similarly converted property owners and Tribal entities to apply for funding. Loans from POHP appropriations are structured with a 20-year term and a 20-year compliance period.

POHP loans can be used only for eligible capital costs of a non-recurring nature that add value or life to the buildings. POHP funds are available through a Request for Proposals process with owners applying directly to the Agency. The loan amount is forgiven after the loan term has been met provided there is no evidence of default.

Program Performance and Trends

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported:

- 4 loans for developments with 296 units
- \$5,405,300 total loan amount
- \$18,261 average POHP assistance per unit
- A median household income of \$13,003 or 12% of the statewide median
- 47% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$12,967,000. The 2025 legislature made available \$26 million of GO bond resources for this program, and the Agency was able to award a portion of that through an RFP process that we completed in August 2025, which falls under the 2024-2025 AHP. The funds available in 2026 and 2027 are mix of GO bond resources and state appropriations.

Based on resources currently available for new activity, we expect to support roughly 320 rental each year on average.

Local Public Housing Program

The Local Public Housing Program is a new program that provides funds to cities, counties, Tribal nations, or Tribally designated housing entities to develop or acquire housing that will be owned by the recipient. The recipient must use the funds for qualifying capital costs, including predesign, design, property acquisition, construction, furnishing and equipping the property for use as housing. The recipient must maintain ownership of the housing for at least 50 years.

At least 30% of the units in a multifamily property must be occupied by households with an income at or below 50% of the area median income at the time of initial lease agreement; and at least 30% of the units must be occupied by households with an income at or below 100% of the area median income. No household in a multifamily property may have an income greater than 400% of the area median income at the time of the initial lease agreement. In a single-family property, the home must be occupied by a household with an income at or below 80% of the area median income. The recipient of the funding may act as a community land trust with respect to single-family properties.

The program will have two accounts:

- The housing development fund, which is funded with state appropriations. Awards must be provided as loans. Minnesota Housing must operate this account as a revolving loan fund.
- The bond proceeds fund, which is funded with bond proceeds. Awards must be provided as grants.

Cities and counties are eligible to receive funds from either account, and Tribal nations and Tribally designated housing entities are eligible to receive loans from the housing development fund.

Program Performance and Trends

This is a brand-new program that will be launched in 2026 and 2027.

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$2,439,000.

Based on resources available for new activity, we expect to fund about 20 rental units each year on average.

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, 2023 – September 30, 2024, we reported:

- 3 loans for developments with 135 units
- \$1,195,700 total loan amount
- \$8,857 average assistance per unit

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$4,160,000.

Based on resources available for new activity, we expect to fund about 50 rental units each year on average.

High-Rise Sprinkler Grant and Loan Program

High-Rise Sprinkler System Grant and Loan Program was a new, one-time program under the previous AHP with unused funds carrying over to the 2026-2027 AHP. The program will make grants and loans 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 seven stories or more in height or 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 60 percent of the area median income.

Program Performance and Trends

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported no High-Rise Sprinkler Grant program activity.

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$6,53645,000.

Based on resources available for new activity, we expect to fund roughly 470 rental units each year on average.

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 contracts with property owners to provide rental assistance for a fixed period 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.

Through a contract with HUD under the Performance Based Contract Administration (PBCA) authority, the Agency, as a Public Housing Authority (PHA), administers the existing project-based Section 8 contracts in Minnesota. Currently, the Agency has 533 Section 8 contracts covering 34,259 rental units.

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, 2023 – September 30, 2024, for PBCA properties we reported:

- 34,333 households assisted
- \$256,194,628 in Housing Assistance Payments (HAP)
- \$7,462 average (HAP) assistance per household
- A median household income of \$13,928 or 13% of the statewide median
- 42% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

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. PBCA revenue earned through administration of the contracts pays 100% of the cost of administering the program.

The estimated 2026-2027 resources are \$561,848,000.

Based on resources available for new activity, we expect to support about 34,260 rental units each year on average.

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.

Minnesota Housing provides HTF rental assistance and operating subsidies under two-year contracts with local administrators. For rent assistance, the new two-year contracts will start in October 2025. For operating subsidies, we will issue a Request for Proposals in 2026.

Program Performance and Trends

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported:

- 1,180 households assisted
- \$10,321,314 in total disbursements
- \$11,096 average HTF assistance per household
- A median household income of \$10,092 or 9% of the statewide median income
- 62% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$28,200,000 for all HTF activities.

Based on resources available for new activity, we expect to support about 1,830 renter households each year on average, about 1,040 through rental assistance and 790 through operating subsidies.

Homework Starts with Home

Homework Starts with Home is a state-funded program that provides direct assistance, such as rent assistance and supportive services to students and their families experiencing housing instability. 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 experiencing homelessness or 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

achieve housing stability as well as improve academic achievement and school attendance among students participating in the program.

A collaborative approach involving local housing organizations, schools and service providers is a key feature of the local program design.

Grant funds are awarded through a competitive Request for Proposals (RFP) process.

Program Performance and Trends

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported:

- 238 households assisted
- \$4,939,788 in total disbursements
- \$20,755 average Homework Starts with Home assistance per unit
- A median household income of \$11,280 or 10% of the statewide median
- 74% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$5,832,000.

Based on resources available for new activity, we expect to support about 320 renter households each year on average.

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.

Bridges funds rent assistance under two-year contracts with local administrators. Grant funds are awarded through a competitive Request for Proposals (RFP) process.

Program Performance and Trends

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported:

- 588 households assisted
- \$4,037,915 in total disbursements
- \$9,059 average Bridges assistance per household
- A median household income of \$12,204 or 11% of the statewide median income
- 34% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$15,000,000.

Based on resources available for new activity, we expect to support about 750 renter households each year on average.

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 to the difference between 30 percent of the household's 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 percent 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 percent 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 percent 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 an annual income of up to 30 percent 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, 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

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported no Bring It Home Renal Assistance program activity.

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$131,400,000.

The Agency has awarded the initial funds, and program activity will ramp up over the next year. Based on resources available for new activity, we expect to support about 4,700 renter households each year on average.

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 rent 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 National Standards for the Physical Inspection of Real Estate (NSPIRE) 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, 2023 – September 30, 2024, we reported:

- 155 households assisted
- \$1,195,237 in total disbursements
- \$7,711 average Section 811 assistance per household
- A median household income of \$12,288 or 11% of the statewide median income
- 54% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$~~5,604,340~~5,604,340,000.

Based on resources available for new activity, we expect to support about ~~241~~241 renter households each year on average.

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.

FHPAP operates under two-year contracts with local administrators. Grant funds are awarded through a competitive Request for Proposals (RFP) process.

Program Performance and Trends

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported:

- 11,196 households assisted
- \$39,975,916 in total disbursements
- \$3,571 average FHPAP assistance per household
- A median household income of \$11,808 or 11% of the statewide median income
- 61% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$30,688,000.

Based on resources available for new activity, we expect to support about 4,380 households each year.

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.

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, 2023 – September 30, 2024, we reported:

- 187 households assisted in 48 counties
- \$172,343 of assistance disbursed
- \$922 average HOPWA assistance per household

Expected Activity for 2026-2027

The estimated 2026-2027 resources availability is \$454,000, which will be the last award that the Agency will receive for this program.

Based on resources available for new activity, we expect to support 300 households with these last funds.

Strengthen Supportive Housing

Strengthen Supportive Housing is a new program with one-time funding provided by the 2023 legislature. The program will provide resources 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

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported no Strengthen Supportive Housing program activity.

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$9,344,670,000.

Given the diverse nature of the funded activities, we are not estimating 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, Workforce and Affordable Homeownership Development resources, and Single-Family Interim Lending for homeownership activities.

We make EDHC loans and grants to local governments, private developers, federally recognized American Indian Tribes or subdivisions located in Minnesota, Tribal housing corporations, nonprofit organizations, or school districts 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, 2023 – September 30, 2024, we reported:

Multifamily EDHC

Single-Family EDHC – Impact Fund

- | | |
|--|--|
| <ul style="list-style-type: none"> • 301 units • \$16,551,475 total loan/grant amount • \$54,988 average EDHC assistance per unit • A median household income of \$22,793 or 20% of statewide median income • 62% of households were Indigenous, Black or households of color | <ul style="list-style-type: none"> • 237 units • \$10,701,759 total loan/grant amount • \$45,155 average EDHC assistance per home • A median household income of \$50,897 or 46% of statewide median income • 58% of households were Indigenous, Black or households of color |
|--|--|

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$46,297,000.

Based on resources available for new activity, we expect to support roughly 220 owner-occupied and rental housing units each year on average.

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 have funded the program.

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;
- The acquisition, rehabilitation, adaptive reuse or new construction of senior housing;
- The preservation of existing federally assisted rental housing by funding acquisition, rehabilitation, replacement and refinancing;
- Acquisition and rehabilitation of foreclosed or abandoned housing to be used for affordable rental housing;
- New construction of rental housing on abandoned or foreclosed property where the existing structures will be demolished or removed;
- 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, acquisition and rehabilitation of permanent housing with rents affordable at or below 50% of AMI.

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 statewide median income or area median income, not adjusted for household size for rental housing.

Program Performance and Trends

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported:

Multifamily HIB

- 381 units
- \$50,780,624 total amount
- \$133,282 average HIB assistance per unit
- A median household income of \$7,000 or 6% of statewide median income
- 59% of households were Indigenous, Black or households of color

Single-Family HIB

- 37 units
- \$2,231,734 total amount
- \$60,317 average HIB assistance per home
- A median household income of \$56,530 or 51% of statewide median income
- 38% of households were Indigenous, Black or households of color

Expected Activity for 2026-2027

The estimated 2026-2027 resource availability is \$70,412,000.

Based on resources available for new activity, we expect to support each year on average:

- 150 multifamily units,
- 90 single Family units, and
- 200 manufactured home community lots. 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 helps 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

For the Program Assessment period of October 1, 2023 – September 30, 2024, we reported:

- 306 units
- \$5,801,000 total assistance amount
- \$18,997 average assistance per unit

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$23,294,000. This assumes that the program is fully subscribed with contributions each of the two years.

Based on resources available for new activity, we expect to support roughly 580 owner-occupied and rental housing units each year on average.

Local Housing Aid Grants (Tier II Cities)

This 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 formula. While Minnesota Housing will collect reports on the use of these funds starting on 2025, the distribution of these funds will not involve Minnesota Housing.

For cities with a population under 10,000, the funds have come to Minnesota Housing for a grant program that prioritizes cities with a higher share of cost-burdened households. Housing projects for households with incomes at or below 80% of area median income (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% AMI 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 AMI;
- 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 was a new program with no activity in 2024.

Expected Activity for 2026-2027

The estimated 2026-2027 resources are up to \$1,250,000 for the two years.

Based on resources available for new activity, we expect to support about 10 housing units each year on average.

Greater Minnesota Housing Infrastructure

Greater Minnesota Housing Infrastructure provides grants of up to 50 percent of the capital costs of public infrastructure necessary for an eligible workforce housing development project.

Cities outside the metro area are eligible recipients. Grants are limited to \$40,000 per lot for single-family, duplex, triplex or fourplex housing developed, \$180,000 per lot for multifamily housing with more than four units per building, and \$60,000 per manufactured housing lots. Cities are limited to \$500,000 over a two-year period. Awards made for manufactured housing are not counted toward the \$500,000 limit. 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.

Program Performance and Trends

This was a new program with no activity in 2024.

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$9,4612,000,000.

Based on resources available for new activity, we expect infrastructure investments to support about 55040 housing units each year on average.

Community Stabilization

This program is a one-time program funded by the 2023 legislature, but the legislature made some program and funding changes since then. The program now has three components:

- Distressed Multifamily Rental Building
- Naturally-Occurring Affordable Housing – Multifamily Rental Housing
- Naturally-Occurring Affordable Housing – Single-Family Housing

Distressed Multifamily Rental Building

This component will provide grants or loans for the preservation or recapitalization of housing with up to \$15 million of that designated for supportive housing. Program funds may be used

for financing the physical and financial needs that are necessary to stabilize an eligible property which includes:

- Debt restructure,
- Deferred maintenance and rehabilitation,
- Property operating costs,
- Capitalizing replacement, operating and/or supportive service reserves, or
- Financing to sell or transfer ownership of a property to a qualified owner that will commit to long-term affordability.

For purposes of the program, “distressed building” means an existing multifamily rental building in which the units are restricted to households with incomes at or below 60% of the area median income (AMI) that:

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

Housing that receives financing under this program is subject to the following affordability terms: All units shall have gross rents that are at or below 60% Multifamily Tax Subsidy Projects (MTSP) rent limits and income limits. Multifamily housing must remain affordable to low-income or moderate-income households and must accept rental subsidies.

Grants or loans may be made to eligible recipients, which are:

- Local unit of governments,
- Federally recognized American Indian Tribes located in Minnesota or its Tribally Designated Housing Entity,
- Private developers, or
- Nonprofit organizations.

Naturally Occurring Affordable Housing – Multifamily Rental Housing

This component will provide loans to preserve naturally occurring affordable housing (NOAH), which is housing that is affordable without government funding and income/rent limits. Eligible uses of these funds include acquisition, rehabilitation, interest rate reduction or gap financing of housing to support the preservation of NOAH rental properties. 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 Multifamily rental housing that:

- Has four or more rental units;
- Is at least 20 years old;
- Has rents for a majority of units that are affordable to households at or below 60 percent 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.

Housing that receives financing under this program is subject to affordability terms. It must remain affordable to low-income or moderate-income households and must accept rental subsidies.

The minimum rent requirements for the restricted units are as follows:

- At least 50% of all the units shall have gross rents that are affordable to households with incomes at or below 60% of MTSP.
- At least 30% of all the units shall have gross rents that are affordable to households with incomes at or below 80% MTSP.

Up to 20% of all the units may be unrestricted; however, unrestricted units are ineligible for program funds and the applicant must identify an alternative source of funding for those units.

The minimum income restrictions for the restricted units may be 10 percentage points higher than the corresponding rent restriction but shall not exceed 80% MTSP income limits.

Loans may be made to several eligible recipients, which are:

- Local unit of governments,
- Federally recognized American Indian Tribes located in Minnesota or their Tribally Designated Housing Entities,
- Private developers,
- Limited equity cooperatives or a cooperative created under Minnesota Statutes chapter 308A or 308B, or
- Nonprofit organizations.

Naturally Occurring Affordable Housing – Single Family Housing

This component will also provide funds to preserve naturally occurring affordable housing, but for single-family properties. Eligible uses of these funds include acquisition and rehabilitation 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. Funding may be used to acquire single-family rental housing that is intended to be converted to affordable homeownership.

For purposes of the program, “naturally occurring affordable housing” means single-family housing that:

- Has one to four units;
- Is in communities where market pressures or significant deferred rehabilitation needs, as defined by the agency, create opportunities for displacement or the loss of owner-occupied or single-family rental housing; and
- Affordable to owner-occupied households at or below 115 percent or rental households at or below 80 percent of the greater of state or area median income as determined by the United States Department of Housing and Urban Development.

Households served through this program must at initial occupancy have income that is at or below 115% of the greater of state or area median income as determined by the United States Department of Housing and Urban Development.

Program Performance and Trends

This program had no activity in 2024.

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$99,7382,000.

Based on resources available for new activity, we expect to support about 620 housing units in 2024 and 680 in 2025.

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 percent 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 program had no activity in 2024.

Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$3,979,000.

Based on resources available for new activity, we expect to support about 400 housing units in each year on average.

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, 2023 – September 30, 2024, we reported:

- 83 units
- \$9,696,613 total loan amount

Expected Activity for 2026-2027

At this time, no investments opportunities have been identified.

OTHER

Technical Assistance and Operating Support

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 Grant which funds activities that build capacity of organizations and

communities to address root causes of housing challenges and create thriving and inclusive communities.

Program Performance and Trends

For the Program Assessment period of October 1, 2023 – September 30, 2024, we funded \$1,286,041 of activity under this program.

Expected Activity for 2022-2023

The estimated 2022-2023 resources are \$3,790,000.

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 owner-occupied and rental properties, (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 2026-2027

At the start of the 2026-2027 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 the Agency deposits 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.

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, 2023 – September 30, 2024, there was no reported program activity.

Expected Activity for 2026-2027

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 ~~June 30~~March 31, 2025, the fund had an uncommitted balance of \$2.3 million.

Grant to City of Minneapolis

This one-time program 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 was a new program with no activity in 2024.

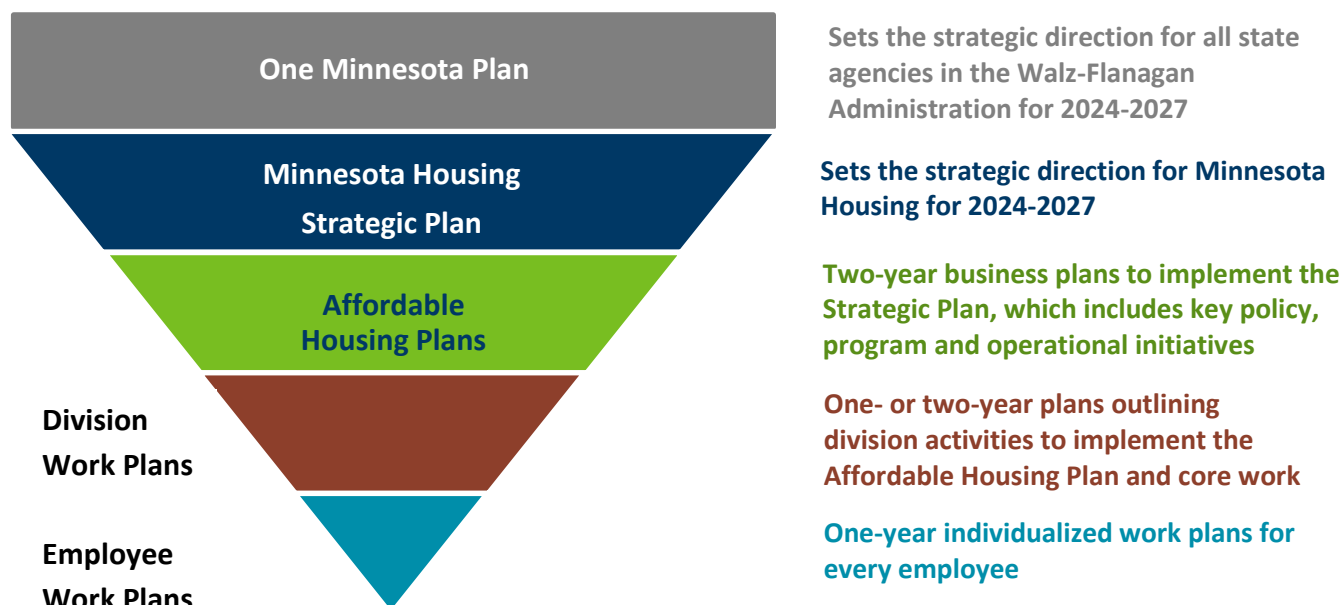
Expected Activity for 2026-2027

The estimated 2026-2027 resources are \$994,000.

Based on resources available for new activity, we expect to support just under 200 housing units.

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 for short, but in other programs, we may end up using more resources than originally planned.

Accountability is 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 its 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.

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Item: Proposed Amendments to the 2024-2025 Housing Tax Credit Qualified Allocation Plan and the 2026-2027 Qualified Allocation Plan

Discussion Item: 8.A
Date: 10/23/2025
Staff Contacts: Nicola Viana, 651.296.8277, nicola.viana@state.mn.us
Summer Jefferson, 651.296.9790, summer.jefferson@state.mn.us
Request Type: No Action, Discussion

Request Summary

Staff will provide an overview and discuss proposed amendments to the 2024-2025 Housing Tax Credit (HTC) Qualified Allocation Plan (QAP) and the 2026-2027 QAP, including the 2026-2027 Self-Scoring Worksheet.

Fiscal Impact

HTCs are a federal resource and Minnesota Housing earns administrative fees for the costs to implement the HTC Program and Multifamily deferred loans. Deferred loans are generally funded through state or federal appropriations and do not generate interest revenue for the Agency.

Agency Priorities

- | | |
|---|---|
| ☒ Improve the Housing System | ☒ Support People Needing Services |
| ☒ Preserve and Create Housing Opportunities | ☒ Strengthen Communities |
| ☐ Make Homeownership More Accessible | |

Attachments

- Background
- Summary of Proposed Changes
- Redline Language
- Local Actions to Support Housing

Background

The Federal Tax Reform Act of 1986 established the Low Income Housing Tax Credit (HTC) Program for qualified residential rental properties. The HTC Program is the principal federal funding source contained within tax law for the acquisition/substantial rehabilitation and new construction of affordable rental housing.

Section 42 of the Internal Revenue Code (IRC) requires that state allocating agencies develop a Qualified Allocation Plan (QAP) to distribute HTCs within their jurisdiction. The QAP sets forth the requirements to allocate HTC from the state's HTC annual credit ceiling and award HTCs in connection with tax-exempt volume limited bonds—commonly referred to as 9% HTCs and 4% HTCs, respectively. The QAP is subject to modifications to help ensure the provisions conform to the changing requirements of the IRC and Treasury regulations, applicable state statute and the changing environment and market conditions, and to best promote Minnesota Housing's Strategic Plan. The 2026-2027 QAP also sets the overall selection priorities for the competitive 2025 and 2026 Multifamily Consolidated Requests for Proposals (RFPs), which include deferred loans funded from state and federal funding resources.

Minnesota Housing's QAP includes two primary documents:

- Qualified Allocation Plan document – includes detailed definitions and procedures for implementing the HTC Program; and
- Self-Scoring Worksheet – assigns preferences and points for developments that meet Minnesota Housing's HTC Program and deferred loan funding priorities. The Self-Scoring Worksheet is comprised of six selection categories that establish the scoring framework. Each selection category is broken down into selection criteria. The selection categories are: Greatest Need Tenant Targeting, Serves Lowest Income for Long Durations, Increasing Housing Choice, Supporting Community and Economic Development, Efficient Use of Scarce Resources, and Building Characteristics.

Copies of the 2024-2025 and 2026-2027 QAPs and Self-Scoring Worksheet are available on Minnesota Housing's website at www.mnhousing.gov (Home/Rental Housing/Housing Development and Capital Programs/Housing Tax Credits).

The board approved the 2024-2025 QAP at November 2022 board meeting and Governor Walz approved the QAP in January 2023. The Minnesota Housing board approved the 2026-2027 QAP at the November 2024 board meeting and Governor Walz approved the QAP in February 2025.

Proposed Changes

State and Federal Law

Since the approval of the QAPs, there have been changes to Minnesota state and federal law that make it necessary for the QAPs to be amended. In the 2025 Minnesota Legislative session, the "Local Actions to Support Housing" was added to session law (Minnesota Laws 2025, chapter 32, article 3, section 13 and in the attachment for reference).

The 2025 session law requires Minnesota Housing, where practicable, to award additional point(s) in competitive capital development programs to proposed projects located in jurisdictions that provide certain land use and zoning flexibilities identified in the law, which cannot exceed five percent of the total available points. This new statutory section applies to selection criteria and scoring systems developed on or after May 23, 2025, and the section will remain effective through December 31, 2029. The local jurisdiction does not need to provide the flexibilities to the project, but one or more of the provisions in the law must be available in the local jurisdiction for the project to claim points.

In July 2025, Congress passed, and the President signed H.R. 1 into law. Section 70422 of H.R. 1 which reduced the volume capped tax-exempt bond threshold test from 50% to 25% to qualify for the 4% HTC. The QAPs currently state:

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.

To implement these changes in federal and state law, Minnesota Housing must amend the applicable QAPs and Self-Scoring Worksheet. It is necessary to amend two QAPs because there are projects selected under the prior QAP that have not yet closed.

QAP Extension

Staff is also proposing an amendment to the 2026-2027 QAP to extend it by one year, as the 2026-2028 QAP. This will make the QAP applicable to the 2027 Multifamily Consolidated RFP/2028 HTC funding rounds.

The creation of a new QAP involves a robust and extensive development process. The entire process takes approximately 18 months and generally begins in June. As part of a new QAP, staff complete research on policies and promising practices, evaluate the effectiveness of changes made, engage with partners and the public to gain feedback, and implement two public comment periods. Neither federal nor state law establishes a required frequency for issuing new or updated QAPs.

We incorporated significant policy changes in the 2026-2027 QAP and made substantive changes to many of the selection criteria as a result of community engagement work. We are currently reviewing applications for the first funding round using these policies. We are just beginning to see the impacts of those changes on applications, scoring and selection. Extending the QAP will allow the Agency to move through a full year funding cycle before starting development of the 2029-2030 QAP in June 2026. This will give the Agency time to analyze the outcomes, identify issues, and seek feedback to better understand the effectiveness of the policies and procedures before proposing additional modifications in a new QAP. For example, the Innovation Construction Techniques preference was converted to a new pointing selection criterion. Having another year of data would help inform our decisions and potential modifications for the next QAP.

A 2026-2028 QAP would extend existing policies and scoring to allow applicants more time to plan for their projects. The extension provides more predictability and consistency for applicants since the selection criteria would remain the same for one more funding round.

QAP Development Plan

Due to the nature of the federal and state law changes and the tight turnaround time, the proposed changes are limited to aligning with the new laws and a proposed extension of the QAP. Staff will hold a public comment period, which will include soliciting written comments and offering a virtual public hearing.

Public Hearing and Public Comments

The IRS requires that allocating agencies hold a public hearing where interested individuals have an opportunity to share ideas, ask questions and express their views on the proposed changes to the QAP. Public hearings are advertised on the Minnesota Housing website and via Agency eNews, the State Register and the Star Tribune at least 10 days before the events. Individuals and organizations have the opportunity to provide verbal or written comments on issues related to the QAP.

Minnesota Housing will hold one public comment period and public hearing for the amendments of the 2024-2025 and 2026-2027 QAPs. At the public hearing, staff will provide an overview of the proposed changes and extension. Staff evaluate and research all comments to the proposed changes. After the public comment period, staff will revise the QAPs and Self-Scoring Worksheet and present the amendments to the board in December.

Suballocator Participation

Under Minnesota Statute 462A.222, subdivision 1, the city of Minneapolis, city of St. Paul, Washington County, and Dakota County can allocate or award their own HTC's. Each has their own QAP and scoring worksheets. These proposed changes only apply to HTC's allocated or awarded by Minnesota Housing.

Proposed Timeline for the QAP Amendments

Here are the dates and activities for the QAP Amendments:

Date	Activity
Thursday, October 23, 2025	QAP Amendment and Summary of Proposed Changes presented to Minnesota Housing board
Thursday, October 23, 2025	Summary of proposed changes to the QAP and Self-Scoring Worksheet released for public comment
October 23, 2025 – November 14, 2025	Public comment period
Wednesday, November 12, 2025	Public hearing, via Go to Webinar
Friday, November 14, 2025	Public comment period closes

Date	Activity
November 17, 2025 – December 9, 2025	QAP Amendments and Self-Scoring Worksheet are drafted and routed for review by staff, legal and the Assistant Commissioner for Multifamily
Thursday, December 18, 2025	Minnesota Housing board meeting: final action
December 2025	Submit QAP to the Governor’s Office for approval
Summer 2026	2029-2030 QAP development begins

Summary of Proposed Changes

The following information is a summary of the proposed changes to the 2024-2025 QAP and the 2026-2027 QAP, including the 2026-2027 Self-Scoring Worksheet.

2024-2025 QAP

- Update the language in Chapter 7.A to allow for the shift from the 50% test to the 25% test on 4% HTC projects to align with the federal tax law changes.
- No changes to the 2024-2025 Self-Scoring Worksheet are necessary.

2026-2027 QAP

- Extend the 2026-2027 QAP by one year to be the 2026-2028 QAP so that it is applicable to the 2027 Multifamily Consolidated RFP/2028 HTC funding rounds. Extending the QAP would not include any other notable updates outside of changing the 25% test language and the “Local Actions to Support Housing” scoring. Modifications would include the following updates:
 - Modify all applicable dates throughout the document; and
 - Incorporate the Development Limit in Chapter 2.H for 2028 HTCs, which will remain the same as the 2027 HTC funding rounds; and incorporate the Rural Development/Small Project Set-Aside limit in Chapter 2.D for 2028 HTCs, which will remain the same as the 2027 HTC funding rounds.
 - Staff works with the Agency Research Department to determine these limits. Their analysis looks at actual development inflation compared to what was previously projected for 2026 and 2027 HTC allocation years. Their determination was that these limits should remain the same for 2028 HTC funding year.
- Update the language in Chapter 5.C to add “Local Actions to Support Housing” to the list of Selection Criteria.
- Update the language in Chapter 7.A, Chapter 7.B and Appendix A to allow for the shift from the 50% test to the 25% test on 4% HTC projects to align with the federal tax law changes.

Redlined Language

The following information is the proposed redline language to the 2024-2025 QAP and the 2026-2027 QAP, including the 2026-2027 Self-Scoring Worksheet.

2024-2025 QAP

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.¹

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 the required minimum percentage50% of the aggregate basis of the building and the land it is located on. The “required minimum percentage” is established by federal law and is subject to changes in federal law. For each project, the Agency will determine and apply the minimum percentage required by federal law in accordance with federal effective dates.

Subject to future changes in federal law, the following minimum percentages apply:

1. The required minimum percentage is 25%, if

a. a project is placed in service after December 31, 2025, and

at least 5% of the aggregate basis of the building and land is financed with bonds issued after

December 31. If a development was selected or selected for further processing for tax-exempt bonds with a 4% financial structure through a previous Minnesota Housing Consolidated RFP, and satisfied pointing and related requirements applicable to that Consolidated RFP, the development may be

¹ 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.

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 the required minimum percentage~~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 Minn. Stat. § 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 for this determination 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 the required minimum percentage~~50%~~ of the aggregate basis of the building(s) and land it is located on.**

The threshold requirements in Chapter 5 do not apply to projects not receiving HTC counts in the HTC volume cap for the state.

In order 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.

2026-2027 QAP

Chapter 2 – Policies and Procedures

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 will be:

- \$500,000 in 2026
- \$525,000 in 2027
- \$525,000 in 2028

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.

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 and 2028 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. 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.

Chapter 5 – Project Selection

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 (BPOCBE/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; and-
26. Local Actions to Support Housing.

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.

Chapter 7 - Projects Financed by Tax-Exempt Volume Limited Bonds Seeking HTC

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.²

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 the required minimum percentage~~50%~~ of the aggregate

² 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.

basis of the building and the land it is located on. The “required minimum percentage” is established by federal law and is subject to changes in federal law. For each project, Minnesota Housing will determine and apply the minimum percentage required by federal law in accordance with federal effective dates.

Subject to future changes in federal law, the following minimum percentages apply:

- b. The required minimum percentage is 25%, if
 - a. a project is placed in service after December 31, 2025, and
 - b. at least 5% of the aggregate basis of the building and land is financed with bonds issued after December 31, 2025.
- c. For all other projects, the required minimum percentage is 50%.

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 the required minimum percentage 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 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 the required minimum percentage 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 required minimum percentage 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.

Appendix A: Carryover Allocations, 42M and Placed in Service/Issuance of IRS Form 8609 Application Requirements

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
Certified Public Accountant Certification	Yes	Yes (<u>Minimum</u> <u>Percent50%</u> Test Verification Letter)	Yes	Yes

2026-2027 Self-Scoring Worksheet

Incorporate the “Local Actions to Support Housing” from the 2025 legislative session into the selection criteria and add a two point selection criterion under the Selection Category Building Characteristics.

6. Building Characteristics

D. Local Actions to Support Housing (2 Points) – NEW SELECTION CRITERIA

1. Projects located in a jurisdiction that meets one or more of the following Local Actions to Support Housing.

Select one:

- a. The jurisdiction allows for the development of multifamily housing in at least 50% of the area within the jurisdiction zoned as a commercial district, excluding areas covered by state or local shoreland regulations;
- b. The jurisdiction allows for duplexes, accessory dwelling units, or townhomes within 50% of the area within the jurisdiction zoned for single-family housing, excluding areas covered by state or local shoreland regulations;
- c. The jurisdiction does not have parking mandates greater than one stall per unit of housing for single-family housing;
- d. The jurisdiction does not have parking mandates greater than one stall per unit of housing for multifamily developments;
- e. The jurisdiction does not mandate lot sizes larger than one-eighth of an acre for new single-family home construction, excluding areas covered by state or local shoreland regulations;
- f. The jurisdiction does not place aesthetic mandates on new single-family construction, including type of exterior finish materials, including siding; the presence of shutters, columns, gables, decks, balconies, or porches; or minimum garage square footage, size, width, or depth;
- g. The jurisdiction has a density bonus for affordable housing that provides for an increase in floor area and lot coverage if the housing is affordable housing; or

- h. The jurisdiction has adopted an inclusionary zoning policy for the purpose of increasing the supply of affordable housing.

Local Actions to Support Housing

The language below is in Minnesota Laws 2025, chapter 32, article 3, section 13:

Sec. 13. LOCAL ACTIONS TO SUPPORT HOUSING.

Where practicable, the commissioner of the Housing Finance Agency shall award an additional point or points, not to exceed five percent of the total available points in a given competitive development program, to proposals in competitive capital development programs if the proposed project is located in a jurisdiction that meets any of the following criteria to reduce barriers to affordable housing development:

- (1) the jurisdiction allows for the development of multifamily housing in at least 50 percent of the area within the jurisdiction zoned as a commercial district, excluding areas covered by state or local shoreland regulations;
- (2) the jurisdiction allows for duplexes, accessory dwelling units, or townhomes within 50 percent of the area within the jurisdiction zoned for single-family housing, excluding areas covered by state or local shoreland regulations;
- (3) the jurisdiction does not have parking mandates greater than one stall per unit of housing for single-family housing;
- (4) the jurisdiction does not have parking mandates greater than one stall per unit of housing for multifamily developments;
- (5) the jurisdiction does not mandate lot sizes larger than one-eighth of an acre for new single-family home construction, excluding areas covered by state or local shoreland regulations;
- (6) the jurisdiction does not place aesthetic mandates on new single-family construction, including type of exterior finish materials, including siding; the presence of shutters, columns, gables, decks, balconies, or porches; or minimum garage square footage, size, width, or depth;
- (7) the jurisdiction has a density bonus for affordable housing that provides for an increase in floor area and lot coverage if the housing is affordable housing; or
- (8) the jurisdiction has adopted an inclusionary zoning policy for the purpose of increasing the supply of affordable housing.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to selection criteria and scoring systems developed on or after that day. This section expires December 31, 2029.

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