MINNESOTA HOUSING

Meetings Scheduled for JULY

Date: 07/23/2026, 1 p.m.

Hybrid Option Available

In person: Minnesota Housing, Lake Superior Conference Room, 400 Wabasha Street N. Suite 400 St. Paul, MN 55102

Conference call: Toll Free: 1.877.568.4108 Access Code: 159-585-698

Note

The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, July 23, 2026.

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

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

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Agenda: Minnesota Housing Board Meeting

Date: 07/23/2026, 1 p.m.

Our Mission and Vision

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

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

1. Call to Order

2. Roll Call

3. Agenda Review

4. Approval of Minutes

A. (page 5) Regular meeting of June 25, 2026

5. Reports

- Chair
- Commissioner
- Committee

6. Consent Agenda

None.

7. Action Items

A. (page 11) Funding Modification, Publicly Owned Housing Program (POHP) – Red Wing Scattered Sites, D8682, Red Wing
B. (page 17) Approval of Submission of 2026 Annual Action Plan for HUD

8. Discussion Items

A. (page 39) Predictive Cost Model: Background and Assessment

9. Information Items

None.

10. Other Business

None.

11. Adjournment

MINNESOTA HOUSING

Draft Meeting Minutes: Minnesota Housing Board Meeting

Date: Thursday, June 25, 2026, at 1 p.m.

1. Call Attendance

Chair DeCramer called to order the regular meeting of the board of Minnesota Housing Finance Agency at 1:01 p.m.

2. Roll Call

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

Minnesota Housing staff present via hybrid: Kelby Alstad, Tal Anderson, Tom Anderson, Takara Archer, Ryan Baumtrog, Mariah Becerra, Jennifer Bergman, Susan Bergmann, Scott Beutel, Judd Berthiaume, Nick Boettcher, Laura Bolstad Grafstrom, Stacie Brooks, Jenni Bubke, Cassandra Busch, Alex Campbell, Eric Chapin, Erin Coons, Nicole DeMario, Matt Dieveney, Hannah Dressen, Diane Elias, Peter Elwell, Jennifer Finnesgard, Sarah Foley, Shannon Fortune, Jessica Fowler, Terese Fritchman, Shannon Gerving, Sara Gomoll, Vanessa Haight, Anne Heitlinger, Darryl Henchen, Kang Her, Elsa Hildebrand, Adam Himmel, Jennifer Ho, Jon Holmseth, Karin Holmstrand, Sarah Huss, Shawn James, Summer Jefferson, Karen Johnson, Jen Judas, Erin Karkula-Peterson, Tiffany Kibwota, Margaret King, Katey Kinley, Greg Klein, Debbie Krajsa, Sue Ladehoff, Janine Langsjoen, Ger Lee, Song Lee, James Lehnhoff, Joshua Love, Sarah Matala, Eric Mattson, Jill Mazullo, Don McCabe, Jeff McDonald, Amy Melmer, Benjamin Miles, Kelli Minnerath, Roger Moeller, Rudi Mohamed, Jon Moler, Michael Nguyen, John Patterson, Andy Pratt, Ann Provo, Rinal Ray, Annie Reierson, Cassi Reissmann-Doring, Brittany Rice, Cheryl Rivinius, Dani Salus, Kayla Schuchman, Katie Seipel-Anderson, Meg Sorenson, Maria Steele, Rachael Sterling, Kim Stuart, Jodell Swenson, Susan Thompson, Monica Tucker, David Vang, Teresa Vaplon, Nicola Viana, Kerry Walsh, Amanda Welliver, Alyssa Wetzel-Moore, and Bev Wilharm.

Others present via hybrid: Michelle Adams, Kutak Rock; Ramona Advani, Office of the State Auditor; Jason Blume, Cinch Home Services; Andrea Brennan, Greater Minnesota Housing Fund; Colleen Ebinger, Impact Strategies; Kit Fordham, Minnesota Consortium of Community Developers; Jeru Gobeze, Habitat Minnesota; Anne Mavity, Minnesota Housing Partnership; Ellen Sahli, Family Housing Fund; and Chad Schwitters, McKnight Foundation.

3. Agenda Review

None.

4. Approval

A. Regular Meeting Minutes of May 28, 2026

Motion: Terri Thao moved approval of the May 28, 2026, Regular Meeting Minutes. Seconded by Chief Benjamin. Roll call was taken. Auditor Blaha and Stephen Spears were not present for the vote. Motion carries 5-0.

5. Reports

Chair

None.

Commissioner

Commissioner Ho shared the following with the board:

- Welcome New Employees
- Meetings/Events
- Division Updates

Committee

None.

6. Consent Agenda

A. Approval, Single Family Fix Up Loan Program Income Revisions

Motion: Chief Benjamin moved the Consent Agenda item. Seconded by Terri Thao. Roll call was taken. Motion carries 7-0. All were in favor.

7. Action Items

A. Approval, Single Family Homeownership Program Changes

Elsa Hildebrandt and Laura Bolstad Grafstrom presented to the board a request for approval of the Single Family Homeownership Program Changes. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Chief Benjamin moved Approval, Single Family Homeownership Program Changes. Seconded by Stephen Spears. Roll call was taken. Motion carries 7-0. All were in favor.

B. Approval, Lead Safe Homes Grant Program Guide

Nick Boettcher presented to the board a request approval of the Lead Safe Homes Grant Program Guide to assist and enable Grantees and Minnesota Housing staff to implement this new program. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Eric Cooperstein moved Approval, Lead Safe Homes Grant Program Guide. Seconded by Terri Thao. Roll call was taken. Motion carries 7-0. All were in favor.

C. Funding Modification, Publicly Owned Housing Program (POHP) – Columbia and Rouchleau Apartments, D8051, Virginia

Janine Langsjoen presented to the board a request for adoption of a resolution to increase the loan amount for Columbia and Rouchleau Apartments by $785,800, increasing the total POHP loan from $5,752,600 to $6,538,400. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Chief Benjamin moved Funding Modification, Publicly Owned Housing Program – Columbia and Rouchleau Apartments, D8051, Virginia. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 7-0. All were in favor.

D. Forgiveness, Affordable Rental Investment Fund (ARIF) Program Loan, Housing Trust Fund (HTF) Program Loans, and Transitional Housing (THL) Program Loan – Archdale Apartments, D0820, Minneapolis

Sarah Matala presented to the board a request for adoption of a resolution authorizing forgiveness and release of related affordability and occupancy restrictions for the following four loans: $50,000 ARIF loan; $100,000 HTF loan; $75,000 HTF loan; and $70,000 THL loan. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Forgiveness, Affordable Rental Investment Fund Program Loan, Housing Trust Fund Program Loans, and Transitional Housing Program Loan – Archdale Apartments, D0820, Minneapolis. Seconded by Terri Thao. Roll call was taken. Motion carries 7-0. All were in favor.

E. Forgiveness, Housing Trust Fund (HTF) - North Haven I, Minneapolis, D4052; Preservation Affordable Rental Investment Fund (PARIF) Loan - North Haven II, Minneapolis, D6371; Ending Long-Term Homelessness Initiative Fund (ELHIF) Loan and Urban Indian Housing Fund (UIHF) Loan - Cedar View, Minneapolis, D3912; and Flexible Financing Capital Costs (FFCC) Loan - 3rd Avenue Townhomes, Minneapolis, D2903

Benjamin Miles presented to the board a request for adoption of a resolution authorizing forgiveness and release of all related affordability and occupancy restrictions for the following four properties: D4052 North Haven I: $161,700 deferred HTF loan; D6371 North Haven II: $238,396 deferred PARIF loan; D3912 Cedar View: $418,000 deferred ELHIF loan and $100,000 deferred UIHF loan; and D2903 3rd Avenue Townhomes: up to $125,000 in accrued interest on the FFCC loan. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Terri Thao moved Forgiveness, Housing Trust Fund- North Haven I, Minneapolis, D4052; Preservation Affordable Rental Investment Fund Loan - North Haven II, Minneapolis, D6371; Ending Long-Term Homelessness Initiative Fund Loan and Urban Indian Housing Fund Loan - Cedar View, Minneapolis, D3912; and Flexible Financing Capital Costs Loan - 3rd Avenue Townhomes, Minneapolis, D2903. Seconded by Stephen Spears. Roll call was taken. Motion carries 7-0. All were in favor.

F. Bifurcation and Modification, State Housing Tax Credit (SHTC) loan and Partial Forgiveness, Preservation Affordable Rental Income Fund (PARIF) Accrued Interest - TWV Preservation, St. Paul, D5525

Erin Coons presented to the board a request for adoption of two resolutions authorizing: Bifurcation of the $4,621,000 SHTC program loan between Torre de San Miguel and Westminster Place/Vista Village and modification of the Torre de San Miguel portion of the SHTC loan to extend the maturity date to July 1, 2069; and Forgiveness of $372,434 in accrued interest on the Torre de San Miguel portion of the PARIF loan. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Eric Cooperstein moved Bifurcation and Modification, State Housing Tax Credit loan and Partial Forgiveness, Preservation Affordable Rental Income Fund Accrued Interest - TWV Preservation, St. Paul, D5525. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 7-0. All were in favor.

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

Beverly Wilharm presented to the board a request for approval of an amendment to the Community Stabilization: Distressed Multifamily Rental Building Program Guide. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Terri Thao moved Approval, Amendment to the Community Stabilization: Distressed Multifamily Rental Building Program Guide. Seconded by Chief Benjamin. Roll call was taken. Motion carries 7-0. All were in favor.

H. Approval, Amendments to Family Homeless Prevention and Assistance Program FY2025-27 Program Guide

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

Motion: Chief Benjamin moved Approval, Amendments to Family Homeless Prevention and Assistance Program FY2025-27 Program Guide. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 7-0. All were in favor.

I. Approval, Contract Amendment, Family Homeless Prevention and Assistance Program Funds for $40 million

Nancy Urbanski presented to the board a request for approval of a resolution authorizing the funding modification for an additional commitment of $40 million in Family Homelessness Prevention and Assistance Program funds. This action will provide additional funding to 24 current grantees to provide supportive services and direct financial assistance to households experiencing homelessness, or at risk of homelessness, throughout the state of Minnesota. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Eric Cooperstein moved Approval, Contract Amendment, Family Homeless Prevention and Assistance Program Funds for $40 million. Seconded by Terri Thao. Roll call was taken. Motion carries 7-0. All were in favor.

J. Rental Housing Bonds Resolution

Matt Dieveney presented to the board a request for approval to amend the RHB Resolution to adjust the ratings requirement for Hedge Counterparties to align with the minimum counterparty rating requirements (Aa3/AA-, Moody's/S&P) set forth in the Agency' Debt and Balance Sheet Management Policy. There would remain a provision requiring that the use of a hedge agreement with a Hedge Counterparty would not impair the rating with respect to any outstanding Rental Housing Bonds. Michelle Adams, Kutak Rock joined the meeting to review the resolution. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Eric Cooperstein moved Rental Housing Bonds Resolution. Seconded by Auditor Blaha. Roll call was taken. Motion carries 7-0. All were in favor.

K. NOAH Pool I – Loss Mitigation

Matt Dieveney presented to the board a request for the board's authorization to vote to approve Greater Minnesota Housing Fund's proposed early sale of Villa Nova to mitigate losses. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Eric Cooperstein moved Rental Housing Bonds Resolution. Seconded by Auditor Blaha. Roll call was taken. Stephanie Klinzing abstained from the vote. Motion carries 6-0. All were in favor.

8. Discussion Items

A. Quarterly Financial Report

Maria Steel provided the board with financial results for the third quarter of the 2026 fiscal year.

B. Administrative Budget for Fiscal Year 2027

Maria Steele provided the board with an overview of the Administrative Budget for Fiscal Year 2027.

C. Liquidity Update

Matt Dieveney provided the board with an update of the Agency's liquidity position and outlook.

9. Information Items

A. Post Sale Report, Residential Housing Finance Bonds, Series 2026 FGH

10. Other Business

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

11. Adjournment

The meeting was adjourned at 3:59 p.m.

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John DeCramer, Chair

MINNESOTA HOUSING

Item: Funding Modification, Publicly Owned Housing Program (POHP) – Red Wing Scattered Sites, D8682, Red Wing

Action Item: 7.A
Date: 7/23/2026
Staff Contacts: Susan Bergmann, 651.539.9909, susan.bergmann@state.mn.us
Request Type: Approval, Resolution

Request Summary

On June 27, 2024, the Minnesota Housing board committed deferred funding under the POHP to the Red Wing Housing and Redevelopment Authority for the Red Wing Scattered Site under Resolution No. MHFA 24-040 in the amount of $1,509,700.

Agency staff recommend adoption of a resolution to increase the loan amount for the Red Wing Scattered Site by $790,800, increasing the total POHP loan from $1,509,700 to $2,300,500.

Fiscal Impact

None.

Agency Priorities

☐ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☐ Make Homeownership More Accessible

☐ Support People Needing Services

☒ Strengthen Communities

Attachments

- Background
- Maps and Pictures
- Resolution

Background

The Red Wing Scattered Site includes three two-story townhomes located throughout Red Wing. Each townhome consists of six units for a total of 18 units for the project. The development is owned and managed by the Red Wing Housing and Redevelopment Authority (HRA). The townhomes were built in 1974 and 1975 and are designated as family housing.

On June 27, 2024, the HRA was selected by the board to receive $1,509,700 in 2023 General Obligation bond POHP funds under Resolution No. MHFA 24-040 for Red Wing Scattered Site. The rehabilitation work addresses health and life safety needs, specifically plumbing, window and exterior door replacement.

The POHP request for proposal uses a concept-based application. Project designs and construction costs are not expected to be final at the time of application. Once the project was selected and design work was underway, several unforeseen factors caused changes to the original estimate:

- The underground plumbing layout did not match the plans the HRA had on record
- Different styles of windows were required to satisfy the egress requirements
- Asbestos was discovered and requires abatement

Additionally, Build America, Buy America (BABA) requirements were in the nascent stages at the time of application and were not incorporated into the cost estimates. BABA requirements apply because the HRA is contributing federal capital funds to the project, which contribute to the cost increase.

The costs within the bid proposals received were consistent with what the Minnesota Housing architect expected. Although alternate deductions to reduce costs were considered, the Minnesota Housing architect agreed with the HRA that taking the deductions was not in the best interest of this project for long-term viability. The HRA increased their capital fund contribution from 6% of Total Development Cost (TDC) to 8% of TDC to help offset the increased costs.

There are sufficient POHP funds available to cover this request.

Sources and Uses

The following tables list the sources of funds for this project and how these funds will be used. Both tables list the amount at selection, the proposed amount and the difference between the two.

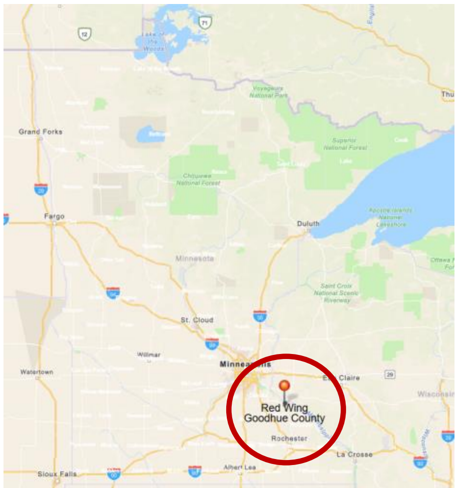
Table 1: Sources and Uses

Sources	Amount at Selection	Proposed Amount	Difference
POHP Loan	$ 1,509,700	$ 2,300,500	$ 790,800
Capital Funds	$ 96,377	$ 200,000	$ 103,623
Total Sources	$ 1,606,077	$ 2,500,500	$ 894,423

Uses	Amount at Selection	Proposed Amount	Difference
Construction	$ 971,628	$ 1,758,000	$ 786,372
Contingency	$ 68,014	$ 123,133	$ 55,119
Soft Costs	$ 566,435	$ 619,367	$ 52,932
Total Development Costs	$ 1,606,077	$ 2,500,500	$ 894,423

Maps and Pictures

Map 1: Red Wing is located in the southeast corner of the state along the Mississippi River in Goodhue County.



Map 2: The three scattered site locations are within a six mile diameter of one another. They are located in Red Wing, south of U.S. Highway 61 and west of Minnesota State Highway 58.

Picture 1: Deer Run Townhomes

Picture 2: Featherstone Townhomes

Picture 3: Pioneer Place Townhomes

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

RESOLUTION NO. MHFA 26-XXX
Modifying Resolution No. MHFA 24-040

RESOLUTION APPROVING FUNDING MODIFICATION PUBLICLY OWNED HOUSING PROGRAM (POHP)

WHEREAS, the Minnesota Housing Finance Agency Board (Board) at its June 27, 2024 meeting, previously authorized a commitment for Red Wing Scattered Site herein named by Resolution No. MHFA 24-040; and

WHEREAS, Agency staff have determined that there are reasonable increased development costs and a funding modification is required for the project to be financially feasible; and

WHEREAS, the development continues to be in compliance with Minnesota Statute chapter 462A and Agency's rules, regulations and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby increases the funding commitment to the development noted above and hereby confirms the renewal of said commitment, subject to any revisions noted:

1. The POHP loan shall not exceed $2,300,500; and
2. All other terms and conditions of Resolution No. MHFA 24-040 remain in effect.

Adopted this 23rd day of July 2026

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CHAIR

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MINNESOTA HOUSING

Item: Approval of Submission of 2026 Annual Action Plan to HUD

Action Item: 7.B
Date: 07/23/2026
Staff Contacts: Nellie Siers, 651.296.0749, nellie.siers@state.mn.us
Joshua Kirk, 651.296.9820, joshua.kirk@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff seeks approval of the State of Minnesota's Annual Action Plan for Federal Fiscal Year (FFY) 2026. The attached executive summary and selected sections for the plan provide details of the annual goals and objectives for the agency's HOME Investment Partnerships (HOME) and National Housing Trust Fund (NHTF).

Fiscal Impact

The plan includes FFY 2026 allocations and available funds: $8,100,448.77 for HOME and an amount yet to be announced by HUD for NHTF.

Agency Priorities

☐ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☐ Make Homeownership More Accessible

☒ Support People Needing Services

☒ Strengthen Communities

Attachments

- Background
- AAP Executive Summary
- AAP Annual Goals and Objectives
- AAP Public Comments

Background

Minnesota Housing, along with the Department of Employment and Economic Development (DEED) and Department of Human Services (DHS), has developed its Annual Action Plan (AAP) for Federal Fiscal Year (FFY) 2026 The AAP provides details of the State's plan for funds received through the US Department of Housing and Urban Development's Community Planning and Development Division (HUD CPD). Of the various programs the State receives through HUD CPD, Minnesota Housing administers the HOME Investment Partnerships (HOME) and the National Housing Trust Fund (NHTF) programs. This plan is required to receive these funds.

Minnesota Housing will receive an allocation of $8,100,448.77 for the HOME program and anticipates approximately an additional $2,855,241.57 in program income to be utilized in FFY 2026. The Agency will also receive receive an allocation of NHTF dollars – however, amounts have been delayed and have not yet been announced by HUD. We anticipate a similar amount to last year, approximately $3.1 million, but will not know until the official announcement.

HOME and NHTF will be available statewide through the Agency's Multifamily annual consolidated RFP. It is anticipated that these funds will result in new construction or rehabilitation of 147 units of affordable rental housing. Through the HOME and NHTF programs, the 147 housing opportunities will be made available to extremely low-income, low-income, and moderate-income families. NHTF funds are required to serve extremely low-income households (with incomes less than 30% of AMI). HOME funds are required to be used for units occupied by households with low income (80% AMI), but for projects with more than four HOME units (as is typical for rental projects funded through Minnesota Housing), the requirement is for at least 20% of units to be 50% AMI or lower. In addition to capital financing, the NHTF program may also be used for a small portion of operating cost assistance (up to 30% of the grant may be used in this manner).

The draft AAP was available for public comment April 28 – May 28, 2026. The State received six comments and two comment letters in response to the draft. All comments were responded to.

Executive Summary

1. Introduction

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

2. Summarize the objectives and outcomes identified in the Plan

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

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

- Providing decent housing requires helping homeless persons obtain appropriate housing and assisting those susceptible to homelessness, preserving the affordable housing stock, increasing availability of permanent housing that is affordable to low- and moderate-income persons and increasing the supply of supportive housing.
- Providing a suitable living environment entails improving the safety and livability of

neighborhoods, increasing access to quality facilities and services, and reducing the isolation of income groups within an area through integration of low-income housing opportunities.

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

3. Evaluation of past performance

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

The State's evaluation of its past performance has been completed in a thorough Consolidated Annual Performance and Evaluation Report (CAPER). This document states the objectives and outcomes identified in the first year of the State's 2022-2026 Consolidated Plan and includes an evaluation of past performance through measurable goals and objectives compared to actual performance. The past year Consolidated Plan and CAPER can be found on DEED's Small Cities Development Program and Minnesota Housing websites.

4. Summary of Citizen Participation Process and consultation process

Summary from citizen participation section of plan.

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

The public was notified of the availability of the draft AAP in the State Register and through eNews listservs, and is sent to recipients of our programs and organizations that work directly with underserved populations, limited or non-English speaking persons and persons with disabilities. For example, per our Citizen Participation Plan, we reached out to a wide network of councils and coalitions focusing on specific populations, including the Council on Asian Pacific Minnesotans, Central Cultural Chicano, CLUES, Council for Minnesotans of African Heritage, Minnesota Council on Latino Affairs, and the Upper Midwest American Indian Center. In addition, our eNews distribution includes an extensive network of providers for persons with disabilities through the Olmstead Implementation Office currently located at Minnesota Housing. Public comment narratives are included as attachments in Citizens Participation Comments. A draft Citizen Participation Plan is included in the 2026 draft AAP for public feedback.

Two hybrid (in-person and virtual attendance) public hearings were held to provide information on proposed activities and to receive public comments.

5. Summary of public comments

Citizen input received during the first public hearing and comments received during the second public hearing are listed in the 2026 AAP Comments and Responses documents in our Unique Appendices to be submitted to HUD. They are also detailed in an attachment below.

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

All comments were accepted.

7. Summary

The 2026 Action Plan has the following goals. These goals will use HOME, ESG, NHTF and CDBG funds:

- *Provide Decent Affordable Housing – DEED*

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

- *Enhance Affordable Housing Opportunities – Minnesota Housing*

  Fund housing activities for low- to moderate-income households, including the rehabilitation and new construction of rental housing using HOME and NHTF funds. In addition to the income priority, Minnesota Housing also prioritizes funding for populations with the highest housing needs. HOME and National Housing Trust Fund funding are permanent supportive housing for “High Priority Homeless” and people with disabilities. High Priority Homeless means (i) households experiencing long-term homelessness; (ii) households at significant risk of experiencing long-term homelessness; or (iii) households prioritized for permanent supportive housing by the Coordinated Entry System adopted by the local Continuums of Care. For persons with disabilities, the limitation or preference will be limited to the population of families (including individuals) with a member whose disability significantly interferes with their ability to obtain and maintain housing. In accordance with the regulatory requirements of HOME and the NHTF, any limitation or preference will not violate nondiscrimination requirements.

- *Promote Economic Development – DEED*

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

- *Facilitate Housing and Service for the Homeless – Minnesota Housing and DHS*

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

- *Address Public Facility Needs – DEED*

  Address community needs through improvements to public facilities and streetscape.

AAP Annual Goals and Objectives

Goals Summary Information

Goal Name	Category	Needs Addressed	Funding	Goal Outcome Indicator
Address Housing Rehabilitation Needs – DEED	Affordable Housing	Retain Decent Housing for LMI Renters/ Owners	CDBG: $6,506,192	Rental units rehabilitated: 44 Homeowner Housing Rehabilitated: 200
Increase Affordable Housing Opportunities – Minnesota HousingI	Affordable Housing	Unit Production for LMI Renter Households	HOME: $8,100,448 HTF: TBA	Rental units constructed: 147 Rental units rehabilitated: 0
Support Economic Development and Workforce Needs	Non-Housing Community Development	Economic Opportunities	CDBG: $1,286,040	Facade treatment/business building rehabilitation: 28 Jobs created/retained: 0 Businesses assisted: 0
Facilitate Housing and Service for the Homeless	Homeless	Homelessness	ESG: $2,145,716	Tenant-based rental assistance/Rapid Rehousing: 300 Homeless Person Overnight Shelter: 0 Homelessness Prevention: 150 Persons Assisted

Goal Name	Category	Needs Addressed	Funding	Goal Outcome Indicator
Improve Public Facilities & Infrastructure – DEED	Non-Housing Community Development	Public Facilities and Infrastructure	CDBG: $17,288,751	Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit: 12,252 Persons Assisted Public Facility or Infrastructure Activities for Low/Moderate Income Housing Benefit: 15,757 Households Assisted

Goal Descriptions

Goal Name	Address Housing Rehabilitation Needs **–** DEED
Goal Description	Provide funding for housing rehabilitation activities for low- to moderate-income homeowner and rental households through CDBG funds, totaling an estimated $6,506,942. The CDBG funding breakdown includes an estimated HUD allocation of $18,964,915, additional funds from prior years totaling $8,749,896.27, program income totaling $130,557 bringing the total to $27,845,368.27.
Goal Name	Increase Affordable Housing Opportunities – Minnesota Housing
Goal Description	Fund housing activities for low- to moderate-income rental households, including renovation, new construction, and operating subsidy. The total amount allocated from HUD for HOME is $8,100,448.77 with an additional $2,855,241.57 to be added in program income from the prior fiscal year, for a total of $11,206,558.89. The total amount allocated for HTF is pending. For this goal, total resources amount is pending.

Goal Name	Support Economic Development and Workforce Needs
Goal Description	Encourage robust economic growth through commercial building rehabilitation activities, the development and retention of businesses and jobs through CDBG funds totaling an estimated $1,286,040. The CDBG funding breakdown includes an estimated HUD allocation of $18,964,915, additional funds from prior years totaling $8,749,896.27, program income totaling $130,557 bringing the total to $27,845,368.27.
Goal Name	Facilitate Housing and Service for the Homeless
Goal Description	Provide funds for service providers to meet the various housing and service needs of the homeless population in Minnesota.
Goal Name	Improve Public Facilities & Infrastructure – DEED
Goal Description	Address community needs through improvements to public facilities and infrastructure through CDBG funds, totaling an estimated $14,011,751. The CDBG funding breakdown includes an estimated HUD allocation of $18,964,915, additional funds from prior years totaling $8,749,896.27, program income totaling $130,557 bringing the total to $27,845,368.27.

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

Through the HOME and NHTF programs, an estimated 147 housing opportunities will be made available to extremely low-, very low-, and low-income families. NHTF-assisted units are required to serve extremely low-income households (30% AMI and below). HOME-assisted units are required to be occupied by households with low incomes (80% AMI and below), but for projects with more than four HOME units (as is typical for rental projects funded through Minnesota Housing), the requirement is for at least 20% of HOME units to be occupied by households with very low incomes (50% AMI and below).

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

Summary of Public Comments

1. Resident's comment

Summary of comment: The commenter noted the difficulty of finding or moving into larger rental units, as well as the challenge of locating assistance programs. Navigating available resources or knowing where to find reliable information can be overwhelming. Online searches often lead to SEO-driven sites that appear first but are not actual assistance programs, which adds to the confusion. Providing direct links to the appropriate websites or verified resources would make it much easier for the average person to access the help they need.

Response: *Thank you for your comment. Finding affordable housing in a community of choice is a difficult endeavor. While Minnesota Housing's website includes direct links to a variety of housing assistance resources, both for individuals seeking support and for developers, we know it's still complicated. These resources are publicly accessible and include information on rental assistance, housing programs, and a planning page that outlines how federal funds are used. In addition, DEED's website provides detailed information about the Small Cities Development Program (SCDP) program, including program descriptions, application materials and guidance documents.*

2. Resident's comment

Summary of comment: The commenter proposes a temporary rent freeze in St. Paul, arguing that annual 3% increases are becoming difficult for renters, especially seniors and people with disabilities due to rising costs of living. They suggest freezing rents for three years and resuming increases once the economy improves.

Response: *Thank you for your comment. Minnesota Housing, DEED and DHS are not involved and do not implement city-wide rent control measures. Local rent control initiatives occur as part of a city's processes and are outside the scope of the work of the state agencies.*

3. Resident's comment

Summary of comment: The commenter describes ongoing difficulties with the Housing Choice Voucher program, including poor unit conditions, lack of enforcement, and challenges obtaining reasonable accommodations. They urge Metro HRA to adopt a voucher homeownership option to promote stability and reduce waste. They also raise concerns about rules that force adult children to leave the household due to income limits. Overall, they ask that these issues be addressed to better support families and people with disabilities.

Response: *Thank you for your comment. Minnesota Housing, DEED and DHS do not administer the Housing Choice Voucher program. We can share your comment with Metro HRA but recommend reaching out directly with concerns.*

4. Resident's comment

Summary of comment: The commenter urges state agencies to involve staff who share the language, literacy levels and cultural backgrounds of communities with low English proficiency and limited formal education when developing programs. They argue that relying on written materials, online surveys or virtual meetings excludes many residents, especially older adults, people with disabilities and rural households with limited internet access. They emphasize that meaningful outreach requires trusted community members, not just communications staff, and that programs should be shaped with input from those they are meant to serve. They also note that some agencies lack funding or staff capacity to support these populations and call for better training, clearer criteria and more accessible engagement methods.

Response: *Thank you for your comment. DEED, Minnesota Housing and DHS will continue to evaluate our engagement practices. The State takes language access and cultural competency seriously and strives to ensure access to all programs to all Minnesotans. Minnesota Housing's policies include translating various key documents, making use of language blocks, and ensuring the availability of translation and interpreting services when appropriate. In addition, requests for proposals for many of our programs include criteria that score the applicant's ability to provide linguistically and culturally appropriate services. Minnesota Housing strives to publicize grant and public comment opportunities to a wide variety of culturally specific social service agencies. DEED incorporates community outreach into our SCDP presentations and workshops in which staff engages directly with attendees to ensure information is accessible and to gather feedback to better understand community needs, particularly for households with limited English proficiency, diverse literacy levels or barriers to technology access. Minnesota Housing recently rolled out a Community Reviewer program where people with lived experience will assist directly with agency grant-making. DHS regularly pays people with lived experience to review applications for competitive grant-funded programs. All Requests for Proposals (RFPs) published by DHS go through accessibility and plain language review.*

5. Comment Letter - Hannah Franklin - Marvel Chain Properties LLC

Summary of comment: I am submitting this written comment for the 2026 Housing and Community Development Action Plan public hearing record.

I would deeply appreciate the opportunity to present this comment in person before the panel, as the issues I am raising affect not only my household but thousands of small landlords across the State of Minnesota who have no other platform to be heard.

“Did you know there are more vacancies than homeless people in America and now in Minnesota.”

I am a small landlord in Minneapolis, and I am writing to urge the State of Minnesota to shift its focus in this Action Plan from new housing construction to immediate relief for existing housing providers.

The narrative that Minnesota lacks housing units does not match reality on the ground. Vacancy rates in many markets currently exceed the number of individuals experiencing homelessness. The problem is not a shortage of units — it is a system that has left small landlords without support while our costs have continued to rise.

Over the past year, I experienced nearly six months of vacancy. During that entire period, my mortgage, property taxes, utilities — electricity and water — continued to be due without interruption. There was no pause. There was no relief.

In addition, property turnover, ‘another pump into the economy.’ ICE comes in and contractor availability collapses, affordable labor is nearly impossible to secure.

Now, as I work to re-stabilize my property, I am managing not only current operating costs but also, the accumulated debt from those eight months of loss. To remain financially viable, I have no choice but to raise rents to levels that reflect my actual expenses. This is not greed— this is survival math.

THE TAX BURDEN IS UNSUSTAINABLE

I purchased my property in 2019. At that time, my property taxes were approximately $1,300 - $2,000 per year. In 2026, that same property is assessed at nearly $7,000 — more than a 400% increase in seven years. The difference between homestead and investment property classification alone creates a punishing gap that small landlords are expected to absorb silently.

We are pouring thousands of dollars into the tax base of this state and this city. We are funding schools, infrastructure and public services. In return, we are asking — not as a favor, but as a matter of equity — that the system begins to look out for us too.

And when we dare to challenge the tax assessment we believe is unjust? The process itself is a punishment.

To appeal my property taxes, I must appear before a judge, pay a $300 non-refundable filing fee, and hope — not know, but hope — that the outcome justifies the cost. As a small landlord already choosing between paying a water bill and paying a tax bill, that $300 is not a minor inconvenience. It is a barrier deliberately placed between working property owners and the relief they are legally entitled to seek. This system was not designed for us. It was designed to make us give up.

EXISTING PROGRAMS ARE FAILING SMALL LANDLORDS

Some may point to programs like the Minnesota Promise grant and loan initiative as evidence that help exists. I want to be direct: for small independent landlords, these programs are largely inaccessible. The eligibility structure lumps us in the same bracket as large corporate landlords and institutional real estate companies — entities with dedicated accounting teams, legal counsel and the capacity to navigate complex applications.

The deeper structural problem is a tax filing distinction that policymakers have consistently overlooked. Small residential landlords file rental income and expenses on Schedule E. Most existing small business relief programs — including Minnesota Promise — are designed around Schedule C filers, which reflects self-employment and active business income. This single technical difference disqualifies thousands of hardworking independent landlords from programs our tax dollars help fund.

I have written to senator after senator about this gap. The response has been silence — or worse, the acknowledgment that the Legislature is out of session. Our bills, however, are not out of session.

The State is generously funded or is funding rental assistance programs to help tenants pay landlords. That is compassionate and necessary. But what about the landlord with a vacant unit — no tenant, no assistance, no income — still paying the mortgage, still paying the taxes, still paying for the utilities? Where is our program? Where is our relief?

DOWNTOWN ST. PAUL IS A WARNING

What is happening in downtown St. Paul is not an isolated real estate story. It is cautionary tale for what occurs when policymakers ignore the financial collapse of small businesses and property owners. Vacant units multiply. Disinvestment spreads. Neighborhoods deteriorate.

And by the time anyone pays attention, the cost to reverse the damage is far greater than what intervention would have cost earlier.

This is not the time to wait. This is the time to pump resources into vacant units and struggling corridors before they collapse entirely. If the plan is to let small landlords fail and allow institutional buyers to absorb distressed properties at rock-bottom prices — then say so. But if the goal is truly community development, then the people who have held these properties through the hardest years deserve a bailout before the worst happens.

THE HUMAN COST IS ALREADY HERE

Because of extended vacancies and the financial pressure that followed, small landlords across this state are already experiencing cascading consequences. Credit scores are being destroyed. Retirement accounts — 401(k)s that took decades to build — are being liquidated just to cover operating expenses. Bankruptcy is becoming a real conversation at kitchen tables.

None of this helps the housing market. None of this helps renters. A wave of small landlord bankruptcies and distressed sales will crash property values and remove the most community-invested housing providers from the market permanently.

I am urging every decision-maker who reads this to remove the blinders. The crisis is not coming. It is here.

I DID NOT JUST BRING PROBLEMS I BROUGHT SOLUTIONS. I URGE THE STATE TO ACT ON THE FOLLOWING:

1. Create a Small Landlord Stabilization Fund — targeted financial assistance for independent property owners who experienced extended vacancy losses.
2. Reform program eligibility to explicitly include Schedule E filers — small residential landlords must not be excluded due to a tax classification that was never designed to disqualify them.
3. Invest directly in vacant units — grants or forgivable loans to help small landlords rehabilitate and re-occupy vacant properties before neighborhoods decline further.
4. Reform the property tax appeal process for small and affordable housing providers — the current system requires a $300 non-refundable fee and a court appearance with no guaranteed outcome. Small landlords should not be forced to choose between paying operating bills and fighting for a fair assessment. A streamlined, low-barrier administrative review process is long overdue.
5. Review the homestead vs. investment property tax gap — a 400%+ tax increase over seven years on the same property is not sustainable and demands legislative attention.
6. Offer deferred payment options or property tax relief for landlords who maintained habitable units but could not fill them due to market conditions beyond their control.

Minnesota cannot house its residents if its small landlords are forced into bankruptcy, foreclosure or distressed sales.

I plan to continue circulating this comment to additional government officials and community stakeholders, because what is happening to independent landlords across this state deserves to be heard at every level.

We are not asking for a handout. We are asking for equity. We have held this housing stock through a pandemic, through workforce collapse, through months of vacancy, and through tax bills that have grown by hundreds of percent. We are still here. But we need help now — before it is too late.

Thank you for the opportunity to comment.

Response: *Thank you for your comments. We deeply appreciate the work you are doing to keep housing affordable for Minnesota's most vulnerable. This Annual Action Plan deals with four specific federal grants – CDBG, HOME, ESG and NHTF. These programs have very specific uses. DEED's Small Cities Development Program (SCDP) supports rental rehabilitation. DEED encourages interested landlords to work with their city or county to determine whether a rental rehab application is feasible. Please note* *that rehabilitated units must be rented to income-qualified households at Fair Market Rent for the required compliance period and cannot remain vacant after rehabilitation. While HOME and NHTF can be used toward rental rehab projects, HOME- and NHTF-funded units include a substantial compliance and affordability burden that can make it harder for small landlords to participate. There are other programs targeting smaller properties and property owners, and we acknowledge the difficult situation many landlords find themselves in with increasing cost pressures related to property taxes, insurance, labor and other property management costs. Minnesota Housing will continue to lobby at the State and Federal levels for policies that address barriers to landlord participation in the affordably housing system – we are appreciative of the solutions you have proposed.*

6. Resident's Comment – MICAH, see additional full letter submitted by MICAH leadership in #7.

Summary of Comment: The commenter urges state agencies to involve staff who share the language, literacy levels, and cultural backgrounds of communities with low English proficiency and limited formal education when developing programs. They argue that relying on written materials, online surveys, or virtual meetings excludes many residents, especially older adults, people with disabilities, and rural households with limited internet access. They emphasize that meaningful outreach requires trusted community members, not just communications staff, and that programs should be shaped with input from those they are meant to serve. They also note that some agencies lack funding or staff capacity to support these populations and call for better training, clearer criteria, and more accessible engagement methods.

Response: *Thank you for your comments. DEED encourages local governments and program administrators to lead community outreach efforts. The SCDP program is largely guided by HUD regulations, and the five-year HUD Consolidated Plan includes outreach to help identify community needs. We know that people with lived experience can improve agency programs. Minnesota Housing recently rolled out a Community Reviewer program where people with lived experience will assist directly with agency grant-making. You can learn more about the Community Reviewer Program* ***here.***

7. Comment Letter – MICAH – Responses at multiple points throughout letter

MICAH recognizes the constraints HUD has placed on current grantees in discussing Diversity, Equity and Inclusion (DEI) in documents. We believe it is imperative to identify specific populations that are disproportionately impacted by lack of affordable housing and homelessness and we need to use all of our resources equitably to meet the needs of all Minnesotans. This is not specifically identified until page 74. This disparity must also include struggles people are having including limited resources for interpretation, resources and housing that meet their needs and wants. The Action Plan would be more helpful to all populations, if we listen and incorporate the variety of housing and services wanted and needed by all the people of Minnesota. Diversity of housing types and needs wanted by people include but are not limited to: intergenerational housing, tiny homes, manufactured home cooperative communities, 5-7 bedroom homes and apartments, and affordable homeownership. We need genuine equality across our systems, so everyone has a home.

Response: *Thank you for your comment. The State recognizes there are specific populations within Minnesota that bear more of the burden from lack of affordable housing. In developing the AAP, the State is required to utilize the template provided by HUD. This template requires us to respond to specific questions that do not always allow us to expand upon or identify specific populations impacted by affordable housing disparities. Additionally, there are certain words, phrases and population identifiers that HUD does not allow us to utilize in our submission of this report. Because this plan is very specific to the requirements of our small federal allocations, it doesn't always show the entire picture of need or action that the State is taking to enhance housing affordability. For a more complete picture, we recommend looking at Minnesota's Strategic Plan and Affordable Housing Plan, which can be found on Minnesota Housing's website* ***here.***

[MICAH requests that] people with lived experience [be involved] in the plan and grantees [be held] accountable for certifying they are involved in decision making at the grantee level. The Regional Expert Network (REN) is a group sponsored by the Minnesota Coalition for the Homeless to amplify the voices of people with lived experience in homelessness policy making. The REN group met with DHS staff in April 2021 to discuss key issues around housing, shelter and economic opportunity facing the communities in which they live (across Minnesota). Specifically, DHS sought suggestions for how to target and prioritize ESG and other state homeless resources (distributed through our April 2021 RFP process) to best meet these emerging needs.

MICAH recommends DHS should consult with at least four to six regional groups organizing people experiencing homelessness across the State. REN is only one of many groups organizing people experiencing homelessness how to target and prioritize ESG and other state homeless resources to best meet these emerging needs and to ensure people experiencing homelessness are decision makers at the grantee level by holding the grantee accountable for their certification.

Please expand on the information of the MICH consultants that experienced homelessness working with each State agency and ways Minnesota Housing is utilizing lived experience consultants in their work. While we believe that Minnesota has significantly improved the involvement of people with lived expertise in MICH and the Minnesota Housing strategic plan, the State must hold itself and agencies funded accountable to having people with lived expertise as decision makers at every table, including Board of directors/Trustees and on staff.

Response: *Thank you for your comment. Minnesota Housing recently recently rolled out a Community Reviewer Program where people with lived experience will assist directly with agency grant-making. DHS regularly pays people with lived experience to review applications for competitive grant-funded programs. This ensures people with lived experience are involved in decisions related to funding distribution of ESG and other funds.*

MICAH appreciates implementation of our 2023 comments to include at citizen participation at first and prior to second public hearing to have the public hearing be a hybrid hearing in person and via zoom. We repeat our 2023 comment of the need to expand community listening circles to diverse communities. To create documents people can read and comprehend, this document's reading level is above the 6th grade level which 54% of Americans cannot read and/or is not in their own language. We appreciate that you have incorporated our suggestion from the 2023 plan to have both phone call-in message system for those needing translation including culturally competent interpreters (not translators) and speakers to talk with ESL groups about the housing programs and to seek community engagement since even hybrid phone-internet meetings do not meet the "culturally competent" need.

Citizen participation continues to be very low. We suggest holding meetings at the Minnesota Coalition For the Homeless Conference and the Homes for All Coalition meetings to increase participation.

Response: *Thank you for your comment. The State continues to work on its goals regarding document and meeting accessibility for all Minnesotans including plain language reviews. This is a document that is submitted to HUD that we are required to publish and receive comments on; as a result, the State is required to respond to specific prompts and complete specific tables, each of which is bolded throughout the document. Many of the prompts include technical information which can be hard for those unfamiliar with the programs to understand. Minnesota Housing, DEED and DHS provide more specific plain language information on how to access this funding and background information on their websites. Minnesota's AAP must be submitted at a very specific time, which requires us to hold public comment prior to submission. Timing of the conferences and meetings do not often align with the timing of the AAP submission process. We will continue to advertise these hearings to as many communities as possible.*

The targeting of many of the programs does not meet those with greatest housing needed for people with incomes below 30% median income. (ELI)

Response: *Thank you for your comment. While DEED's SCDP housing rehabilitation activities directly benefit low- to moderate-income households, assistance to public facility and infrastructure projects also provides meaningful benefits to the entire community, including residents with extremely low incomes. These investments help local governments avoid significant increases in user rates and prevent health, safety and environmental hazards that disproportionately affect households with the least ability to absorb additional costs. Public facility improvements are therefore an important component of maintaining safe, affordable and sustainable living conditions for all residents in eligible project areas. As stated above, we recognize the need for more programs to target households at extremely low-income levels. Minnesota Housing continues to lobby at both the State and Federal levels for more programs dedicated to affordable housing.*

Minnesota Housing has primarily been used for supportive housing-only buildings. MICAH supports use for mixed-income populations and services so people can continue to live in same unit when they no longer need supportive housing services but need affordable housing. MICAH is very concerned with the sustainability of supportive housing with the change of priorities by HUD in the CoC NOFO funding and Minnesota continuing [to need] to bail out supportive housing programs through Minnesota tax resources.

Will Minesota support the actual implementation of the HEARTH ACT to stabilize supportive housing? HEARTH Act as it amended McKinney Vento in 2009 allows PSH renewals to be funded by Section 8. See below.

SEC. 429. RENEWAL FUNDING AND TERMS OF ASSISTANCE FOR PERMANENT HOUSING. ''(a) IN GENERAL. —

Renewal of expiring contracts for leasing, rental assistance, or operating costs for permanent housing contracts may be funded either (1) under the appropriations account for this title; or (2) the section 8 project-based rental assistance account. ''(b) RENEWALS.—The sums made available under subsection (a) shall be available for the renewal of contracts in the case of tenant-based assistance, successive 1-year terms, and in the case of project-based assistance, successive terms of up to 15 years at the discretion of the applicant or project sponsor and subject to the availability of annual appropriations, for rental assistance and housing operation costs associated with permanent housing projects funded under this subtitle, or under subtitle C or F (as in effect on the day before the effective date of the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009). The Secretary shall determine whether to renew a contract for such a permanent housing project on the basis of certification by the collaborative applicant for the geographic area that— ''(1) there is a demonstrated need for the project; and ''(2) the project complies with program requirements and appropriate standards of housing quality and habitability, as determined by the Secretary. ''(c) CONSTRUCTION. — Nothing in this section shall be construed as prohibiting the Secretary from renewing contracts under this subtitle in accordance with criteria set forth in a provision of this subtitle other than this section.

Response: *Thank you for your comment. Minnesota Housing is very concerned about the federal shift in funding away from permanent supportive housing and the Housing First model and is actively working with Continuum of Care organizations and grantees on this evolving topic. The agency has taken numerous actions to send additional resources to permanent supportive housing developments and is generally supportive of changes that provide consistent and ongoing resources to address the operating and service gaps in supportive housing developments.*

Minnesota Housing-HOME: MICAH again requests that Minnesota uses a portion of HOME funds for Tenant Based Rental Assistance.

Response: *Thank you for your comment. Minnesota Housing is very concerned about the federal shift in funding away from permanent supportive housing and the Housing First model and is actively working with Continuum of Care organizations and grantees on this evolving topic. The agency has taken numerous actions to send additional resources to permanent supportive housing developments and is* *generally supportive of changes that provide consistent and ongoing resources to address the operating and service gaps in supportive housing developments.*

ESG Shelter funding: See previous comments on people with lived experience involvement in ESG program.

Response: *Thank you for your comment.*

“Actions planned to address obstacles to meeting underserved needs: The State has found that the largest obstacle in meeting underserved needs is a lack of funding. The State will continue to fund projects within its scope of funding to serve residents in need in Minnesota and will continue to seek other funding sources to address additional needs in the State”: MICAH agrees while one primary obstacles is lack of funding, additional obstacles include: limited involvement of people impacted at all decision-making tables, limited diversity of housing models to meet our diverse population, projects funded tend to be provided to same providers vs. developing set-aside for newer organizations or new innovative projects. Also, lack of livable income, affordable health care, civil rights protections, education and training opportunities and equity in use of our tax resources for housing for all income levels.

Response: *Thank you for your comment. We agree that there are many barriers to affordable housing that need to be addressed at the State and Federal levels.*

Actions planned to reduce lead-based paint hazards: Exposure to lead-based paint is one of the most significant environmental and public health threats. MICAH agrees and we are pleased we were able to help pass this legislative session the Lead Safe Homes Bill for $4 Million that Minnesota Housing will be operating and implementing this year.

Response: *Thank you for your comment. We are excited that that program will be rolling out soon.*

Actions planned do not appear to reduce the number of poverty-level families. MICAH encourages the State to train and employ Minnesotans at poverty level and below in the trades and help them obtain good paying jobs in infrastructure funded projects and building homes.

Response*: Thank you for your comment. While SCDP has specific federal and state requirements, DEED continues to invest in workforce development programs that help residents gain skills, credentials and access to good-paying jobs that strengthen local housing and infrastructure capacity. At Minnesota Housing, agency staff work with contractors and subcontractors working on Section 3 projects to identify opportunities to train and employ low-income workers on these projects and other similar opportunities in the trades.*

How is the info you provided in page 28 of the 2023 draft plan (which MICAH supported) regarding Black, Indigenous and People of Color-owned Business Enterprises/Women-owned Business Enterprises being implemented?

Response: *Thank you for your comment. Minnesota Housing has been implementing the steps laid out regarding Black, Indigenous and People of Color-owned Business Enterprises/Women-owned Business Enterprises in its HOME and NHTF Combined Program Guide during its yearly Consolidated RFP processes. You can find the Multifamily Division Black, Indigenous and People of Color-owned Business Enterprise and Women-owned Business Enterprise Compliance Guide that Minnesota Housing utilizes on our website,* ***here****.*

How does this Annual Action plan meet Minnesota's Affirmatively Furthering Fair Housing Plan?

Response: *Thank you for your comment. The State provides yearly updates on how we have been implementing our Analysis of Impediments to Fair Housing in its CAPER each year. This report reflects on how the work laid out in the yearly Annual Action Plan met our Fair Housing goals. The work described in the AAP is meant to address the barriers listed in the Analysis of Impediments, and the CAPER outlines how successful the work was. The CAPER comes out in December of each year.*

Encourage you to use High Priority Homeless or people with multiple and/or long-term experiences of homelessness instead of chronic homelessness throughout the document.

Response: *Thank you for your comment.*

8. Resident's Comment – Kristi Fernholz, UMVRDC

Summary of comment: Here are our comments, many that you have heard before. The SCDP program is very important to very small towns. The program (target area, eligible projects) at times is unfair to very small towns who do not have the typical downtown and use creative ways to use their limited resources.

The current DEED funding for admin has not changed for at least 20 years, yet we are continually asked to do more paperwork. With inflation and staff wage rises, our costs increase each year, which going forward, is passed on to our cities. It will become unaffordable for our smallest cities.

We request that DEED consider:

- Increase the max grant size to $800,000 single purpose and $1.6 million for comprehensive
- Increase the max amount per project to $50,000 for both Owner-Occupied, Single-Family Rental and Commercial
- Increase the allowed administration amount to 18% of the total grant award vs. 15% of construction funds used.

Response: *Thank you for your comments. DEED understands the challenges that small communities face and recognizes that CDBG's annual allocation continues to be fully utilized as community needs evolve. Any adjustments to maximum grant sizes, target areas, project limits, or administrative* *allowances must take several factors into account. Federal requirements, including lead-based paint standards, contractor licensing rules, and administrative thresholds play a significant role in determining how SCDP funds can be structured to ensure successful program implementation. DEED will continue to review these concerns within the parameters established by federal and state program requirements.*

Item: Predictive Cost Model: Background and Assessment

Discussion Item: 8.A
Date: 07/23/2026
Staff Contacts: John Patterson, 651.539.9747, john.patterson@state.mn.us
Request Type: No Action, Discussion

Request Summary

To continue the board's discussion about the predictive cost model during its May 2026 meeting, staff are providing additional background information about the model and an assessment of its effectiveness.

Fiscal Impact

None

Agency Priorities

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

Attachments

- Assessing Minnesota Housing's Predictive Cost Model

Assessing Minnesota Housing's Predictive Cost Model

Background

The predictive cost model has been a effective tool for flagging proposed housing projects that have statistically high costs. However, it is important to understand the purpose and limits of the model. The model does not provide a precise cost estimate of every development that applies to the Agency for funding. The type and level of data that we collect about the housing developments we finance are not detailed or complete enough to precisely predict future costs for every possible housing proposal that we may see. To do that, we would need to collect and store far more detailed and complete data for a full spectrum of housing developments in each of the state's housing submarkets.

Given the data that we have, the purpose of the model is to flag projects that have statistically high costs. Given the circumstances and nature of a specific housing proposal, it is possible for a project to have statistically high costs that are still reasonable. For example, a critical housing project that needs to be built at a specific location may have unusually high environmental abatement costs or challenging site issues, such as a steep slope or a tricky infill site. We classify proposed new construction costs that are more than 25% above the predicted costs and proposed rehabilitation costs that are more than 35% above the predicted cost to be statistically high. We have found that about 1 in 7 or 8 funded projects (about 13%) have costs above these two thresholds. For these projects, staff are required to do additional due diligence to understand and explain why the costs are statistically high but still reasonable.

The predictive cost model is a regression analysis that models total development costs based on over 500 projects the Agency financed between 2003 and March 2026 (adjusted for development inflation).[1] The model measures the individual effect that a set of explanatory factors have on development costs while holding all the other factors constant. For example, it measures the effect that building location (Minneapolis/St. Paul, Twin Cities suburbs, large Greater Minnesota cities, Greater Minnesota regional job centers, or rural areas) has on total development costs, assuming that the exact same building is built in each location, which requires that all the other factors are held constant.

The explanatory cost factors include:

[1] This is not all the projects that we have financed, but all the projects with complete data.

- Activity Type:
  - New Construction
  - Extensive Rehabilitation[2]
  - More Limited Rehabilitation
  - Combination of New Construction and Rehabilitation
  - Conversion/Adaptive-Reuse
- Building Type:
  - Walkup
  - Elevator
  - Townhome
  - Single Family Home/Duplex
- Number of Stories
- Unit Size – based on average number of bedrooms per unit in the development
- Gross Square Footage
- Location:
  - Minneapolis or Saint Paul
  - Suburbs in Twin Cities Seven-County Metro Area
  - Greater Minnesota – Large City[3]
  - Greater Minnesota – Regional Job Center[4]
  - Greater Minnesota – Rural
- Age of Existing Structure (for rehabilitation projects)
- Underground Garage
- Acquisition Factors:

[2] This involves more extensive work on the interior, exterior, electrical and mechanical systems of a property. “Extensive” versus “more limited” is determined by staff using internal definitions.

[3] The large cities are Duluth, Rochester, St. Cloud, Moorhead and Mankato, and include a five-mile commute area around the cities.

[4] There are 51 regional job centers, which are the top 15% of cities and townships in number of jobs. They include: Albert Lea, Albertville, Alexandria, Austin, Baxter, Bemidji, Brainerd, Buffalo, Cambridge, Cloquet, Cold Spring, Crookston, Detroit Lakes, Elk River, Fairmont, Faribault, Fergus Falls, Goodview, Grand Rapids, Hibbing, Hutchinson, International Falls, La Prairie, Little Falls, Marshall, Montevideo, Monticello, Morris, North Mankato, Northfield, Onamia, Owatonna, Park Rapids, Perham, Pipestone, Red Wing, Roseau, Saint Michael, Saint Peter, Sartell, Sauk Rapids, Thief Rivers Falls, Virginia, Waite Park, Waseca, Willmar, Windom, Worthington and Wyoming. These areas also include a five-mile commute area around the cities.

    - Land
    - Structure
    - None
- Financing Factors:
    - Federal Low-Income Housing Tax Credits (Tax Credit)
    - Number of Funding Sources
- Special Costs:
    - Historic Preservation
    - Environmental Abatement
    - Demolition
    - Supportive Housing
    - Prevailing Wages

The model first estimates the cost impact of each explanatory factor and then applies the relevant factor estimates for a proposed development to predict its total development costs – for example, a new construction, 40-unit, four-story elevator building, predominantly supportive housing, in the Twin Cities Suburbs, with a mix of one-to-three-bedroom units and seven funding sources, etc. We then compare the project's proposed costs with the model's predicted costs to help assess cost reasonableness.

Our predictive cost model is three separate models, each covering a different component of costs – (1) construction costs (materials, labor, equipment, etc.), (2) acquisition costs (purchase of land and structures), and (3) soft costs (a range of fees and costs, including legal, developer, financing, etc.). The overall predicted total development cost of a proposed development is the sum of the three components.

For additional context, Table 1 provides the predicted costs from the current model for a range of project types. The costs are in 2028 dollars, when we expect most projects selected in 2026 will be under construction.

Table 1: Predicted Total Development Costs (TDC) per Unit for Various Project Types (2028 Dollars)

Project Type	TDC per Unit
Non-Tax Credit, New Construction, 4-Story, 40-Unit Elevator Building with a Range of One-to-Three-Bedroom Units and 7 Funding Sources in Greater Minnesota Regional Job Center Area (Land Acquisition)	$343,000
Tax-Credit, New Construction, 4-Story, 40-Unit Elevator Building with a Range of One-to-Three-Bedroom Units and 7 Funding Sources in Metro Suburbs (Land Acquisition)	$408,000

Project Type	TDC per Unit
Tax Credit, 3-Bedroom Units, New Construction, Townhouses, Underground Garage, Supportive-Housing, Environmental Issues, 13 Funding Sources, in Minneapolis or St. Paul (Land Acquisition)	$611,000
Non-Tax Credit, Extensive Rehabilitation, 2-Story, 20-Unit Walkup Building with a Range of One-to-Three-Bedroom Units and 7 Funding Sources in Greater Minnesota Rural Area (No Acquisition)	$197,000
Tax Credit, Extensive Rehabilitation, 4-Story, 40-Unit Elevator Building with a Range of One-to-Three-Bedroom Units and 7 Funding Sources in Metro Suburbs (Land and Structure Acquisition)	$372,000
Tax Credit, Historic-Preservation, Warehouse Conversion, 6-Story, 60-Unit Elevator Building, Environmental Issues, 3-Bedroom Units, Supportive Housing, in Minneapolis or St. Paul, 13 Funding Sources (Land and Structure Acquisition)	$667,000

*All costs include prevailing wages.

Model Assessment

To assess the model, we examined:

- The share of the variation in total development costs explained by the model;
- The consistency of the model's results with industry-wide sources;
- The need for cost waivers when proposed costs are substantially higher than the model's predicted costs; and
- The extent to which the Agency has contained costs, using the model as its primary assessment tool.

Share of Cost Variation Explained by the Model

Like any model, the predictive cost model has its limitations.

- It can only identify cost factors that are captured in the underlying data. For example, our housing development database does not include information on: (1) local zoning ordinances, which can affect costs, (2) unusual site challenges, such as steep slopes or underlying bedrock, and (3) a range of other cost factors. Thus, these factors cannot be quantified in the model.

- As a statistical model, it is more accurate if it has a large sample of projects across a range of project types and locations. For the model to tease out a specific cost factor that is statistically significant, it needs a relatively large sample of housing projects with and without that factor. For example, we have very few if any developments in specific housing sub-markets; thus, we cannot isolate cost differences for those specific locations.

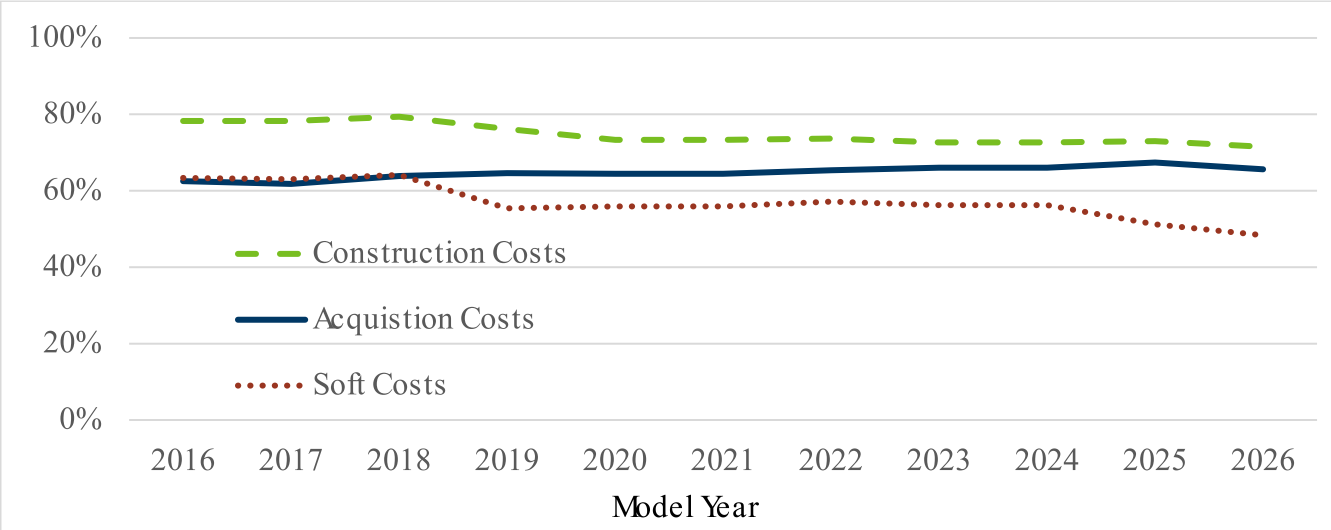
Even with these limitations, the Agency's model has a good fit between the model and the underlying data. Across the 500+ housing developments that go into the model, the model explains:

- **72% of the variation in construction costs;**
- **66% of the variation in the acquisition costs; and**
- **48% of the variation in the soft costs.**

For comparison, Abt Associates (a national consulting firm) released in August 2018 a cost analysis of housing tax credit developments from across the county, and their regression models explained 52% to 54% of the variation in the national data. Similarly, the U.S. Government Accountability Office (GAO) released in September 2018 another cost analysis of tax credit developments, and their regression models explained 63% to 65% of the variation in their national data.

When using broad-based cost factors such as gross square footage and geographic regions, as our model does, explaining 50% to 65% of the variation is a common result. As shown in Figure 1, the alignment of our model with the underlying data has declined slightly over time; however, it is still strong for construction and acquisition costs, which are the two biggest cost components overall, accounting for a combined 75% to 85% of a project's total development costs. For the predictive cost models that we have developed over the last 11 years, Figure 1 shows the share of the variation in the cost data that each model explained. It is unclear why the alignment with the underlying data is declining slightly. Over the last several years, we may be financing more complex developments and deals that have greater variation in their costs.

Figure 1: Share of Variation Explained by the Model



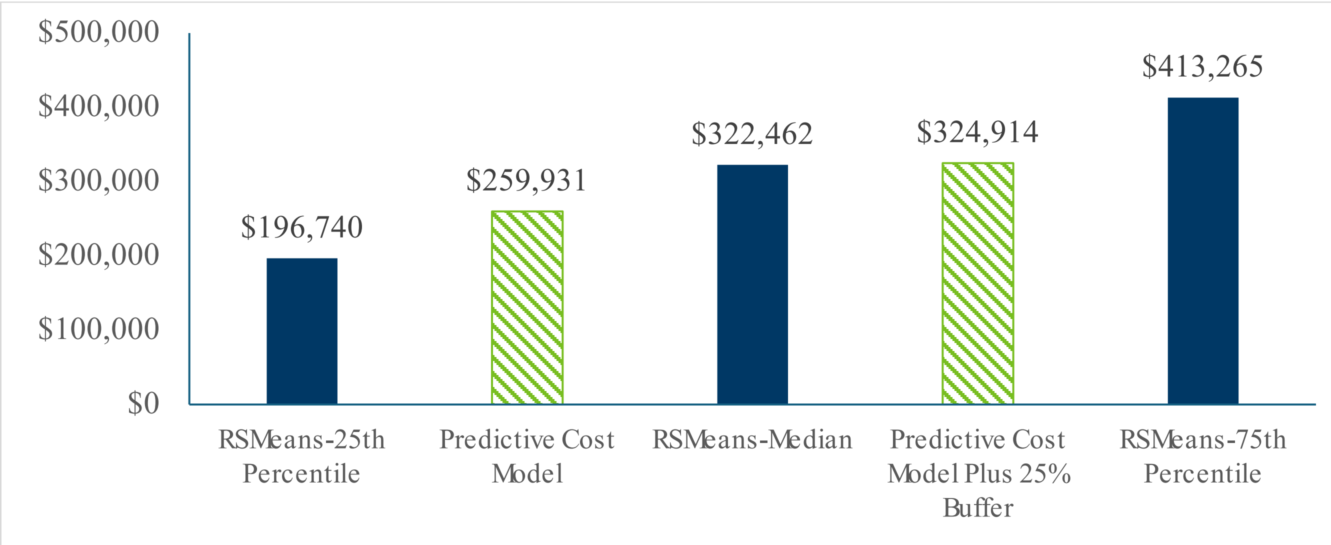
Consistency with Industry-Wide Sources

As another assessment of the model, we compare our predicted costs with cost information from RSMeans, a company that provides industry-wide data and tools for estimating residential construction costs.

- **Our predicted construction costs are consistent with industry-wide costs.**

From the RSMean's information, we can estimate the cost per unit for a 40-unit building in Minneapolis with 44,000 gross square feet. According to the RSMeans information inflated to 2028 costs, the 25th percentile of construction costs per unit would be \$196,740, the median would be \$322,462, and the 75th percentile would be \$413,265, which are shown in the solid blue bars of Figure 2. Based on our current predictive model (also 2028 costs), the construction costs for a standard 4-story, 40-unit, elevator building in Minneapolis with 44,000 square feet and no prevailing-wage requirement would be \$259,931 per unit. When we add the 25% buffer that triggers the need for a cost waiver, the per-unit cost increases to \$324,914. (See hatched green bars.) Our predicted construction costs are generally below or just above the RSMeans median for a similar housing development. For context, these are just construction costs and exclude the acquistion and soft costs. Construction costs are typically 70% to 75% of total development costs for new construction.

Figure 2: Predicted per-Unit Construction Costs in 2028$ (Excluding Acquisition and Soft Costs)



Need for Cost Waivers

Another way to assess the predictive cost model is to examine over time the number and share of housing projects that staff recommend to the board of directors for funding that request a cost waiver. New construction applications that are more than 25% over the model's predicted costs and rehabilitation applications that are more than 35% over require a waiver from the board to get funding. Given that the model is not perfect and explains some (48% to 72%) but not all the variation in costs, it is expected that a handful of proposed developments with perfectly reasonable costs will fall outside the 25% and 35% thresholds. As explained previously, we expect this to happen with roughly 1 in 7 or 8 proposals or approximately 13% of the time.

- **Overall, the number of approved developments needing a waiver has aligned with expectations, but the last few years have been at the high end.**

Figure 3 shows the number of projects selected for funding in each of the last 10 Consolidated RFPs that received a cost waiver. In each of the last 10 years, the board has approved zero to six cost waivers, with most years having two to five.

Figure 3: Number of Selected Developments with Cost Waivers in Consolidated RFPs

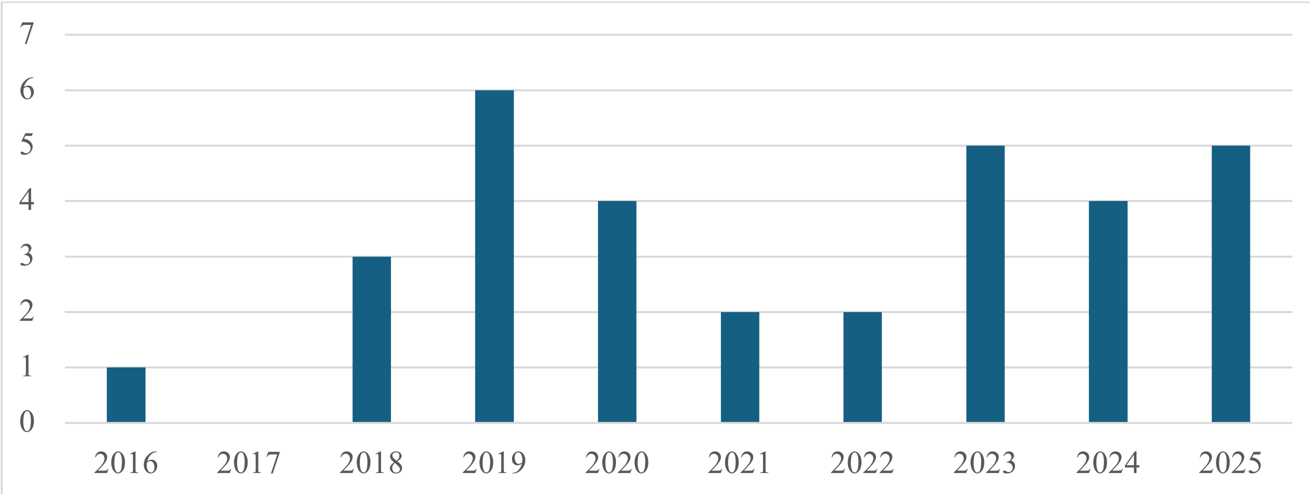
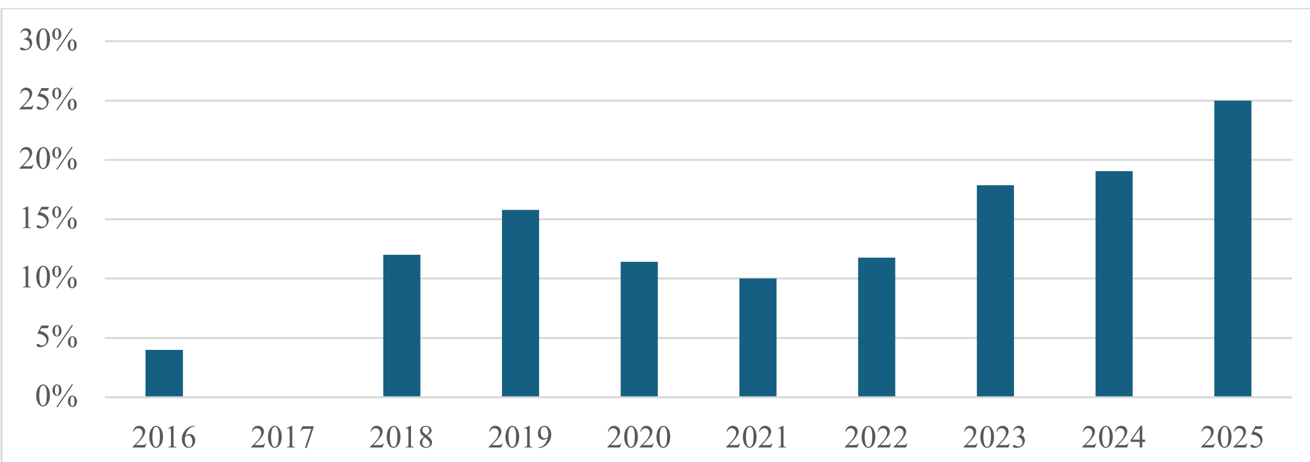


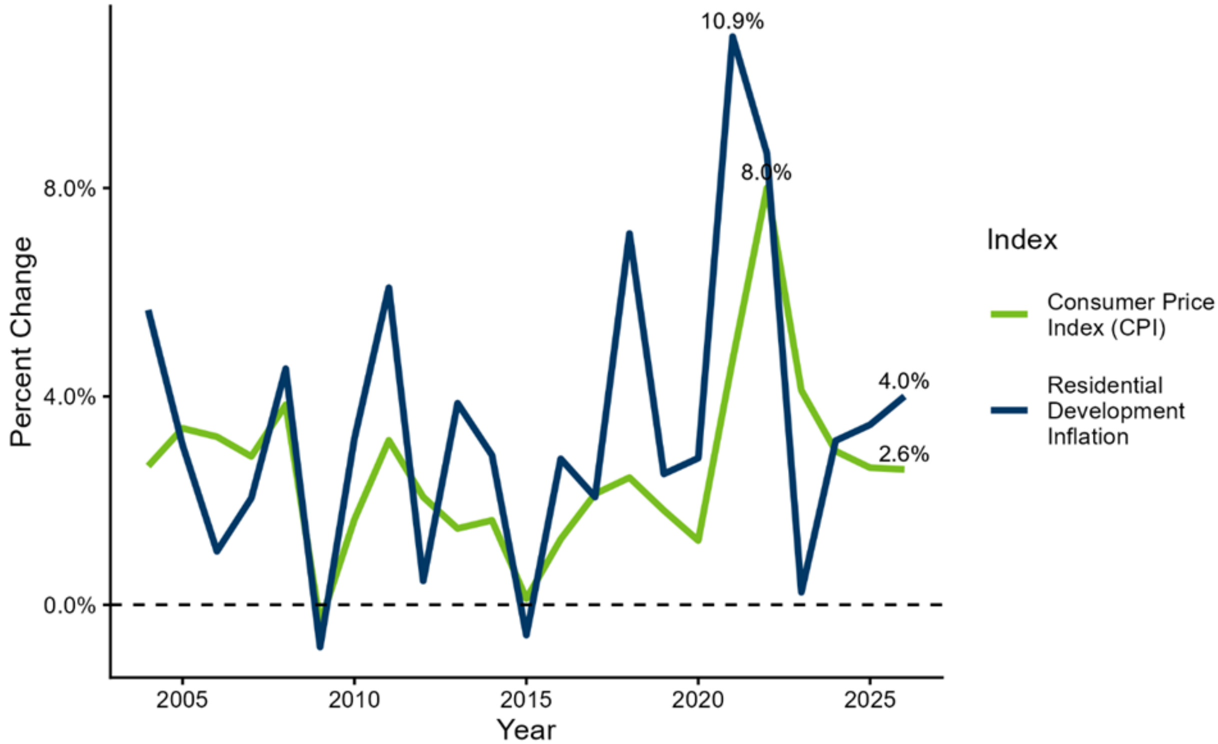
Figure 4 shows the share of projects selected for funding that received a waiver. Overall, across all ten years, 13% of projects received a waiver, which is right in line with expectations.

Figure 4: Share of Developments Selected for Funding in Consolidated RFPs with a Cost Waiver



However, the share has increased in recent years, rising from 12% in 2022 to 25% in 2025. There are a range of possible explanations for the increase. For example, as shown in Figure 5, residential development inflation has been quite volatile since 2021 with large swings that are hard to predict when applications for funding are often submitted two or more years before construction begins. With the higher-than-expected inflation in 2021 and 2022, many projects selected in those years ended up with funding gaps when the provided funding did not cover the increased costs. As a result, the developers had to scramble to fill the gaps. To avoid this, it is possible that developers are now adjusting their budgets to ensure that they will have enough funding. Given current inflation uncertainty related to tariffs and the war in Iran, we may see additional adjustments in the 2026 applications for funding.

Figure 5: Residential Development and Inflation



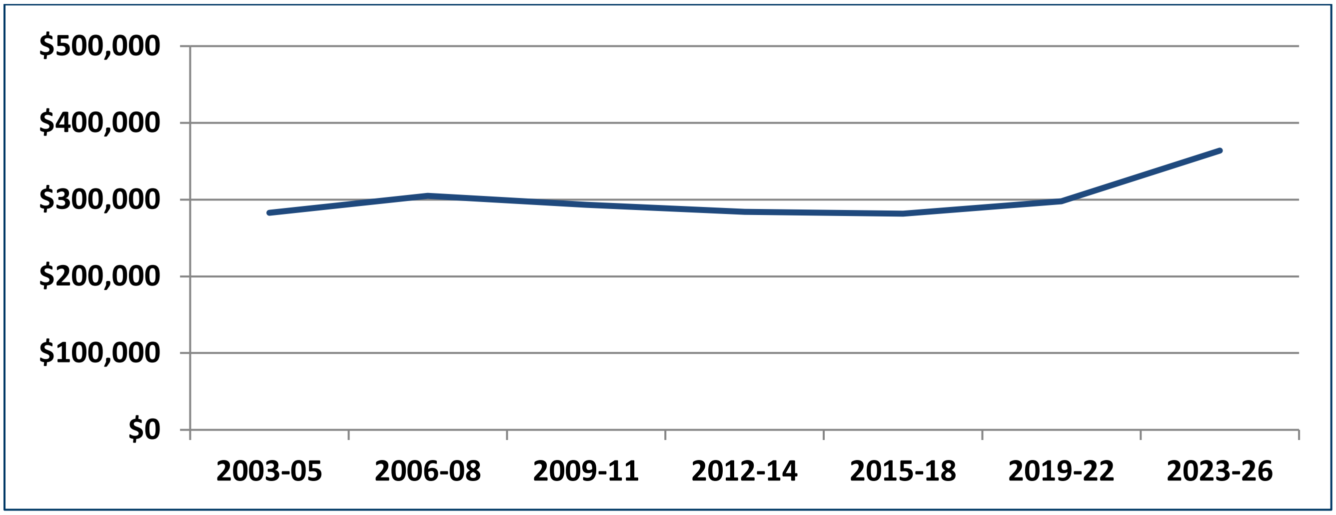
Effectively Containing Costs

One way to assess the model is to evaluate how well the Agency has used it to contain costs.

- **Overall, the predictive cost model has been an effective tool for containing costs after adjusting for development inflation.**

As Figure 6 shows, the average total development cost (TDC) per unit for projects that we have financed since 2003 have been very stable at about $300,000 until recently. The recent increase coincides with the construction of the first developments financed by Minnesota Housing that were required to meet the state's prevailing wage requirements. While the requirement went into effect around 2020, it took a year or two for the initial developments to start construction. We expected state prevailing wage requirements to increase total development costs by 10% to 20%, and the recent increases have been in that range. We have incorporated state prevailing wages into the most recent models by adding it as one of the explanatory cost factors.

Figure 6: Average TDC per Unit for All Projects (2026$)



The data in Figure 6 applies to all developments, including new construction, rehabilitation, metro area, Greater Minnesota, tax credit, non-tax credit, workforce housing and supportive housing. The trend line is influenced by both the underlying cost trends and the mix of projects each year. For example, a larger share of resources in a year going to new construction with tax credits in the metro area will increase average costs, while a larger share going to rehabilitation without tax credits in Greater Minnesota will decrease average costs.

To control the mix of projects in the trend line, Figure 7 shows the average TDC per unit just for new construction projects with tax credits in the metro area. Average costs have been relatively constant with a slight downward trend until the last few years, when costs went up.

Figure 7: Average TDC per Unit for New Construction in Metro Area with Tax Credits (2026$)

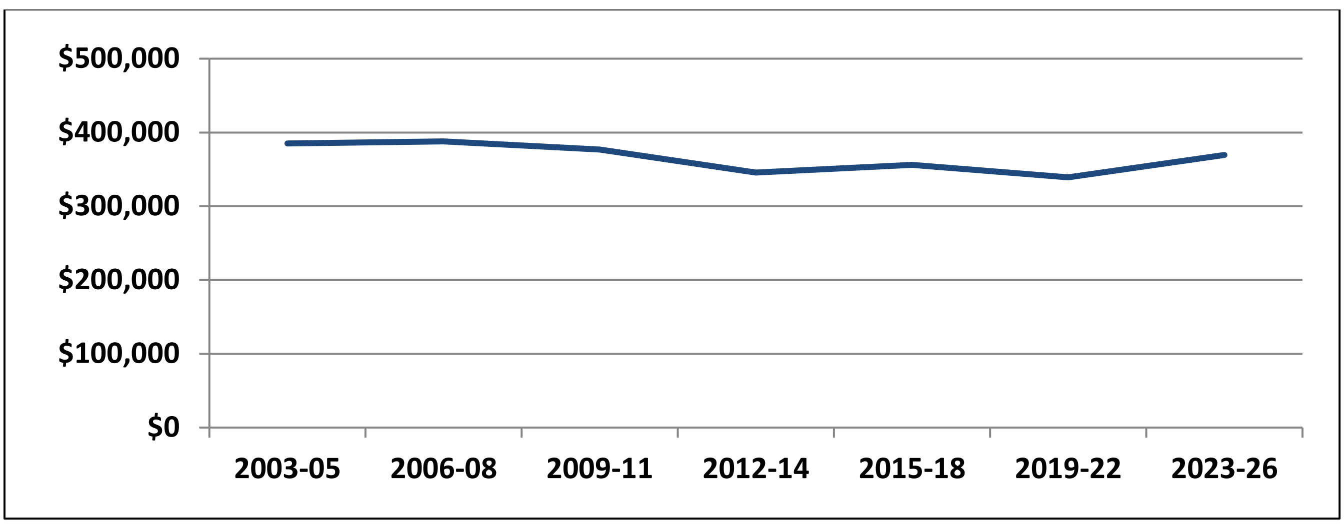
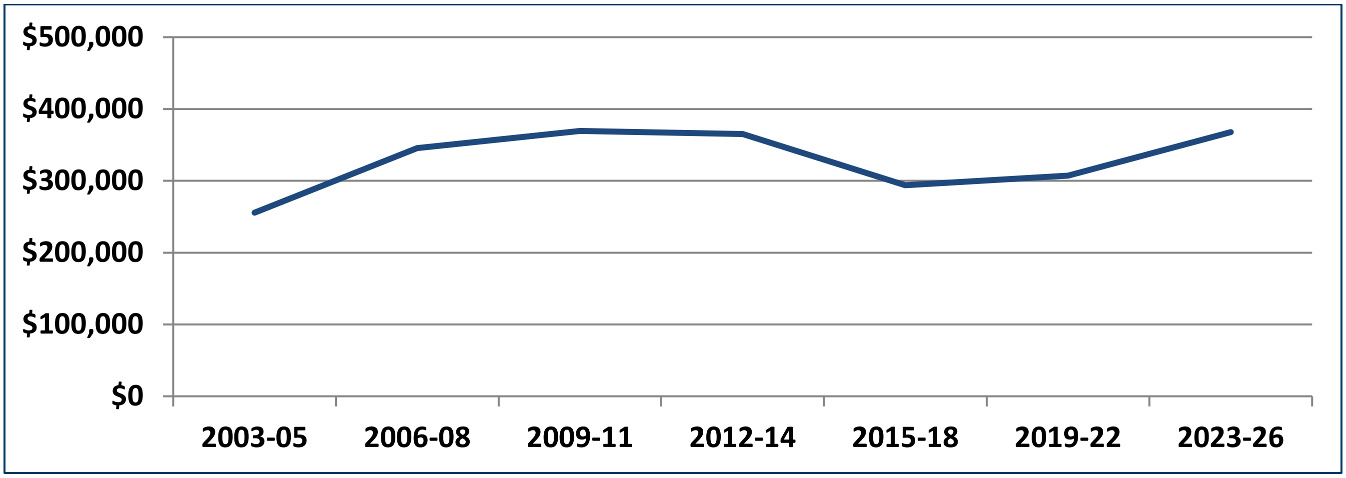


Figure 8 shows the equivalent graph for Greater Minnesota, which is a little more variable but shows similar cost containment over time.

Figure 8: Average TDC per Unit for New Construction in Greater MN with Tax Credits (2026$)



Conclusion

- **Overall, even though there is evidence that it is becoming harder to accurately predict residential development costs, the Agency's predictive cost model continues to be an effective tool for flagging developments that have statistically high costs and helping the Agency ensure cost reasonableness and contain costs.**

Having statistically high costs does not mean the costs are unreasonable because the model does not capture all factors affecting development costs. Given that, for each development with costs above the 25% or 35% threshold, we ask our underwriters, architects and research staff to work with the developer to better understand that project's cost drivers and how they are reflected or not reflected in the predictive cost model.

Given the location, nature and circumstances of critically needed housing, some of the proposals that staff recommend for funding may be relatively more expensive. In addition, given the complexity of projects, it may be challenging to pinpoint exactly why the costs are high. In these circumstances, staff and the board will need to decide if the benefits of the project outweigh the additional costs. The purpose of the predictive cost model and additional information from staff is to provide context for that decision, but the model does not make the decision on its own.