



HOME American Rescue Plan Program

Underwriting Standards

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Introduction

The Minnesota Housing Finance Agency (Minnesota Housing) Multifamily HOME-American Rescue Plan (HOME ARP) Program Underwriting Standards (Underwriting Standards) are current as of the date on the cover page of this document. These Underwriting Standards reflect the HOME ARP specific standards applicable to Minnesota Housing's evaluation of a project proposing to utilize HOME ARP funding from Minnesota Housing. The Standards outlined apply *exclusively to HOME ARP funding*. If a project includes another Minnesota Housing funding source, refer to the standards applicable to that source. In cases where specific underwriting standards conflict, *the strictest standard applies*.

The Underwriting Standards reflect Minnesota Housing's general approach to underwriting the development and support of affordable rental housing using HOME ARP funds, but they are not meant to be comprehensive, nor are they meant to address every possible situation. The guidance in these Underwriting Standards is not intended to supersede any specific program requirements, nor any federal, state or local laws. If multiple requirements or restrictions apply to a development, generally the most restrictive will control. Final terms and requirements will be represented in the loan documents. If there is a question as to how a standard will apply to a particular development, it is best to consult Minnesota Housing early in the development process. At its sole discretion, Minnesota Housing will update the Underwriting Standards as appropriate.

Project must comply with the HOME ARP requirements contained in the HOME ARP Program Guide.

Background

The American Rescue Plan Act adopted in 2021 created HOME-ARP to invest in permanent affordable rental housing, upgrade shelter facilities to include non-congregate shelter, and provide tenant-based rental assistance and supportive services. HOME ARP funds are intended to benefit four Qualifying Populations (QPs), listed below:

- **Homeless:** Individuals and families experiencing homelessness, as defined by the McKinney Act and in 24 CFR 91.5 (paragraphs 1-3);
- **At Risk of Homelessness:** Individuals and families at risk of homelessness, as defined by the McKinney Act and in 24 CFR 91.5;
- **Fleeing Domestic Violence:** Individuals and families fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, and/or human trafficking; and/or
- **Other Populations:** Other populations that may significantly benefit from supportive services or rental assistance, as a preventive measure against homelessness or for those who are most susceptible to housing instability.

For complete definitions of the Qualifying Population, see also the HOME ARP Program Guide Chapter 1, section 1.03.

Chapter 1 – Types of Loans and Fees

The type of loan offered by Minnesota Housing to a HOME ARP project is dependent, in part, on whether the project is expected to generate sufficient operating revenue to support debt service. While HOME ARP projects are permitted to generate a reasonable net operating income, most are not expected to do so. This is because the program is intentionally designed to support individuals and households who meet the definition of a Qualifying Population—many of whom have little or no income. In the absence of project-based subsidies, rental revenues are anticipated to be lower, reflecting the economic circumstances and lived experiences of the people these projects are intended to serve. Therefore, Minnesota Housing anticipates that most HOME ARP projects will be offered a deferred loan.

1.01 Amortizing Loans

Minnesota Housing does not anticipate offering amortizing loans to HOME ARP projects.

1.02 Deferred Loans

Deferred Loans for HOME ARP projects will generally be structured with 30-year terms at 0-1% interest. Payment of principal and accrued interest is due on the date of loan maturity. Longer term maturities may be considered when needed to accommodate other funding sources.

Minnesota Housing Deferred Loan debt will only be used for and based upon the financing gap on affordable (rent restricted) units and must be in a superior lien position compared to a loan from a general partner or Sponsor.

1.03 Cash Flow Note Provisions

Minnesota Housing's Deferred Loans may require an annual principal payment based on year-end Eligible Cash or a fixed annual payment based on projected cash flow as determined by Minnesota Housing. Cash flow provisions are generally not expected to apply due to the nature of the projects supported by HOME ARP funding.

1.04 Bridge Loan

Bridge loans are not applicable to Minnesota Housing's HOME ARP Program.

1.05 Balloon Mortgages

Ballon mortgages are not applicable to Minnesota Housing's HOME ARP Program.

1.06 Loan Related Fees

Please review the applicable fees in the [Multifamily Loans Program and Housing Tax Credit Fee Schedule](#).

Chapter 2 – Credit and Capacity Review

The individuals and entities who exercise operational and financial control over a development must have a positive credit history demonstrating that they will honor their legal, financial, and contractual obligations. Minnesota Housing's credit review will analyze the appropriate entities as applicable. Qualification forms for the Sponsor, Guarantor, and Developer, if applicable, along with all required attachments, must be submitted as part of the initial application for funding.

Minnesota Housing conducts credit reviews including examining financial statements and audits to determine financial capacity (such as, net worth, portfolio risk, pre-development funding, and liquidity) (HOME ARP Notice VI.B.10.a.iii) at a minimum at the following times:

- During the application and selection process
- Prior to final Mortgage Credit Committee approval for loan closings and/or loan commitments
- As Minnesota Housing deems necessary throughout the transaction

2.01 Owner

An Owner is the entity or person who holds title to the real property upon which the development loan is placed.

The Owner is responsible for all the costs incurred as a result of applying for or securing a loan from Minnesota Housing, whether or not the development is funded. These costs include, but are not limited to, the appraisal, environmental reviews, market study title insurance, closing and legal fees, and publication fees.

Applying, receiving technical assistance, or receiving a selection letter does not create any guarantee from Minnesota Housing that a development will close and these costs will be reimbursed.

2.02 Borrower

A Borrower is an entity who has received a Deferred Loan from Minnesota Housing

Minnesota Housing's Deferred Loan programs require that Borrowers be Eligible Mortgagors as defined in [Minnesota Statutes, section 462A.03, subdivision 13](#). For the purposes of these Underwriting Standards, there are two applicable entity types outlined in the statute:

- A nonprofit or cooperative housing corporation, or;
- A limited profit entity needing to adhere to the following requirements:
 - The annual distribution must not exceed 15% of the initial capital contribution (or, absent an initial capital contribution, 1.5% of Total Mortgageable Cost (TMC) less Total Developer Fee) (See also Chapter 9.03 of these Underwriting Standards), or
- Such other recipient as allowed under the specific program requirements.

2.03 Sponsor

A Sponsor is an individual, legal entity or nonprofit board that exercises control, financial responsibility and decision-making authority over the development and holds the strongest financial position in the project's Organization Structure Chart.

Sponsors will need to demonstrate experience owning and operating rental housing projects which target and provide housing for the qualifying populations as defined by the HOME ARP Program, with an emphasis on housing projects targeting households previously experiencing homelessness.

Experience can be demonstrated through direct staff, development partner staff, consultants, real estate holdings and the performance of those holdings, for example. Additional details on necessary experience and associated standards for evaluation will be described in the HOME ARP Request for Proposals.

The Sponsor must submit [Form 203B Qualifications of Sponsor and/or Guarantor](#), found on Minnesota Housing's [Development Team Qualification Forms](#) webpage, along with the information required therein as part of the initial application for funding. Sponsor(s) must collectively demonstrate acceptable multifamily housing experience and financial capacity to guarantee performance, if applicable. Financial capacity may be supported by additional Guarantor(s) as described in section 2.04 below.

2.04 Guarantor

A Guarantor is the entity or individual who signs a Guaranty. In many cases the Sponsor is the Guarantor, and this subchapter provides guidance for when additional parties are proposed.

Minnesota Housing will conduct its capacity review of the Sponsor and proposed Guarantor(s) identified on the Development Team tab of the [Multifamily Workbook](#) (Workbook), and Guarantor's must submit [Form 203B Qualifications of Sponsor and/or Guarantor](#), found on Minnesota Housing's [Development Team Qualification Forms](#) webpage, along with the required attachments. Changes in proposed Guarantors at any time from application to closing require Minnesota Housing's review and written consent. Minnesota Housing reserves the right to require additional Guarantor(s) to enhance the financial capacity of the proposed Guarantor(s) to demonstrate acceptable financial capacity to guarantee performance. See section 8.02 of these Underwriting Standards for Guarantee requirements.

2.05 Developer

The Developer is generally responsible for the coordination of financing, building and initial leasing of the development. The developer is typically a separate legal entity from the Borrower and party to a Development Services Agreement or contract with the Owner. In many cases, the Developer is the same entity as the Sponsor.

Developers must demonstrate acceptable multifamily housing experience and capacity to guarantee performance of their duties as described in the Development Services Agreement. The Developer must submit [Form 203B Qualifications of Sponsor and/or Guarantor](#), found on Minnesota Housing's [Development Team Qualification Forms](#) webpage, and all required attachments as part of the initial application for funding.

Minnesota Housing reserves the right to approve the replacement of the Developer after a development is selected.

2.06 Interim Replacement General Partner or Managing Member

Limited partners or investor members seeking the future ability to remove and replace the general partner or managing member of the Borrower, for cause, with an affiliated entity on an interim basis (not to exceed 90 days), must request Minnesota Housing approval prior to loan closing.

Chapter 3 – Income

HOME ARP projects may include HOME ARP Assisted Units and non-HOME ARP Assisted Units. There are two-types of HOME ARP units:

- HOME ARP units restricted for occupancy by a household who meets the definition of a Qualifying Population (“Qualifying Population Units”),
- HOME ARP units restricted for occupancy by Low-Income Households (“Low-Income Units”)

3.01 Rent Revenue

Rents shown in the Workbook and year one of the cashflow will be the rents that will be in effect when the development is readied for initial occupancy. HUD sets rent limits for HOME ARP Assisted Units. HOME ARP applies HOME Rent Limits which are published annually. Minnesota Housing will underwrite developments accordingly: Rent limits for HOME ARP units include the rent plus any utility allowance (gross rent).

Low Income and Qualifying Population Units with Federal or State Project-Based Subsidies

Minnesota Housing will underwrite rents at the payment standards dictated by the federal or state project-based rental subsidy program. Refer to the specific programs below for more details.

Qualifying Population Units without Federal or State Project-Based Subsidies

Minnesota Housing will underwrite Qualifying Population Units that are not anticipated to have any form of Rental Assistance or subsidy, at affordable levels for the population. The gross rent should be underwritten at the following levels unless otherwise approved by Minnesota Housing:

Unit Size	Monthly Gross Rent Per Unit
Single room occupancy	\$100
Efficiency	\$100
One-bedroom	\$100
Two-bedrooms or larger	\$300

At no point can rents exceed Low HOME rents (30% of the adjusted income of a household whose annual income is equal to or less than 50% of the area median income, as determined by HUD, with adjustments for number of bedrooms in the unit).

Upon occupancy, Qualifying Population Units without project-based Rental Assistance and that receive a HOME ARP COCAR cannot terminate tenancy or refuse to renew the lease of a Qualifying Population household because of the household’s inability to pay rent during the HOME ARP Program Compliance

Period. Inability to pay rent means that the Qualifying Population cannot pay more than 30% of the household's income towards rent, based on an income determination in the last 30 days.

Low-Income Units without Federal or State Project-Based Subsidies

Minnesota Housing will underwrite LI Unit rents not to exceed High HOME Rent (the lesser of the Fair Market Rent for existing housing for comparable units in the area or a rent equal to 30% of the income of a family at 65% of area median income, as determined by HUD, with adjustments for number of bedrooms in the unit).

Section 8 Project-Based or Rural Development Rental Assistance

For developments with long-term assistance under the Section 8 Project-Based Rental Assistance (Section 8) Program, Minnesota Housing may underwrite and size its funding based upon U.S. Housing and Urban Development (HUD)-approved rents under Housing Assistance Payments (HAP) contract rents, including approved but pending Mark-Up-To-Market and HUD-approved exception rents. In the case of developments pursuing renewal options that allow for staged-in, HUD-approved, "after rehab" rents, Minnesota Housing may allow the higher rent levels to be incorporated into the underwriting but may underwrite a transition reserve into the development budget. For developments with USDA Rural Development (RD) Rental Assistance, Minnesota will underwrite to the USDA RD Conventional Rents for Comparable Units approved rents.

Tribal Rental Assistance

For Rental Assistance proposed by a Tribal government, documentation must include a resolution from the Tribal governing body committing to provide the Rental Assistance in the amount and for the term proposed as well as the source of the funding.

Supportive Housing Standards – High Priority Homeless, Other Homeless Households, or People with Disabilities

Developments that have units set aside and rented to households who are High Priority Homeless (HPH) or People with Disabilities (PWD) or meet the HIB Other Homeless Household definition are considered Supportive Housing units. HOME ARP funds may only be used in such units at the discretion of Minnesota Housing. Such projects must meet both the requirements of these Underwriting Standards and the standards set forth in [Minnesota Housing's Multifamily Underwriting Standards](#).

For information on Supportive Housing information, refer to the [Supportive Housing Information and Resources](#) publication on Minnesota Housing's [Supportive Housing](#) webpage.

3.02 Other Income

Minnesota Housing will evaluate other income (such as fees, laundry, parking), and it should be reasonable and comparable to other developments within the region. The amounts will be evaluated by Minnesota Housing's staff based on data in Minnesota Housing's portfolio.

3.03 Commercial Space

Income from commercial space will be underwritten on an exception basis only. Five years of operating history will be required, and Minnesota Housing will, at its sole discretion, determine an appropriate vacancy rate. Minnesota Housing funding cannot provide any capital to support commercial space. Commercial space in mixed use projects may add complexity to financial feasibility.

3.04 Vacancy Factor

Properties will generally be underwritten at a 7% vacancy rate. A higher vacancy rate of 10% may be used if the property is primarily Permanent Supportive Housing. The above percentages are standards, and if warranted by market conditions, a different vacancy rate may be used. Minnesota Housing will, at its sole discretion, determine the appropriate vacancy rate.

3.05 Average Income Test Election

If the project is receiving other Minnesota Housing funding, see applicable requirements in [Minnesota Housing's Multifamily Underwriting Standards](#).

Chapter 4 – Expenses

4.01 Management and Operating Expenses

The Developer will submit the Management and Operating (M&O) Budget based on anticipated stabilized operating expenses occurring after the development is placed in service or upon full occupancy. For operating properties, the historic M&O Budget will be used with appropriate adjustments for projected economies attributable to the proposed rehabilitation and for changes associated with new program requirements.

M&O Budget (total operating expenses not including real estate taxes and reserves) will be evaluated and analyzed in relationship to comparable properties in Minnesota Housing's portfolio, expense comparables in the appraisal, and other information deemed relevant and appropriate.

M&O Budget numbers are analyzed on a per room basis. The rental rooms per unit are calculated as follows:

Unit Type	Rental Rooms Per Unit
Bed/Shelter	2
Efficiency/Single Room Occupancy	2.5
One-Bedroom	3.5
Two-Bedroom	4.5
Three-Bedroom	6
Four-Bedroom	7
Five-Bedroom	8.5

The proposed M&O Budget should be based on the Developer/management company's current portfolio and supported by:

- Actual audited operating data for at least three years of stabilized operations, for existing developments
- Actual audited operating data provided by the Developer/management company, for similar developments
- Circumstances and/or significant changes to the economics of the development's current marketplace, such as increased utility property insurance or increased or decreased utility costs
- Owner provided data or written explanation supporting projected operating expense savings resulting from the rehabilitation of the development, if applicable
- Operating trends of the Developer/management company

In sizing its funding awards, Minnesota Housing reserves the right to adjust the proposed M&O Budget based upon the information supplied, specified development type, circumstances and/or significant

changes to the economics of the development's current marketplace. Minnesota Housing will place primary emphasis on its database to compare projected M&O Budgets with audit data from comparable property types.

Minnesota Housing will evaluate the management and operating budget for HOME ARP projects for cost reasonableness in accordance with this section. When calculating a capitalized operating cost assistance reserve, Minnesota Housing will use the operating expenses outlined in the HOME ARP Notice section VI. B. 5. g. Operating Cost Assistance.

4.02 Property Taxes

All properties that are eligible for Low-Income Rental Classification (LIRC) or Payment in Lieu of Taxes (PILOT) must participate in and will be underwritten assuming participation in the applicable programs. Refer to Minnesota Housing's [Low-Income Rental Classification \(LIRC\)](#) webpage for more information.

4.03 Asset Management Fee for Owners

To recognize the ongoing administrative, compliance, and financial oversight responsibilities borne by ownership entities, particularly in tax credit-financed affordable rental housing, this policy permits an annual asset management fee for owners as part of allowable operating expenses. The purpose of the annual asset management fee to the owner is to support the long term stewardship, stability, preservation and management oversight of affordable rental housing properties.

An annual asset management fee of the greater of \$5,000 per property or \$150 per unit up to a maximum of \$15,000 per property per year. Alternative fees may be considered at the sole discretion of Minnesota Housing with documentation supporting an alternative fee.

- The fee may be increased annually at not greater than 3%.
- The fee must be:
 - Paid to the managing general partner or affiliated entity responsible for asset oversight (not duplicative of property management duties);
 - Subordinated to debt service, reserve contributions, and essential operating expenses;
 - Documented and justified in the annual budget and, when applicable, disclosed in audited financial statements;
 - Approved through the Agency's standard annual operating budget review, if applicable.

If the cash flow projections during the underwriting process do not support some or all the annual asset management fee, Minnesota Housing may allow capitalizing some or all the asset management fee depending on the availability of eligible funding sources.

Prohibited Uses: The asset management fee may not replace or duplicate administrative salaries already included in property operating budgets. The owner asset management fee is separate and distinct from the asset management fee paid to tax credit investors or other agencies.

Documentation Required: Fee payments must be included in annual budgets and reported in financial audits.

Annual Monitoring: The Agency may require regular reporting on asset management activities. The Agency reserves the right to reduce or suspend the fee in cases of underperformance, mismanagement, or noncompliance.

Note that the workbook version 2025 03 19 Ver 1.0 does not have a place for this in the Income and Expense Tab. The fee should be manually added in the on line 55 of the Cash-flow Tab, labeled "Asset Management Fee for Owner."

Chapter 5 – Pro Forma Assumptions

5.01 Income and Expense Inflation Factors

The pro forma cash flow will generally assume revenue increases of no more than 2% per year and operating expense increases of no less than 3% per year.

Developments with Section 8 Program Rental Assistance will generally assume revenue increases no greater than the historic average of the development or 1.5% per year. Developments with USDA RD Rental Assistance with budget-based rents approved by USDA RD are encouraged to include at least a 0.50% differential in the underwritten income and expense inflation factors. A partially assisted development would have a pro rata inflation factor.

Alternative inflation factors may be proposed, along with documented evidence to support the proposal. The final determination is at Minnesota Housing's sole discretion and Minnesota Housing reserves the right to change the inflation factors based on changes in the economic outlook.

5.02 Debt Coverage Ratio

The level of risk presented by a development, including overall quality, current market conditions and other factors, will be considered when making the determination of what level of Debt Coverage Ratio (DCR) a particular award will require.

The minimum DCR for year one of stabilized operations is as follows:

Subsidized Properties (90% Section 8 Program or USDA RD Rental Assistance)	Affordable Properties
1.11	1.15

The development must reflect a cash flow, after all expenses and reserves, that reflects at least a 1.05 DCR, for 15 years on a pro forma basis. The cash flow must include mandatory expenditures such as bond fees. A 1.05 Expense Coverage Ratio may be used by Minnesota Housing to size a reserve when cash flow is negative during the 15-year pro forma basis.

Minnesota Housing will size HOME ARP funding using these standards as the maximum, regardless of other funder/syndicator requirements. Exceptions may be made as determined appropriate by Minnesota Housing based on the perceived risks of the proposal.

Chapter 6 – Fee Limits

6.01 General Contractor Fee

Refer to Minnesota Housing's [Contractor's Guide](#), Chapter 4, for general contractor fee limits and requirements.

6.02 Architect Fee

Refer to Minnesota Housing's [Architect's Guide](#), Chapter 3, for architect compensation guidelines.

6.03 Developer Fee

The Developer Fee is provided to the Developer of rental housing for the time and energy expended on, and risks associated with, putting a development together and can be included in the TDC of the development. Developer Fees include developer overhead, profit, processing, construction management and any other amounts received by the Developer or Owner as approved by Minnesota Housing. The Developer Fee must be attributed only to the development.

The maximum allowable Developer Fee is based on a percentage of the TDC less the Developer Fee. Minnesota Housing's maximum Developer Fee is reflected in the table below. No exceptions will be made to these limits.

Development Type	Size	Maximum Total Developer Fee
New Construction or Rehabilitation	First 50 Units	15%
New Construction or Rehabilitation	Units 51 and over	8%

Total Developer Fee: The Developer may delegate some of his or her responsibilities to a third party, such as a Development Consultant or Processing Agent, construction manager, or Owner's representative or consultant etc. In such cases, the delegated responsibilities must be thoroughly understood by all parties involved, and the fee paid to the third party must be included in the Total Developer Fee and broken out in the Workbook. The Total Developer Fee dollar amount shall not be increased from the amount approved by Minnesota Housing at initial funding selection, award or allocation.

Deferred Developer Fee: A Deferred Developer Fee may be included as a source in the construction budget and paid from cash flow after debt service. Payment of the Deferred Developer Fee may be shown on the Cash Flow tab of the Workbook. Minnesota Housing will typically allow an amount that is up to the lesser of 50% of the Total Developer Fee or the amount that can be paid back from excess cash flow in 10-13 years. When included for purposes of determining Financial Readiness to Proceed scoring points, the amount of Deferred Developer Fee is considered a committed source and must be maintained.

Net Developer Fee: The difference between the Total Developer Fee and the Deferred Developer Fee. The Net Developer Fee is the portion of the Total Developer Fee that is paid out from development sources.

Incentive Developer Fee: An Incentive Developer Fee is not allowed for developments awarded a Minnesota Housing Deferred Loan. Minnesota Housing will require any reference of an Incentive Developer Fee in the Limited Partnership Agreement (LPA) or Operating Agreement be removed from the LPA or Operating Agreement.

Payment: When Minnesota Housing loans are disbursed during the construction period, the maximum amount of the Developer Fee paid at closing is 50% of the portion of the Net Developer Fee. The remaining 50% of the Net Developer Fee may be paid no sooner than the final construction draw.

Specific use of any cost savings at the end of construction requires approval from Minnesota Housing. For more information about cost savings at the end of construction, refer to Chapter 13 of these Underwriting Standards.

6.04 Construction Contingency

A construction contingency is required.

- For new construction developments, a 4% construction contingency is required.
- For rehabilitation developments (most likely adaptive reuse for HOME-ARP funds), a 7% construction contingency is required.

Higher contingencies (generally up to 5% for new construction or 10% for rehabilitation) may be allowed, if required by a syndicator, first mortgage lender or as determined appropriate by Minnesota Housing's architect.

Chapter 7 – Reserves and Escrows

The inclusion of the HOME ARP specific accounts for a project does not preclude a project from having other reserve accounts, as required by Minnesota Housing or other funders. Even so, Minnesota Housing will evaluate the proposed reserve accounts to ensure compliance with Minnesota Housing program requirements and the project needs.

7.01 Reserve for Replacements (RfR)

An RfR must be based on the useful life of each major system and expected replacement cost in a HOME ARP project. The RfR is estimated to be budgeted at \$450 per unit per year. A 3% annual inflator may be added at Minnesota Housing's discretion. If the 20 Year Capital Expenditure Template (found on Minnesota Housing's [Building Standards](#) webpage) indicates a higher amount necessary to address future capital needs, then higher annual deposits, annual escalators to the reserve deposit, and/or a Borrower funded initial deposit will be required.

HOME ARP funds can be used across the overall program in one of two ways in regard to funding an RfR.

- HOME ARP funds can be used to capitalize an RfR for both Qualifying Population Units and Low-Income Units in the initial year of the Compliance Period OR
- HOME ARP funds can be used in a capitalized operating cost assistance reserve (COCAR) for the Qualifying Population Units which can provide payments to the RfR during the minimum Compliance Period.

HOME ARP funds cannot do both within a singular project during the related minimum Compliance Period. For more information about HOME ARP COCAR, see section 7.03.

7.02 Initial Operating Deficit Reserve for HOME ARP Low-Income Units

For projects that include the construction or rehabilitation of HOME ARP Low-Income Units for Low-Income Households, Minnesota Housing will consider using HOME ARP to fund an initial operating deficit reserve to help meet a shortfall in project income during lease-up (not to exceed 12-months) of the HOME ARP units for Low-Income Households during the budget period.

The HOME ARP initial operating deficit reserve may only be used to pay the share of operating expenses, scheduled payments to a replacement reserve, and debt service of the HOME ARP Assisted Units restricted for occupancy for Low-Income Households. The initial operating deficit reserve for HOME ARP Low-Income Units cannot be used for HOME ARP Qualifying Units.

7.03 HOME ARP Capitalized Operating Cost Assistance Reserve (COCAR)

A Capitalized Operating Cost Assistance Reserve (COCAR) may be funded at the level necessary to offset anticipated operating deficits attributable to HOME ARP Qualifying Population Units without rental subsidies through the Compliance Period. The COCAR sizing is based on an analysis of projected operating deficits remaining after the expected payments toward rent by qualifying households are applied to the HOME ARP unit's share of actual operating costs. HOME ARP definitions of operating costs must be used in Minnesota Housing's calculations of operating deficits to determine the amount of HOME ARP funds needed for the COCAR HOME ARP.

For the purposes of HOME ARP, operating costs include:

- Administrative Expenses
- Service Coordinator Costs
- Property Management Fees
- Scheduled Payments to a Reserve for Replacement

Minnesota Housing will conduct a sizing calculation and will consider additional factors, described below. The allowable amount of the COCAR will not exceed the amount determined by Minnesota Housing to be necessary to provide operating cost assistance for HOME ARP Qualifying Population Units for the 15-year HOME ARP minimum Compliance Period. While Minnesota Housing will review the appropriateness of the COCAR sizing on the annual basis, all HOME ARP funds used for the COCAR must be committed by September 30, 2030, and will be a part of the initial award. Additional awards can be made at Minnesota Housing's discretion based on HOME ARP funding availability and spending deadlines.

The COCAR calculation should consider:

- Expected Revenue from HOME ARP Qualifying Population Units with no rental assistance (consistent with the assumptions in Chapter 3).
- Cross-subsidy from higher revenue generating units supporting HOME ARP Qualifying Population Units, if feasible.
- Rent increase assumption and operating expense inflation assumption.
- Account sizing enough to cover deficits for at least 15 years, or longer if the unit restriction will go beyond the minimum 15 year Compliance Period.
- Investment Income, fees and expenses for maintaining the account.

7.04 All Reserves

Minnesota Housing requires that the pro forma demonstrates that project reserves remain positive for at least 15 years for HOME ARP projects. All unexpended funds remaining in development reserve accounts must remain for development use during the term of Minnesota Housing's loan or the

Extended Use Period, whichever is longer. The LPA or Operating Agreement must include a provision addressing the terms and conditions for disbursement from the reserve accounts that specifically states that upon the transfer of any ownership interest or at the end of the Compliance Period, whichever is earlier, any funds remaining in the reserve accounts must remain with the development for the term of Minnesota Housing's loan or the Extended Use Period, whichever is longer.

Unexpended HOME ARP funds remaining in an initial operating deficit reserve for low-income units after 18 months and/or in a capitalized operating cost assistance reserve for Qualifying Population Units at the end of HOME ARP Compliance Period must be returned to Minnesota Housing unless otherwise stated in the Written Agreement.

Chapter 8 – HOME ARP Requirements

8.01 Sources and Uses

Minnesota Housing will review all sources and uses submitted by the project Developer. All records must indicate that there are sufficient HOME ARP-eligible costs associated with the project to support the amount of HOME ARP funds being requested. Minnesota Housing will review cost estimates compared to existing portfolio costs, evaluate whether the costs are necessary and reasonable, and confirm that HOME ARP funding is only used for HOME ARP eligible expenses, in accordance with the HOME ARP Notice section VI.B.5.

At a minimum, the sources and uses documentation must include:

- All sources of public and private funds with dollar amounts and timing of availability of each source
- All uses associated with the project

Minnesota Housing will evaluate cost reasonableness of HOME ARP proposals using the Agency's predictive cost model. Minnesota Housing utilizes a cost model that predicts the approximate total development cost per unit based on the development's characteristics. The predictive cost model uses data that incorporates characteristics of developments Minnesota Housing has recently financed; it also includes an adjustment for inflation. Characteristics such as new construction, building type (elevator, townhome, walk-up apartment), unit size, location, square footage, type of financing and special costs (historical preservation, environmental abatement, supportive housing) are incorporated in the model.

Minnesota Housing policies require that a development's costs not exceed the predictive cost model by more than 25% for new construction projects or more than 35% for preservation projects. If the development costs exceed the threshold, a waiver from Minnesota Housing's board is required.

8.02 Minimum and Maximum Per-Unit Subsidy

Minnesota Housing will invest a minimum of \$1,000 per unit into a project. HOME ARP does not impose a maximum per-unit subsidy limit. The maximum HOME ARP investment into a project will be the total of all HOME ARP eligible development costs attributable to the HOME ARP units, plus funding for a COCAR (as detailed in Chapter 7, section 7.04).

In a project in which all units are restricted to HOME ARP QP and/or Low-Income Units, Minnesota Housing may pay up to 100% of the eligible and reasonable development costs (HOME ARP Notice VI.B.5. Eligible Costs).

For projects with both HOME ARP and non-HOME ARP units, Minnesota Housing will determine the maximum HOME ARP investment and the minimum number of HOME ARP units. If the units are

comparable, the cost of HOME ARP units will be calculated on a pro rata basis, ensuring the proportion of total development costs charged to the HOME ARP program matches the proportion of HOME ARP units. Otherwise, Minnesota Housing will conduct a cost allocation analysis required by 24 CFR 92.205(d)(1).

8.03 Unit Mix

HOME ARP units must primarily benefit QP households. To support project feasibility, HOME ARP allows for up to 30% of the HOME ARP units funded by Minnesota Housing to be designated as Low-Income Units. A project can include HOME ARP LI restricted units only if it also includes HOME ARP QP restricted units. A project containing only HOME ARP Low-Income Units will not be funded by Minnesota Housing.

8.04 Market Study

It is Minnesota Housing's practice to review and approve an assessment of the current supply and demand for the type of housing being proposed in the neighborhood in which the project will be located. The market study must document whether a sufficient pool of potential tenants exists for the proposed project (HOME ARP Assisted and non-HOME ARP Assisted Units), given its proposed price/rent, amenities and location. The scope of the market study should be relative to the scope/size of the proposed project.

For a project in which all units will be restricted for HOME ARP QPs, a market study is not required. Addressing a need identified in the gap analysis included in the accepted Minnesota Housing HOME ARP Allocation Plan is sufficient to demonstrate demand for Qualifying Population Units.

A market study is required for any project which will contain HOME ARP LI 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.

Chapter 9 – Other Requirements

9.01 Recourse and Guarantees

A Borrower must be a single asset entity in order to obtain a Nonrecourse loan. Loans to multiple asset entities will be limited to Deferred Loans and will be full Recourse to the Borrower and Guarantor(s).

Required Guarantees:

- Construction Completion Guaranty: guarantees timely lien-free completion of the work in accordance with the construction plans and specifications and the applicable loan documents.
- Repayment Guaranty: guarantees principal and interest payments during construction and, when applicable, until the development has achieved a 1.11 DCR (assuming the higher of actual or underwritten expenses) for three consecutive months.
- Operations Guaranty: guarantees everything under the loan documents, excluding construction completion and principal and interest.

Minnesota Housing Loan Type	Construction Completion Guaranty	Repayment Guaranty	Operations Guaranty
Deferred Loan when the construction budget is not in balance at closing	Yes	No	No
Deferred Loan when the construction budget is in balance at closing	If applicable ¹	No	No

Minnesota Housing reserves the right to require a Construction Completion Guaranty from the Developer, regardless of its affiliation with the Sponsor.

Minnesota Housing reserves the right to require additional guarantees at its sole discretion based on the risks of the transaction and the financial strength of the entities involved.

9.02 Tribal Nation Guaranty

Both amortizing first mortgage loans and Deferred Loans for developments located on Tribal land, may be guaranteed by the Tribal government in the form of a resolution from the Tribal governing body addressing:

- Construction completion
- Operating cost shortfalls

¹ Minnesota Housing reserves the right to require a construction completion guaranty for any Deferred Loan that is in first lien position and is greater than \$2 million.

- Debt service payments

9.03 Return on Equity

Minn. Stat. 462A.03, subd. 13 defines Eligible Mortgagor and establishes limitations on the rate of return to 15% under this program.

- The annual distribution must not exceed 15% of the initial capital contribution
- Absent an initial capital contribution, Minnesota Housing has defined this as 1.5% of Total Mortgageable Cost (TMC) less Developer Fee
- Returns exceeding 15% are transferred to a residual receipts fund and may be used for development improvements approved by Minnesota Housing

No return on equity is allowed on loans made to nonprofit or cooperative housing corporations.

9.04 Sales Tax Rebate

All developments receiving Deferred Loan funding from Minnesota Housing that are eligible for a Sales Tax Rebate must participate. An estimate of the Sales Tax Rebate will be considered a source used to size Deferred Loan awards. The Sales Tax Rebate must be bridged during the construction phase when Minnesota Housing loans are also available. The Sales Tax Rebate will be used first to pay back the source used to bridge the rebate and any excess Sales Tax Rebate may be used to pay the Deferred Developer Fee and/or may be required to be deposited into a development reserve at Minnesota Housing's discretion.

9.05 Energy Rebates

All developments receiving Deferred Loan funding from Minnesota Housing must provide an Energy Rebate Analysis. The purpose of this requirement is to leverage utility funds and federal energy incentives in order to increase energy efficiency in Minnesota's affordable housing. In order to comply, each application must contain an Energy Rebate Analysis that outlines the type and amount of available utility and federal energy incentives. The estimated energy rebate will be considered a source used to size Deferred Loan awards. The energy rebate must be bridged during the construction phase when Minnesota Housing loans are also available. The energy rebate will be used first to pay back the source used to bridge the rebate and any excess energy rebate funds may be used to pay the Deferred Developer Fee and/or be required to be deposited into a development reserve at Minnesota Housing's discretion.

9.06 Renewable Energy Certificates (RECs)

Developments may choose to purchase green power via Renewable Energy Certificates (RECs) to satisfy building performance obligations associated with selection criteria committed to in the

applicable funding round. The cost to purchase RECs must be paid up front and included in the development budget rather than paying for them over several years. The cost shall not be passed along to the tenant as additional utility costs. The cost to purchase RECs is an eligible mortgageable expense although it is not a good cost/eligible costs for bond purposes.

Chapter 10 – Acquisition

HOME ARP funds may be used to acquire improved or unimproved real property. In terms of acquiring vacant land or land with existing structures planned for demolition, HOME-ARP funds may only be used with respect to a particular housing project intended to provide HOME ARP rental housing within the timeframes provided in the HOME ARP Notice section VI.B.

10.01 Purchase Price

Minnesota Housing will underwrite the acquisition cost based on the lesser of:

- The option/purchase agreement purchase price
- The appraised value of the property

For a Related Party Transaction that occurs within three years of a previous arms-length, third-party transaction, Minnesota Housing will size its funding based upon the lesser of:

- The previous third-party transaction's purchase price, with no adjustment for appreciation or depreciation
- The appraised value of the property at the time of selection for funding

For a development acquired as part of a portfolio acquisition, Minnesota Housing will use the value as identified on the Certificate of Real Estate Value to establish the initial purchase price.

For a development acquired as part of a land and/or building subdivision, Minnesota Housing will use a reasonable allocation from the Certificate of Real Estate Value to establish the initial purchase price.

For a Related Party Transaction that occurs at the time of closing, Minnesota Housing will evaluate the amount of equity take-out and may resize its funding awards.

Refer to Chapter 11 of these Underwriting Standards for details on valuation methodology.

10.02 Acquisition-Related Costs

Minnesota Housing may include in its funding award certain acquisition-related costs incurred within 24 months prior to the execution of the Written Agreement. The following costs may be included in the Acquisition or Refinance Existing Debt Costs section(s) of the Workbook, as applicable:

- Relocation
- Loan fees and three years or fewer of interest on an acquisition loan up to a 6% interest rate
- Legal costs related to acquisition
- Title insurance
- Capital improvements made since acquisition (if documented)

- Taxes, insurance, security, maintenance, utilities

Including such costs in the Acquisition or Refinance Existing Debt Costs section of the Workbook does not change how acquisition-related costs are treated by Minnesota Housing for the purpose of calculating the percentage of intermediate costs.

During the pre-development holding period, all net cash flow from operations, except for a reasonable asset management fee, must be directed toward holding costs and improvements if Minnesota Housing Deferred Loan funding is requested.

Chapter 11 – Appraisal Requirements

11.01 Appraisal to Support Acquisition Costs

Minnesota Housing will underwrite the acquisition cost based on the lesser of the option/purchase agreement purchase price or the as-is appraised value of the property. Refer to Chapter 10 of these Underwriting Standards for additional information regarding acquisition costs.

A Minnesota Housing engaged appraisal is required to support the acquisition price and will be used by Minnesota Housing and its Funding Partners to size funding awards, including competitive (9%) Housing Tax Credits (HTC). Appraisals ordered by other lenders or syndicators that meet Minnesota Housing appraisal standards and list Minnesota Housing as an intended user may be allowed at Minnesota Housing's sole discretion.

The appropriate value will be based on the type of proposal:

- Land-only (for new construction): Fee simple, market value of the land. The appraisal will consider the real property's zoning as of the effective date of the appraiser's opinion of value. If the real property consists of more than one parcel, the parcels will be combined in one appraisal with one value conclusion.
- Acquisition/Rehab: Fee simple, in as-is condition. The appropriate value will be determined by Minnesota Housing based on the characteristics of the proposal and the ability to be released from existing restrictions, if any
 - Assuming market rate rents, and
 - Assuming existing restricted rate rents
- Adaptive Re-use: Fee simple market value of the property to be adapted for an alternate use. The valuation will assume the highest and best use permitted by law and economically feasible in the current market.

The following types of proposals are exempt from the appraisal requirement at the time of selection; however, Minnesota Housing, at its sole discretion, reserves the right to secure an appraisal at the Borrower's expense at a later date:

- Acquisition price lower than \$250,000; or
- Land only where there is no Buyer/Seller Identity of Interest; or
- Land only for 9% HTC only requests, regardless of Buyer/Seller Identity of Interest, or
- Single family homes (one- to four-family) that are aggregated under one loan. Minnesota Housing will use the assessed value unless the Borrower requests an appraisal for determining acquisition cost as defined in the Standards; or
- Property on Tribal lands.

11.02 Prior to Closing – Deferred Loans

For Deferred Loans, Minnesota Housing requires an appraisal by an appraiser engaged by Minnesota Housing prior to obtaining final Mortgage Credit Committee approval. Appraisals ordered by other lenders or a syndicator that meet Minnesota Housing appraisal standards and list Minnesota Housing as an intended user may be allowed at Minnesota Housing's sole discretion.

Two hypothetical values are required, and the lesser of the two values will be used to determine the loan-to-value:

- As-completed and stabilized, subject to restricted rents
- As-completed and stabilized, assuming market rate rents

Borrowers should discuss this requirement with their assigned underwriter. Developments that are Primarily Supportive Housing with little or no operating income, the As Complete and Stabilized appraisal may be waived at Minnesota Housing's sole discretion.

Developments with Deferred Loans that are exempt from this requirement include:

- Single family homes (one- to four-family) that are aggregated under one loan. Minnesota Housing will use the assessed value unless the Borrower requests an appraisal.
- Property on Tribal lands

11.03 Appraisal Expiration Period

For appraisals used to support the acquisition costs, the appraisal will be valid for funding awards made within 12 months from the effective date of the report.

For Deferred Loans, the effective date of the appraisal must be within 12 months of closing or execution of the End Loan commitment.

All costs incurred for the appraisal, including any revisions and updates, will be the responsibility of the applicant.

Chapter 12 – Relocation and Involuntary Displacement

All existing developments applying for Minnesota Housing financing for rehabilitation activities must follow the regulations of the Uniform Relocation Act and submit a Relocation Plan that addresses both temporary relocation (including in-place displacement) and permanent displacement. Minnesota Housing has created the principles identified within these Underwriting Standards that should be considered for all rehabilitation proposals that will include any temporary relocation. These principles do not apply to servicing requests on existing loans.

The purpose of these principles is to help in the development of a Relocation Plan for temporary relocation scenarios. Temporary relocation includes in-place displacement, when a tenant will need to be moved from a unit for a short period of time, resulting in a tenant's loss of use of their unit for a portion of the day.

Relocation plans for temporary relocation should incorporate the following principles:

- Provide fair and equitable treatment of tenants who are temporarily relocated from their units for any length of time.
- Consider different needs of the person, including special populations housed at the development that may require reasonable accommodations. For example, reasonable accommodations may include provisions to tenants with specific accessibility needs such as ramps into alternate accommodations.
- To the extent feasible, limit temporary relocation that results in restrictions to units. If temporary displacement results in daytime restrictions to units:
 - Complete such repairs and renovations impacting such tenants as quickly as possible.
 - Tenants should have safe access to sleeping areas, bathrooms, and kitchen facilities at the end of each day.
 - Provide reasonable daytime provisions and access to other suitable accommodations while tenants are temporarily out of their unit. For example, provide onsite access to community kitchen facilities, laundry rooms, bathrooms, etc.
- Tenants should be fairly compensated for the time they do not have access to their units. Compensation should be clearly identified and equitable among tenants and could include food vouchers or other monetary stipends.
- It is the Owner's obligation to comply with the requirements and covenants in lease agreements with existing tenants who are subject to temporary relocation.

Chapter 13 – Closing

13.01 Closing in Balance

All sources of funds must be available at closing, or bridge funding must be provided to pay development costs through the draw period. Equity will be deposited with the title company at closing. Minnesota Housing will, at its sole discretion, determine the need to bridge equity funds based on a review of the development, the pay-in schedule, the investor/syndicator, general partner, Developer, and general contractor. Sources commonly required to be bridged are HTC, TIF, grants, Interim Income (existing properties) energy rebates, and Sales Tax Rebates.

13.02 Minimum HTC Equity Pay-In at Closing

For all HOME ARP developments funded by HTC equity, see Chapter 12 of Minnesota Housing's [Multifamily Underwriting Standards](#).

13.03 Cost Savings at the End of Construction

Specific use of any cost savings at the end of construction requires approval from Minnesota Housing and in no case may cost savings be used to increase the approved Developer Fee.

Cost savings remaining at the end of the construction or rehabilitation, if any, may be used at Minnesota Housing's discretion for the following:

- (i) deposited in the replacement reserve account;
- (ii) used to reduce Minnesota Housing funding; or
- (iii) put to another appropriate use for the benefit of the development, as approved by Minnesota Housing.

The use of cost savings to reduce the approved Deferred Developer Fee will only be approved in extraordinary circumstances where the Deferred Developer Fee was increased after development selection. Cost savings cannot be used to fund an Incentive Developer Fee if awarded a Minnesota Housing Deferred Loan.

Remaining funds due to cost savings during construction or rehabilitation from HOME ARP may be used to make to funds reserves only with Minnesota Housing approval.

Appendix A – Terms

Term	Definition
Administrative Expenses	Refers to the following eligible costs under a HOME ARP Capitalized Operating Cost Assistance Reserve including, payroll costs, which are gross salaries and wages paid to employees assigned to the property, including payroll taxes, employee compensation, and employee benefits; employee education, training, and travel; advertising; and general administrative costs which are costs for goods and services required for administration of the housing, including rental or purchase of equipment, supplies, legal charges, bank charges, utilities, telephone/internet services, insurance, and other administrative costs that are reasonable and customary for the general administration of a rental unit occupied by qualifying populations.
Assisted Unit	A unit that is subject to the HOME ARP Program requirements.
At Risk of Homelessness	One of four qualifying populations eligible for HOME ARP assistance. At Risk of Homelessness as defined in the HOME ARP Notice and 24 CFR 91.5 At Risk of Homelessness.
Borrower	An entity who has received an amortizing first mortgage loan or Deferred Loan from Minnesota Housing.
Bridge Loan	A Bridge Loan provides interim construction financing, “bridging” HTC equity installments that will be paid upon, or after, construction completion. The Bridge Loan may also bridge other sources that will be paid after construction completion such as energy rebates and Sales Tax Rebates.
Buyer/Seller Identity of Interest	A Buyer/Seller Identity of Interest exists when there is a Related Party Transaction.
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.
Cash Flow Note Provisions	Some Borrowers may be required to make annual payments on a Minnesota Housing Deferred Loan. A Cash Flow Note explains how the payments are calculated.
Closing In Balance	All sources of funds are available at closing, or bridge funding provided to pay development costs through the draw period.
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.

Term	Definition
Debt Coverage Ratio (DCR)	A measure of the cash flow available to pay current debt obligations. The ratio states net operating income as a multiple of debt obligations due within one year.
Deferred Developer Fee	Any portion of the Developer Fee that will not be paid with project sources but instead will be paid from available cash flow from property operations.
Deferred Loan	A non-amortizing loan, typically with a term of 30 years or coterminous with the first mortgage (if applicable). Minnesota Housing Deferred Loans typically bear interest of 0-1% and are repayable upon loan maturity. Some developments may be required to make annual payments pursuant to a Cash Flow Note.
Developer	Typically, a separate legal entity from the Owner, Borrower or Guarantor(s) who may complete the financing and development of a project for a fee.
Developer Fee	A fee paid to the Developer as part of the project soft costs to cover overhead, labor, and other project related operational expenses born by the Developer during the project.
Development Services Agreement	A contract between the Owner of a development and a third-party Developer.
Eligible Mortgagor	<p>A nonprofit or cooperative housing corporation; the Department of Administration for the purpose of developing community-based programs as defined in Minn. Stat. 246C.11; a limited profit entity or a builder as defined by Minnesota Housing in its rules, which sponsors or constructs residential housing as defined in subdivision 7; or a natural person of low or moderate-income, except that the return to a limited dividend entity shall not exceed 15% of the capital contribution of the investors or such lesser percentage as Minnesota Housing shall establish in its rules, provided that residual receipts funds of a limited dividend entity may be used for Minnesota Housing-approved, housing-related investments owned by the limited dividend entity without regard to the limitation on returns.</p> <p>Owners of existing residential housing occupied by renters shall be eligible for rehabilitation loans, only if, as a condition to the issuance of the loan, the Owner agrees to conditions established by Minnesota Housing in its rules relating to rental or other matters that will make sure that the housing will be occupied by persons and families of low- or moderate-income. Minnesota Housing shall require by rules that the Owner give preference to those persons of low- or moderate-income who occupied the residential housing at the time of application for the loan.</p>
End Loan	A permanent loan that is funded after completion of construction, at the time of repayment of any construction/bridge financing.

Term	Definition
Energy Rebate Analysis	A report of energy rebates being considered/pursued for a development.
Extended Use Period	The term of the Declaration of Land Use Restrictive Covenants for Low-Income Housing Tax Credits under the HTC program. The first fifteen years are referred to as the “Initial Compliance Period” and years 16 and onward are referred to as the Extended Use Period.
Federal Low-Income Housing Tax Credits (HTC)	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.
Fleeing Domestic Violence	One of four qualifying populations eligible for HOME ARP assistance. QP3 as defined in the HOME ARP Notice and under 24 CFR 5.2003, 22 U.S.C 7102.
Funding Partner	Funding Partners work closely with Minnesota Housing and in coordination with Minnesota Housing’s annual funding process. Funding Partners include the Metropolitan Council, the Metro Housing and Redevelopment Authority, and the St. Paul Public Housing Authority.
Guarantor	The entity or individual who signs the Guaranty.
Guaranty	Available upon request from Minnesota Housing staff.
High HOME Rent	<p>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.</p> <p>For all other cases, the rent does not exceed the lesser of:</p> <ul style="list-style-type: none"> (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. <p>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.</p>
High Priority Homeless (HPH)	Formerly known as Long -term Homeless or LTH. Households prioritized for permanent supportive housing by the Coordinated Entry system.
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.

Term	Definition
HOME ARP Notice	CPD Notice 21-10: Requirements for the Use of Funds in the HOME American Rescue Plan Program.
HOME Investment Partnerships Program (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 federally and non-federally assisted multifamily rental housing for low-income individuals and families.
Homeless	One of four qualifying populations eligible for HOME ARP assistance. Homeless as defined in the HOME ARP Notice and 24 CFR 91.5 Homeless (1), (2), or (3).
Housing Assistance Payments (HAP)	A HUD Rental Assistance Contract under the Project-Based Section 8 Rental Assistance Program.
Housing Choice Voucher	<p>The Housing Choice Voucher program provides tenant-based Rental Assistance. The participant is free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects.</p> <p>Housing Choice Vouchers are administered locally by public housing agencies (PHAs). The PHAs receive federal funds from the U.S. Department of Housing and Urban Development (HUD) to administer the voucher program.</p>
Incentive Developer Fee	An increase to the Developer Fee based on cost savings or other performance. This is not allowed by Minnesota Housing if financing includes a Minnesota Housing Deferred Loan.
Limited Partnership (LP)	A form of partnership similar to a general partnership, except that where a general partnership must have at least two general partners; an LP must have at least one general and at least one limited partner.
Limited Partnership Agreement (LPA)	A document that establishes the terms of the partnership and the agreements between partners. In HTC developments with an LP owner, the LPA stipulates the timing and conditions for pay-ins of HTC equity, reserves, and the Developer Fee.
Low HOME Rent	<p>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.</p> <p>All other Low HOME Rent units must have rent that meet one of the following requirements:</p> <ul style="list-style-type: none"> (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

Term	Definition
	<p>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);</p> <p>(ii) The rent contribution of the family is not more than 30% of the family's adjusted income; or</p> <p>(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).</p> <p>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.</p>
Low-Income Households	<p>An individual or family means families whose annual incomes do not exceed 80 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 80 percent of the median for the area on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes.</p> <p>An individual does not qualify as a low-income family if the individual is a student who is not eligible to receive Section 8 assistance under 24 CFR 5.612.</p>
Low-Income Rental Classification (LIRC)	<p>This results in a class rate reduction for qualifying units in some rent and income-restricted properties.</p> <p>Only those rental properties subsidized under a federal or state government program or meeting certain rent and income restrictions are eligible for the lower class rate.</p>
Low-Income Units	<p>HOME ARP Assisted Units that are restricted for occupancy by households that meet the HUD definition of Low-income (at or below 80% AMI).</p>
Management and Operating (M&O) Budget	<p>The total operating expenses for a multifamily rental property not including real estate taxes and reserves.</p>
Mortgage Credit Committee	<p>A Minnesota Housing cross-divisional management group that approves credit analysis, ownership structures, and financing of projects for multifamily loans and related matters.</p>
Net Developer Fee	<p>The difference between the Total Developer Fee and the Deferred Developer Fee. The Net Developer Fee is the portion of the Total Developer Fee that is paid out from development sources.</p>
Nonrecourse	<p>Nonrecourse debt limits the lender to pursue repayment of the debt to the stated collateral.</p>
Operating Agreement	<p>A document that establishes the terms of the limited liability company and the agreements between members. In HTC developments with Limited Liability Company (LLC) owners, the</p>

Term	Definition
	Operating Agreement stipulates the timing and conditions for pay-ins of HTC equity, reserves, and the Developer Fee.
Other Homeless Households	Households, other than High Priority Homeless, that include (i) individuals leaving institutions that do not have a permanent residence or (ii) Other Homeless Household populations not referred by the Coordinated Entry System.
Other Populations	One of four qualifying populations eligible for HOME ARP assistance. Other populations as defined in the HOME ARP Notice including other families requiring services or housing assistance to prevent homelessness and those at greatest risk of housing instability.
Owner	An entity or person who holds title to the real property upon which the development is located.
People with Disabilities (PWD)	<p>Minnesota Housing's defines PWD as persons with any of the following:</p> <ul style="list-style-type: none"> • A serious and persistent mental illness as defined in Minn. Stat. 245.462, subd. 20(c); or • A developmental disability as defined in U.S. Code, title 42, section 6001, paragraph (5), as amended; or • Assessed as drug dependent as defined in Minn. Stat. 254A.02, subd. 5 and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minn. Stat. 254A.02, subd. 2; or • A brain injury as defined in Minn. Stat. 256B.093, subd. 4(a); or • Permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the development are accessible as provided under Minnesota Rules, chapter 1341.
Payment in Lieu of Taxes (PILOT)	Made to compensate a local government for some or all of the tax revenue that it loses because of the nature of the ownership or use of a particular piece of real property. Usually, it relates to the foregone property tax revenue.
Primarily Supportive Housing	Developments in which 50% or more of the total units will serve HPH, PWD or Other Homeless Households.
Processing Agent or Development Consultant	The Processing Agent or Development Consultant for a development is a third party unrelated to the Sponsor who the Developer contracts with to prepare funding applications and/or manage submittals of due diligence.
Property Management Fees	The property management fee includes the total fee paid to a management agent by the owner for the day-to-day management of a HOME ARP rental unit restricted for occupancy by qualifying populations. The management agent must cover its costs of

Term	Definition
	supervising and overseeing operations of a HOME ARP unit out of the fee they receive.
Qualifying Populations	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.
Recourse	Recourse debt holds the borrower personally responsible and allows the lender to pursue repayment of the debt beyond the stated collateral.
Related Party Transaction	Acquisition of a property where there is a common or related entity as part of the ownership structure of both the buyer and seller.
Relocation Plan	Minnesota Housing requires the Developer to submit a Relocation Plan for any temporary or permanent displacement of tenants. Developments that are HUD assisted are required to submit a Relocation Plan in compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA).
Renewable Energy Certificates (RECs)	RECs are used to track renewable energy from the point of generation (offsite) to a purchaser of green power. The SB2030 (a popular, recognized enhanced sustainability program) allows building owners to meet energy efficiency goals by purchasing green power generated offsite.
Rental Assistance	A revenue source used to pay a portion of the tenant's monthly rent. Rental Assistance may be either project-based or tenant-based.
Sales Tax Rebate	A rebate received from the Minnesota Department of Revenue. When an entity that is exempt from a sales and use tax appoints a contractor or subcontractor as its purchasing agent, that contractor or subcontractor may make purchases under a construction contract for which the Nonprofit Sponsor is eligible to apply to have rebated to them. Nonprofit Sponsors are required to include a Sales Tax Rebate as a source of funding for any development that is requesting Minnesota Housing funding, including HTCs or Deferred Loans.
Scheduled Payments to a Reserve for Replacement	Scheduled payments to a reserve for replacement of major systems included in the operating costs allocated to a HOME ARP unit restricted for a qualifying household may be made from the operating cost assistance reserve. The payment to the reserve for replacement must be based on the useful life of each major system and expected replacement cost in a HOME ARP project over the initial 15-year compliance period.
Section 8 Project-Based Rental Assistance (Section 8) Program	Enables low-income households to afford modest apartments by contracting with private Owners to rent some or all of the units in their housing developments to low-income families.

Term	Definition
Service Coordinator Costs	HOME ARP permits the pro-rated staffing costs of a Resident Services Coordinator to be included in the operating costs allocated to a HOME ARP unit for low-income or qualifying population households if such costs are not already paid by another source. Typically, the role of a Resident Services Coordinator is to arrange community activities for residents and link residents to outside service agencies as needed.
Sponsor	An individual or a legal entity that exercises control and decision-making authority over the development.
Supportive Housing	Supportive Housing is affordable housing linked with social services tailored to the needs of the population being housed. The goal of Supportive Housing is to provide affordable housing with access to an array of services designed to foster housing stability and improve health and quality of life for the population to be served.
Tax Increment Financing (TIF)	A public financing method that is used as a subsidy for redevelopment, infrastructure, and other community improvement projects.
Total Developer Fee	Total Developer Fees include fees paid on behalf of the Developer to third-party consultants engaged to complete the Developer's tasks. Common examples include Development Consultant or Processing Agent, construction manager, or Owner's representative. In such cases, the fee paid to the third party must be included in the Total Developer Fee and broken out in the Workbook.
Total Development Cost (TDC)	The total budget for the development of an affordable housing development.
Total Mortgageable Cost (TMC)	TMC is TDC less non-mortgageable costs, generally reserves and other costs not required by and payable from Minnesota Housing funds.
Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA)	<p>The Uniform Relocation Assistance and Real Property Acquisition Policies Act apply 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.</p> <p>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.</p>
United States Department of Agriculture (USDA) Rural Development (RD)	USDA Rural Development is a mission area within the United States Department of Agriculture which runs programs intended to improve the economy and quality of life in rural parts of the United States.

Term	Definition
United States Housing and Urban Development (HUD)	A cabinet department that administers programs that provide housing and community development assistance.
Workbook	The Multifamily Workbook is the Excel tool used for application, and which is updated through loan closing and 8609, if applicable for Minnesota Housing HTCs, first mortgages, Deferred Loans, Rental Assistance, and operating subsidies.
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 – Legal Addendum

Any recipient of an award pursuant to the HOME Investment Partnerships Program (including HOME ARP) and/or National Housing Trust Fund 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 of this Addendum.

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 of this Addendum.

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:** An 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 of this Addendum.

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.”² 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 of this Addendum.

A contracting party should review its contract and request for proposals (RFP) materials, 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 of this Addendum;
- 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 of this Addendum.

² See generally, HOME: [24 C.F.R. 92.356](#); including any revisions by the Appendix to the HOME-ARP Notice as amended; HOPWA: [24 C.F.R. 574.625](#); NHTF: [24 C.F.R. 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 C.F.R. 92.356](#); HOPWA: [24 C.F.R. 574.625](#); NHTF: [24 C.F.R. 93.353](#).

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 of this Addendum.

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](#) (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.

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.