

# Community Stabilization: Naturally Occurring Affordable Housing – Multifamily Rental Housing Program

## Frequently Asked Questions

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

[Minnesota Laws 2024, chapter 127, article 14, section 11](#) amended the appropriation for the Community Stabilization Program, specifying that \$41,750,000 is to be used for Multifamily Rental Housing. The \$41,750,000 will be distributed as loans through a competitive Community Stabilization: Naturally Occurring Affordable Housing – Multifamily Rental Housing Program (NOAH Multifamily Program) Request for Proposals (RFP) process.

The information in this Frequently Asked Questions (FAQ) document is supplementary to the [NOAH Multifamily Program Guide](#) and Loan Agreements. In the event of any conflicts between the information in this document and the NOAH Multifamily Program Guide and/or Loan Agreement, the information in the NOAH Multifamily Program Guide and/or Loan Agreement will govern and control.

Updates to this FAQ will be identified and dated accordingly. Please review the [NOAH Multifamily Program](#) webpage and NOAH Multifamily Program Guide for additional details. Capitalized terms in this document use the definitions established in Appendix A of the [NOAH Multifamily Program Guide](#).

## Affordability Commitment

- Q1. Would use of these funds require that rent restrictions be put into place? So, in the future, the property will be affordable housing, but will no longer be naturally occurring?**
- A1.** Correct. The legislation that established this Program requires Minnesota Housing to implement rent and income limits to maintain affordability at the property. The legislation also requires prioritizing projects that serve lower-income households and maintain longer periods of affordability. The rent and income requirements will be established in a declaration recorded on the property.

## Eligible Properties

**Q1. Are properties with existing city NOAH preservation funds eligible?**

A1. Yes, provided the property meets all other eligibility requirements.

**Q2. Would a property with a Freddie first mortgage qualify?**

A2. It depends upon whether the first mortgage has rent or income restrictions. The legislation establishing this Program prohibits any properties with existing state or federal rent or income restrictions (with one exception for public housing that is part of a mixed-finance community as defined in section 9 of the Housing act of 1937).

If the Freddie-backed mortgage includes rent or income restrictions, then the project is ineligible because the rent or income restrictions are connected to federally-backed financing. If there are not rent or income restrictions, then the project is likely eligible. This would also apply to any financing provided by Fannie Mae or the U.S. Department of Housing and Urban Development (HUD).

**Q3. Would a property with county HOME funds qualify? We have a NOAH property with a HOME loan. The county was the lender, but we recognize HOME funds have federal origin. Does this exclude it from eligibility?**

A3. The property would be ineligible. HOME Program funds are federal financing, making the project ineligible.

**Q4. Would paying off a small HOME loan, once a NOAH award is announced, make the project eligible?**

A4. No because the property had federally required rent or income restrictions at the time of application.

**Q5. Would a property which had federal low-income housing tax credits (post year 15) that is in its extended use period be eligible for the program?**

A5. No. If the property is still under a federal low-income housing tax credit Land Use Restrictive Agreement (LURA), then the property is not eligible.

**Q6. The scoring criteria for Serve Lower Income Households indicates that, “units with committed project based rental assistance are considered units restricted at 30% MTSP for purposes of this program.” Can you clarify?**

A6. At the time of application, a project cannot have an active, existing contract for any type of project-based state or federal rental assistance, including such programs as HUD Section 811 or Section 8. However, on the date of application, a project may have a commitment or a commitment in process for project-based rental assistance. The future state of the property would then include project-based assistance. Projects with an executed rental assistance

commitment may count these units as rent restricted to 30% MTSP for the purposes of scoring in the RFP. The application must include documentation to support the scoring selection.

Please note that projects with existing tenant-based rental assistance may still be eligible because the assistance is to the household and not to the property.

**Q7. Would a property participating in the Low-Income Rental Classification (LIRC or commonly referred to as 4D) program qualify?**

A7. It depends. If the declaration of affordability restriction is from non-state or non-federal financing, then the property would be eligible.

If the declaration of affordability restriction is from state or federal financing or tax credits, then the property would be ineligible.

**Q8. Would a vacant building be eligible?**

A8. It depends. If all tenants in the building happen to vacate their respective units at the same time so the building is vacant but the units are otherwise available to rent, then the property would be eligible for this Program (providing it meets all other eligibility requirements).

If the building is vacant because the units are not habitable and needs renovation in order to bring the units online so that they could be available for rent, then the property does not qualify. The NOAH Multifamily Program is for preservation of existing rental housing.

**Q9. Would a single-family home, duplex, or triplex operated as four or more single room occupancy units be an eligible property?**

A9. Per the NOAH Multifamily Program Guide, Multifamily Rental Housing is a single residential property with four or more housing units that are available for rent. All units must be permanent rental housing with individual tenant leases and no time restriction on length of stay. Please reach out to Minnesota Housing at [noah.mhfa@state.mn.us](mailto:noah.mhfa@state.mn.us) for technical assistance to discuss your specific project.

**Q10. What is the eligibility of scattered site developments under NOAH? I understand that this program is for four or more units, but can they be scattered sites, or do they have to be part of the same parcel/property?**

A10. Per the NOAH Multifamily Program Guide, Multifamily Rental Housing is a single residential property with four or more housing units that are available for rent. Scattered site developments (for example, a set of single family homes operated together as rental properties) are not eligible.

## **Eligible Recipients**

**Q1. Can a local unit of government directly own the property?**

- A1. No. Per the legislation that established this Program, the funding cannot be used for publicly owned housing, so a Housing and Redevelopment Authority or Public Housing Authority cannot directly own the property. However, the property can be owned by a Limited Liability Company (LLC) or Limited Partnership (LP) in which the local unit of government has a controlling interest as a general partner or the sole member of an LLC. The property can be transferred into a newly created LLC or LP after selection and before closing. If you are local unit of government interested in applying, please reach out to us for technical assistance.

## Eligible Uses

- Q1. Acquisition costs are an eligible expense, but would a new acquisition for a NOAH property you don't already own be ineligible?**
- A1. A new acquisition of a NOAH Property is an eligible use; however, the stabilization of existing NOAH properties will be prioritized over new acquisitions.
- Q2. Regarding replacement reserves, is the intent to replenish a replacement reserve or establish a reserve for a property?**
- A2. It could be both.
- Q3. Does an interest rate reduction need to be formalized through the existing lender? Or could we capitalize a debt service reserve (or something else) if the loan does not allow for a reduction?**
- A3. An interest rate reduction could be accomplished by creating a debt service reserve to effectively write down the interest rate. Another possible approach would be to pay a lump sum of the net present value of the interest rate differential for the remaining term of the loan to the lender to write down the interest rate. Applicants who are interested in the second option should also submit a letter indicating that the current lender would agree to an interest rate reduction. Further, the Applicant must demonstrate the interest rate reduction has the effect of extending or enhancing affordability or otherwise preserving the property. Please reach out to Minnesota Housing at [noah.mhfa@state.mn.us](mailto:noah.mhfa@state.mn.us) for technical assistance to discuss your specific project.
- Q4. If using the funds for rehabilitation, what is the required time period for the utilization of the funds?**
- A4. Applicants can choose to either have a Construction Loan or an End Loan. For more information, see section 4.03 of the [NOAH Multifamily Program Guide](#).
- The Construction Loan must close within 20 months from the initial Minnesota Housing board approval date. After the closing, rehabilitation is expected to begin and be completed within nine to 18 months.

For an End Loan, the project must enter into a loan commitment within 20 months of Minnesota Housing board approval. The rehabilitation must be completed, and the loan closed within 18 months once the loan commitment is executed.

If an Applicant wishes to complete improvements over multiple years, then it would be more appropriate to request capitalization of replacement reserves.

**Q5. If using the funds for rehabilitation, what are the design requirements for borrowers who are not using federal low-income housing tax credits?**

A5. It is strongly encouraged that borrowers who are not using federal low-income housing tax credits follow the Limited Scope Project Abbreviated Design Standards, in addition to other requirements indicated in section 3.04 of the [NOAH Multifamily Program Guide](#).

## Loan Structure

**Q1. What are the loan terms? Are these reduced rate loans? Forgivable?**

A1. As further explained in Chapter 4 of the NOAH Multifamily Program Guide, this Program allows a flexible loan structure where the Applicant may propose the loan structure that best works for the project and is compatible with other funding on the property. See page 4 of the NOAH Multifamily Program RFP Application for details. The Applicant will propose a loan structure in the Application; however, final loan structure will be at the sole discretion of Minnesota Housing.

**Q2. Equity partners and Freddie Mac will not allow additional financing on NOAH properties. Is there a way to structure the loan that allows my organization to apply for NOAH funds?**

A2. Yes. Alternative loan structures may be considered but are subject to approval at Minnesota Housing's sole discretion. For example, as referenced in section 4.02 of the NOAH Multifamily Program Guide, an alternative loan structure may include a loan to a Borrower which is a Nonprofit Organization that subsequently loans or contributes the funds to a property owned or controlled by the Borrower. If using an alternative loan structure, please provide a detailed description of the proposed structure in the application.

## Funding Amounts

**Q1. What's the maximum amount that can be awarded to a project?**

A1. There is no maximum amount that may be requested; however, Minnesota Housing will consider the amount of funding requested in comparison to available resources in order to fully fund or nearly fully fund as many projects as is reasonably feasible.

Additionally, the amount of funding requested in comparison to the total available NOAH Program Funding will impact the project's score. See section 3.B. (Funding Request) of the NOAH Multifamily Program RFP Application Self-Scoring Worksheet for more information.

**Q2. Will there be circumstances where you would fund only part of a request?**

A2. Minnesota Housing strives to fully fund or nearly fully fund as many projects as reasonably feasible when making selection decisions. However, there may be situations where only part of a request is funded due to the facts and circumstances of a given request.

## Application Materials

**Q1. Does the Physical Needs Assessment Form need to be current, or could a Physical Needs Assessment Form completed two years ago be submitted as part of the NOAH Multifamily Program RFP Application?**

A1. The Physical Needs Assessment Form should be dated within the year.

## Timeline

**Q1. What do you anticipate the timeline to be from the date a project is selected to a potential closing/access to the funds?**

A1. The timing for closing is generally dependent on the eligible use of the funds and when full and complete due diligence is submitted. Since this is a new program, there is not currently an estimate of quickly a Borrower may be able to close.

## Submitting the Application

**Q1. Will we be using the Multifamily Customer Portal?**

A1. No. Applications will be submitted through the Secure Upload Tool. The link to this is embedded in the application materials.

**Q2. Where can we find the naming conventions for the documents for the upload?**

A2. Naming Conventions can be found on the [Partner Login](#) webpage. Select the Partner Login link on the top right of the [Minnesota Housing website](#). Scroll down the Partner Login webpage to the Secure Upload Tool section. Under Secure Upload Teams and Purposes, open the Community Stabilization: Naturally Occurring Affordable Housing – Multifamily Rental Housing Program section.

Include the Applicant and property name in the subject line and for all subsequent naming of documents in the following format:

- Applicant\_Property\_Application

- Applicant\_Property\_Checklist
- Applicant\_Property\_Self-ScoringWorksheet
- Etc.