



Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program

Program Guide

November 21, 2024



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Table of Contents

Chapter 1 – Introduction.....	3
1.01 Values Statement.....	3
1.02 Program Purpose and Authorizing Statute.....	3
1.03 Program Overview.....	4
1.04 Program Guide.....	4
1.05 Definition of Terms.....	4
Chapter 2 – Eligibility and Program Requirements	5
2.01 Eligible Grantees.....	5
2.02 Qualifying Projects.....	5
2.03 Income Limits for Certain Qualifying Projects	6
2.04 Conditions for Development of Market Rate Residential Rental Property.....	6
2.05 Eligible Expenses.....	8
2.06 Ineligible Expenses.....	8
2.07 No Limits on Amounts per Unit or per Qualifying Project	8
2.08 Conditions for Demolition or Removal of Existing Structures.....	8
2.09 Accessibility of Multifamily Buildings	8
2.10 Visitability.....	9
2.11 Prevailing Wage.....	9
2.12 Privacy Act Notice and Tennessen Warning.....	9
Chapter 3 – Funding Information	10
3.01 Funding Source and Type.....	10
3.02 Funding Amount	10
3.03 No Funding Match Required.....	10
3.04 Funds Must Not Supplant Locally Funded Housing Expenditures	10
3.05 Disbursement Schedule.....	10
3.06 Program Income	10
Chapter 4 – Application Process, Review Criteria and Selections.....	11
Chapter 5 – Contracting, Reimbursements and Budget Modifications.....	12
5.01 Work Plan and Budget.....	12

5.02	<i>Grantee Requirements</i>	12
5.03	<i>Subgrantees and Loans</i>	13
5.04	<i>Reimbursement Requests</i>	13
5.05	<i>Advance Payment Requests</i>	13
5.06	<i>Budget Modifications</i>	13
Chapter 6 – Reporting, Monitoring and Record Keeping		14
6.01	<i>Reporting</i>	14
6.02	<i>Monitoring and Financial Reconciliation</i>	14
6.03	<i>Corrections and Funding Repayment</i>	14
6.04	<i>Record Keeping</i>	15
Appendix A – Definitions		16
Appendix B – Forms		19
Appendix C – Legal Addendum		20
1.01	<i>Conflict and Control</i>	20
1.02	<i>Fraud</i>	20
1.03	<i>Misuse of Funds</i>	20
1.04	<i>Conflict of Interest</i>	20
1.05	<i>Assistance to Employees and Affiliated Parties</i>	22
1.06	<i>Suspension</i>	23
1.07	<i>Disclosure and Reporting</i>	23
1.08	<i>Electronic Signatures</i>	23
1.09	<i>Fair Housing Policy</i>	23
1.10	<i>Minnesota Government Data Practices</i>	25
1.11	<i>Prevailing Wage</i>	25

Chapter 1 – Introduction

1.01 Values Statement

Vision

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

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.

Principles and Values

We will:

- Center the people and places most impacted by housing instability at the heart of our decision making
- Listen, share power and support
- Honor, respect and strengthen communities
- Be inclusive, equitable, just and antiracist in our actions
- Be creative and innovative problem solvers
- Be nimble, flexible and responsive
- Make decisions based on data and evidence
- Improve constantly
- Build and leverage resources
- Be accountable for our results

Strategic Objectives

We strive to:

- Improve the housing systems
- Strengthen communities
- Preserve and create housing opportunities
- Make homeownership more accessible
- Support people needing services

1.02 Program Purpose and Authorizing Statute

[Minnesota Statute 477A.36, subdivision 3](#) authorizes Minnesota Housing to award grants to Tier II Cities to develop and preserve Affordable Housing and, under certain conditions, market-rate housing. The Minnesota Legislature first authorized and appropriated funds for the uses described in this subdivision in 2023. Tier II Cities are referred to as Greater Minnesota Small Cities throughout this Program Guide.

1.03 Program Overview

Through the Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program (the Program), Minnesota Housing makes grants to cities in Greater Minnesota with populations under 10,000 for Qualifying Projects as defined in this Program Guide.

1.04 Program Guide

This Program Guide, including subsequent changes and additions, is a supplement to and incorporated into the Grant Contract Agreement by reference and is a part thereof as fully as if set forth in the Grant Contract Agreement at length. If there are any conflicts between the terms of this Program Guide and the Grant Contract Agreement, the Grant Contract Agreement controls.

This Program Guide does **not** apply to either:

- Local Affordable Housing Aid Funds distributed by the Minnesota Department of Revenue¹ under Minn. Stat. 477A.35, or
- Statewide Local Housing Aid funds **distributed directly by the Minnesota Department of Revenue**² under Minn. Stat. 477A.36, subd. 2 to:
 - Counties;
 - Eligible Tribal Nations; or,
 - Tier I cities, as certified by the Minnesota Department of Revenue.

Refer instead to Minnesota Statutes for requirements and to the Agency's [Local Government Housing Programs webpage](#) for guidance relevant to Local Affordable Housing Aid funds and Statewide Local Housing Aid funds received directly from the Minnesota Department of Revenue.

In very rare circumstances, a city may receive *both* Statewide Local Housing Aid funds directly from the Department of Revenue, to which this Program Guide *does not* apply, *and* grant funds from Minnesota Housing under this Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program, to which this Program Guide *does* apply.

As required by authorizing statute, Minnesota Housing developed this Program Guide after consultation with the League of Minnesota Cities.

1.05 Definition of Terms

[Appendix A - Definitions](#) includes definitions of capitalized terms used in this Program Guide.

¹ Visit the Minnesota Department of Revenue's [Local Affordable Housing Aid \(LAHA\) webpage](#) for more information, including certified aid amounts.

² Visit the Minnesota Department of Revenue's [Statewide Affordable Housing Aid \(SAHA\) webpage](#) for more information on Statewide Local Housing Aid (also referred to as SAHA), including certified aid amounts.

Chapter 2 – Eligibility and Program Requirements

2.01 Eligible Grantees

Only Greater Minnesota Small Cities are eligible Grantees. A Greater Minnesota Small City:

- Has a population less than 10,000, and
- Is located in Minnesota and outside the seven-county Twin Cities metropolitan area (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties).

2.02 Qualifying Projects

Program funds must be used only for one or more Qualifying Projects. Qualifying Projects include:

- Emergency rental assistance for households earning less than 80 percent of the area median income as determined by the United States Department of Housing and Urban Development (HUD).
- Financial support to nonprofit Affordable Housing providers in their mission to provide safe, dignified, affordable and supportive housing in Minnesota.
- In limited circumstances, development of Market Rate Residential Rental Properties, subject to the requirements of Section 2.04 of this Program Guide.
- Affordable Housing Development and Financing, which means the construction, acquisition, rehabilitation (including rehabilitation of occupied housing), demolition or removal of existing structures, construction financing, permanent financing, downpayment assistance, interest rate reduction, refinancing, and Gap Financing of housing to provide Affordable Housing to households that have incomes which do not exceed:
 - For homeownership projects, 115 percent of the greater of state or area median income as determined by HUD and,
 - For rental housing projects, 80 percent of the greater of state or area median income as determined by HUD and,
 - Lower limits if set by the Grantee in its discretion to ensure the housing is affordable to the local work force.
- Operations and management of financially distressed residential properties.
- Supportive services or staff of supportive services providers for supportive housing as defined in section 462A.37, subdivision 1. Grantees, their subgrantees and contractors may provide financial support to nonprofit housing providers to finance supportive housing operations as a capitalized reserve or an award of ongoing funding.
- Operating emergency shelter facilities, including the costs of providing services.
- Other projects specifically approved in writing by Minnesota Housing staff.

Prioritization

Grantees must prioritize projects that provide Affordable Housing to Low-Income Households. Low-Income Households have incomes that do not exceed:

- For homeownership projects, 80 percent of the greater of state or area median income (AMI) as determined by HUD and,
- For rental housing projects, 50 percent of the greater of state or area median income (AMI) as determined by HUD.

Grantees may, but are not required to, also prioritize projects that reduce disparities in home ownership; reduce housing cost burden, housing instability, or homelessness; improve the habitability of homes; create accessible housing; create more energy- or water-efficient homes; or satisfy other criteria set by the Grantee.

2.03 Income Limits for Certain Qualifying Projects

Funding used for emergency rental assistance or rental housing projects that are not Market Rate Residential Rental Properties must be used to provide Affordable Housing to households that have incomes which do not exceed 80 percent of the greater of state or area median income (AMI) as determined by the United States Department of Housing and Urban Development (HUD) as of the date of: initial occupancy, start of rehabilitation, the household's application for assistance or most recent recertification.

Funding used for homeownership projects must be used to provide Affordable Housing to households that have incomes that do not exceed 115 percent of the greater of state or area median income (AMI) as determined by HUD as of the date of initial occupancy, start of rehabilitation, the household's application for assistance or most recent recertification.

Grantees may establish policies and procedures for determining income eligibility and may determine whether (or not) to adjust income limits by household size. If adjusting for household size, adjustments should be no greater in percentage terms than those used by HUD in its published income limits.

Nothing in this Program Guide precludes a Grantee or property owner from prioritizing lower income limits or periodically re-establishing income eligibility.

2.04 Conditions for Development of Market Rate Residential Rental Property

These conditions apply to the development of Market Rate Residential Rental Property:

- The Market Rate Residential Rental Property must be located in Greater Minnesota and within an Eligible Market Rate Project Area, which means:
 - A home rule charter or statutory city;
 - An area served by a Joint County-City Economic Development Authority; or,
 - A federally recognized Tribal reservation;

MINNESOTA HOUSING – GREATER MINNESOTA SMALL CITIES HOUSING AID GRANT PROGRAM

- Development of Market Rate Residential Property must be identified in the Grantee’s Work Plan and Budget approved in writing by Minnesota Housing (see Chapter 5);
- The Grantee must submit to Minnesota Housing a completed Market Rate Residential Rental Property Certification Form with the required supporting documentation, including employer support letter(s) and resolution(s) of the Grantee’s governing body, showing that the project meets the requirements of section 462A.39, Subd. 4. Specifically:
 - The Grantee must certify that the average vacancy rate for rental housing located in the Eligible Market Rate Project Area, and in any other city located within 15 miles or less of the boundaries of the Eligible Market Rate Project Area, has been five percent or less for at least the prior two-year period;
 - The Grantee must provide Minnesota Housing with a written statement or statements from one or more businesses located in the Eligible Market Rate Project Area, or within 25 miles of the Eligible Market Rate Project Area, that employs a minimum of 20 full-time equivalent employees in aggregate, indicating that the lack of available rental housing has impeded the business’s or businesses’ ability to recruit and hire employees; and,
 - The Grantee must certify that the Qualifying Project will meet the definition of development of Market Rate Residential Rental Property to serve employees of businesses located in the area where the Property is located or surrounding area(s).
- The Qualifying Project must comply with all other applicable requirements, including of this Program Guide, the Grant Contract Agreement, Minn. Stat. 477A.36 and Minn. Stat. 462A.39, subd. 4 (as referenced in Minn. Stat. 477A.36).

This Program places no income limits on Market Rate Residential Rental Properties. Market Rate Residential Rental Properties may, however, contain some income-restricted units, though they are not required to do so.

Qualifying Projects should be classified as Market Rate Residential Rental Properties only if they contain at least one unit supported by Program funds that:

- Is rented at market value;
- Is not subject to income restrictions; and,
- Cannot be classified as Affordable Housing to households with income at or below 80% of AMI.

Qualifying Projects with some units rented at market value without income restrictions and some units that are both income-restricted and Affordable Housing to households with incomes at or below 80% AMI (for rental units) or 115% AMI (for homeownership units) may be classified as Affordable Housing Development and Financing Projects, Market Rate Residential Rental Property development projects, or both, depending on the amount of Aid Funds used for each type of unit in the Grantee’s reasonable discretion.

2.05 Eligible Expenses

Program funds must be used for Qualifying Projects as described in Section 2.02 of this Program Guide. Only reasonable expenses necessary to perform a Qualifying Project, incurred after the Grant Contract Agreement is fully executed, are payable to the Grantee.

2.06 Ineligible Expenses

The following expenses are ineligible:

- Expenses not related to a Qualifying Project.
- Staffing or administrative expenses not specifically identified in Section 2.02 or Section 2.05 of this Program Guide, or in Minn. Stat. 477A.36, subd. 4.
- Demolition or removal of existing structures, including temporary structures, unless the cleared land is to be used for the construction of housing under an Affordable Housing Development and Financing project.
- Any other expense determined by Minnesota Housing to be ineligible.

2.07 No Limits on Amounts per Unit or per Qualifying Project

There are no limits on the amount of Program funds to spend per housing unit or per Qualifying Project. A Grantee may, however, choose to place limits.

2.08 Conditions for Demolition or Removal of Existing Structures

Funds can be used for demolition or the removal of an existing structure or structures only when the cleared land will be used for the construction of housing under an Affordable Housing Development and Financing project.

2.09 Accessibility of Multifamily Buildings

If Program funds are used for new construction of a building containing more than four units, the building must be constructed, converted, or otherwise adapted to include:

- No fluorescent lighting in common areas;
- Only low-chemical or no-chemical carpet glue in common areas, if carpet glue is used;
- At least one unit if the building contains five to 20 units, and at least five percent of units if the building contains 21 units or more, that are accessible units as defined in the Minnesota State Building Code.
 - Each accessible unit must include at least one roll-in shower, water closet, and kitchen work surface meeting the requirements of section 1002 of the current State Building Code Accessibility Provisions for Dwelling Units in Minnesota;

and,

- At least one unit if the building contains five to 20 units, and at least five percent of units if the building contains 21 units or more, that are sensory-accessible units.
 - Each sensory-accessible unit must include each of the following features:
 - Soundproofing between shared walls for first and second floor units;
 - No fluorescent lighting;
 - Only low-fume or no-fume paint; and,
 - If carpeted, only low-chemical or no-chemical carpet and carpet glue.

2.10 Visitability

The visitability requirement at [Minn. Stat. 462A.34](#) applies to Program funds used for new construction of single-family homes, duplexes, triplexes, and multilevel townhouses.

2.11 Prevailing Wage

State prevailing wage requirements under Minn. Stat. 116J.871 do not apply to aids under Minn. Stat. 477A to a political subdivision, including aid funds awarded under this Program to Greater Minnesota Small Cities.

Under certain circumstances, use of aid funds awarded under this Program may trigger state prevailing wage requirements under Minn. Stat. 177. Refer to [Appendix C - Legal Addendum](#) attached to this Program Guide for more information.

2.12 Privacy Act Notice and Tennessen Warning

Prior to collecting private data from any individual, the Grantee must supply the individual with a Combined Privacy Act Notice and Tennessen Warning. The Notice and Warning must be consistent with the requirements of [Minn. Stat. 13.04, subd. 2](#) and list Minnesota Housing as a party with which the data being collected may be shared.

Chapter 3 – Funding Information

3.01 Funding Source and Type

Funds for the Program are determined by the Minnesota Legislature as an appropriation managed by the Department of Revenue and awarded by Minnesota Housing in the form of a grant.

3.02 Funding Amount

Funding amounts will be determined by Minnesota Housing in its sole discretion and are contingent on the amount of funding available to Minnesota Housing from the Department of Revenue.

3.03 No Funding Match Required

Matching funds are not required. Funds awarded under this Program may be considered matching funds for other Agency programs depending on the requirements of the other program or programs.

3.04 Funds Must Not Supplant Locally Funded Housing Expenditures

As a condition of receiving Program funds, the Grantee and, if awarded funds through a partnership, its Greater Minnesota Small Cities partners (also referred to as Grantee Partners), must commit to using the Program funds to supplement, not supplant, existing Locally Funded Housing Expenditures, so that the Grantee and Grantee Partners, if any, are using the Program funds to create new or to expand existing housing programs.

3.05 Disbursement Schedule

The disbursement schedule is determined by the Grant Contract Agreement.

3.06 Program Income

Program Income must be used only on Qualifying Projects regardless of when the income is generated. Reporting on use of Program Income, however, is not required beyond the term of the Grant Contract Agreement.

Program Income earned during the term of the Grant Contract Agreement must be spent during the term of the Grant Contract Agreement. Any Program funds, including Program Income, received during the term of the Grant Contract Agreement and not spent within the term of the Grant Contract Agreement must be returned to Minnesota Housing, unless otherwise authorized in writing by Program staff.

Chapter 4 – Application Process, Review Criteria and Selections

This Program is subject to applicable policies established by the Minnesota Department of Administration’s Office of Grants Management (OGM). Funding for the Program will be allocated through a competitive Request for Proposal (RFP) process.

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

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

Regional Funding Allocations

Minnesota Housing may take a regional approach to awarding grants and may establish distinct funding regions in order to equitably distribute funds throughout the state. However, if competitive applications are not received from all regions, Minnesota Housing reserves the right to distribute funds to proposals from any region.

Consideration of Past Program Funding

To better ensure broad participation among the state’s many Greater Minnesota Small Cities, Minnesota Housing may choose to prioritize Program funding for applicants that did not receive funding in a prior Program RFP.

Chapter 5 – Contracting, Reimbursements and Budget Modifications

5.01 Work Plan and Budget

After funding selection, each selected Grantee will receive a grant award letter with the allocated grant amount, terms and due diligence requirements. Minnesota Housing will provide a work plan and budget template for the Grantee to complete. Minnesota Housing will incorporate the completed and approved work plan and budget into the Grant Contract Agreement.

5.02 Grantee Requirements

The Grantee is a party to the Grant Contract Agreement and shall adhere to the following requirements which include, but are not limited to, the activities listed below. If there are any conflicts between this Program Guide and the Grant Contract Agreement, the Grant Contract Agreement controls.

- Execute a Grant Contract Agreement with Minnesota Housing outlining the scope of work to be performed. The Grantee is responsible for completing the proposal, budget, work plan and/or other exhibits to the Grant Contract Agreement(s).
- Maintain financial records for a minimum of six years after the Grant Contract Agreement(s) ends that document the use of all Grant Proceeds awarded. Minnesota Housing staff, at its sole discretion, may request to review the accounting and documentation of such records as part of a site visit or at other times.
- Complete and submit all invoices and required reports on time and in a manner determined by Minnesota Housing.
- Have a written conflict of interest policy and take necessary steps to prevent individual and organizational conflicts of interest. All suspected, disclosed, or discovered conflicts of interest must be reported to Minnesota Housing in a timely manner.
- Comply with applicable contracting and bidding requirements defined in the Grant Contract Agreement.
- Comply with all affirmative action and non-discrimination requirements defined in the Grant Contract Agreement.
- Comply with all applicable state statutes, rules and policies.

5.03 Subgrantees and Loans

Grantees may subgrant Program funds.

As outlined in the Grant Contract Agreement, Grantees, if engaging subgrantees, must enter into formal contracts with subgrantees before the subgrantee incurs eligible expenses on a Qualifying Project. Grantees should ensure that relevant communication from Minnesota Housing is relayed to subgrantees.

Grantees and their subgrantees or contractors, may make loans with Program funds as part of a Qualifying Project.

Minnesota Housing will hold Grantees solely responsible for compliance with the Grant Contract Agreement and this Program Guide.

5.04 Reimbursement Requests

After the Grant Contract Agreement is fully executed, the Grantee may submit a reimbursement request to Minnesota Housing using the draw request form template provided by Minnesota Housing staff.

The Grantee must provide evidence of the eligible incurred expenses with the reimbursement request, which may include contractor pay applications/draw requests, invoices, and photographs of work in progress and completed work. Minnesota Housing staff may request additional or alternative documentation as needed to verify expenses. Disbursement will only be made to the Grantee or their title agent and only for eligible expenses as determined by Minnesota Housing in its sole discretion.

5.05 Advance Payment Requests

Advance payments are not allowed unless otherwise specified in the Grant Contract Agreement.

5.06 Budget Modifications

The budget attached to the Grant Contract Agreement may be modified but requires written approval from Minnesota Housing staff before the Grantee incurs the expense. Any such change must be accompanied by an updated budget document and an amendment to the Grant Contract Agreement incorporating the new budget.

Chapter 6 – Reporting, Monitoring and Record Keeping

6.01 Reporting

Each Grantee must submit a report to Minnesota Housing by December 1 of each year the Grant Contract Agreement is effective using the reporting template provided by Minnesota Housing staff. The report shall include documentation of the location of any unspent funds and of qualifying projects completed or planned.

If the Grantee fails to submit a report, fails to spend funds within stated timelines, or uses funds for something other than a Qualifying Project, Minnesota Housing is required to notify the Department of Revenue and the Grantee must repay the funds received by February 15 of the following year.

6.02 Monitoring and Financial Reconciliation

Minnesota Housing reserves the right to conduct ongoing monitoring of projects funded by the Program. The following may be required as part of grant monitoring:

- A written report that summarizes the grant activities, outcomes, eligible expenses and challenges for the given period.
- Site visit(s).
- Before the final payment is made, Minnesota Housing will complete a financial reconciliation if and as required by [OGM Policy 8-10](#). Grantees shall be required to submit a cost report or general ledger, including receipts and expenses for the work, invoices for the work, and any other documentation Minnesota Housing deems necessary to complete the financial reconciliation. Minnesota Housing reserves the right to perform financial reconciliation similar to that prescribed in OGM Policy 08-10 regardless of the dollar amount of the grant.
- Final written report and financial review that includes the outcomes of the grant activities and confirmation of compliance with applicable affordability requirements.

6.03 Corrections and Funding Repayment

If the Grantee expends funds on any ineligible expenses, Minnesota Housing will issue a notification to the Grantee requiring immediate return of the applicable funds. The Grantee shall have 10 business days to respond to Minnesota Housing to appeal the determination and submit any supporting documentation that supports its appeal or return the improperly invoiced funds. Minnesota Housing may extend the appeal period at its sole discretion. Grantees that fail to comply and/or return funds within 10 business day for ineligible uses may be subject to consequences, including a finding of Unacceptable Practices in future Consolidated Requests for Proposals (RFPs), suspension from doing business with Minnesota

Housing, and/or any other disciplinary or legal action Minnesota Housing deems appropriate and as determined at Minnesota Housing's sole discretion.

6.04 Record Keeping

Grantees are responsible for maintaining records that document the use of all Grant Proceeds. Grantees must save copies of all books, records, program files, documents and accounting procedures related to the grant in a secure and organized format. Grantees must maintain these documents for a minimum of six years from the end of the Grant Contract Agreement. Minnesota Housing reserves the right to review all records during this six-year period, and records must be made available to Minnesota Housing upon request.

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

- Executed Grant Contract Agreement, subgrant agreements, and any amendments
- Reports submitted by the Grantee to Minnesota Housing
- Any necessary approvals, such as city council resolutions regarding application for, receipt and expenditure of Program funds
- Invoices and supporting invoice documentation (receipts, proof of payment, etc.)
- Written approvals from Minnesota Housing

Appendix A – Definitions

Term	Definition
Affordable Housing	<p>Housing where the household occupying the funded unit, or a household with characteristics typical of a household reasonably expected to occupy the funded unit, as of the date of initial occupancy, start of rehabilitation, the household’s application for assistance or most recent recertification, pays no more than either:</p> <ul style="list-style-type: none"> (1) 30 percent of its gross monthly income for monthly rent (including any tenant-paid utility allowance) or monthly mortgage principal, interest, property taxes, property insurance, homeowners association dues, manufactured home park lot rent and community land trust ground lease fee combined; or, (2) For households occupying a funded unit that is both income-restricted and rent-restricted under another state or federal program, such as the federal Section 42 Low Income Housing Tax Credit Program, HUD Section 8 and public housing, the amounts allowed under that program.
Affordable Housing Development and Financing Project	<p>A Qualifying Project that is an Affordable Housing Development and Financing Project as defined in Section 2.02 of this Program Guide. Minnesota Housing presumes Affordable Housing Development and Financing Projects are affordable to the local work force.</p>
Eligible Market Rate Project Area	<p>An area of Greater Minnesota that is also within: a home rule charter or statutory city located outside of a metropolitan county as defined in section 473.121, subdivision 4; federally recognized Tribal reservations; or an area served by a joint county-city economic development authority.</p>
Gap Financing	<p>Either:</p> <ul style="list-style-type: none"> (1) the difference between the costs of the property, including acquisition, demolition, rehabilitation, and construction, and the market value of the property upon sale; or (2) the difference between the cost of the property and the amount the targeted household can

MINNESOTA HOUSING – GREATER MINNESOTA SMALL CITIES HOUSING AID GRANT PROGRAM

Term	Definition
	afford for housing, based on industry standards and practices.
Grant Contract Agreement	The agreement executed between the Minnesota Housing Finance Agency and the Grantee for the Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program.
Grantee	A city awarded funding under the Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program
Grantee Partners	Greater Minnesota Small cities partnering on an application for Program funds
Greater Minnesota	All areas of Minnesota except for those within the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.
Greater Minnesota Small City	A Tier II City as defined in Minn. Stat. 477A.36, meaning a city of the fourth class according to Minn. Stat. 410.01 (i.e., with fewer than 10,000 residents) and located in Greater Minnesota.
Locally Funded Housing Expenditures	<p>Expenditures of the Grantees or Grantee Partners, including expenditures by a public corporation or legal entity created by the Grantee/Grantee Partners, that are:</p> <p>(1) funded from the Grantee/Grantee Partners general fund, a property tax levy of the Grantee/ Grantee Partners or its housing and redevelopment authority, or unrestricted money available to the Grantee/ Grantee Partners, but not including tax increments; and</p> <p>(2) expended on one of the following qualifying activities:</p> <ul style="list-style-type: none"> (i) financial assistance to residents in arrears on rent, mortgage, utilities, or property tax payments; (ii) support services, case management services, and legal services for residents in arrears on rent, mortgage, utilities, or property tax payments; (iii) down payment assistance or homeownership education, counseling, and training; (iv) acquisition, construction, rehabilitation, adaptive reuse, improvement, financing, and infrastructure of residential dwellings; (v) costs of operating emergency shelter, transitional housing, supportive housing, or publicly owned housing, including costs of providing case management services and support services; and (vi) rental assistance.

MINNESOTA HOUSING – GREATER MINNESOTA SMALL CITIES HOUSING AID GRANT PROGRAM

Term	Definition
Low-Income Household	A household whose income does not exceed: For homeownership projects, 80 percent of the greater of state or area median income (AMI) as determined by HUD; and, for rental housing projects, 50 percent of the greater of state or area median income (AMI) as determined by HUD.
Market Rate Residential Rental Property	Property rented at market value, including new modular homes, new manufactured homes, and new manufactured homes on leased land or in a manufactured home park. This may include rental developments that have a portion of income-restricted units.
Market Rate Residential Rental Property Certification Form	The form provided by Minnesota Housing staff to the Grantee for purposes of certifying the development of Market Rate Residential Rental Property.
Minnesota Housing or Agency	The Minnesota Housing Finance Agency
Program	The Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program
Program Guide	This Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program Guide
Program Income	Income generated from Program funds by any means, including but not limited to interest earnings on unspent funds; income earned in connection with a qualifying project; sale or lease of property constructed, acquired or improved with aid funds; and, principal and interest payments on loans made with aid funds.
Qualifying Project	A project that meets the requirements of this Program Guide and Minn. Stat. 477A.36, subd. 4.
Tribal Nation	A federally recognized Indian Tribe that submits an application to the Minnesota Department of Revenue to receive Statewide Local Housing Aid funds under Minn. Stat. 477A.36.

Appendix B – Forms

See Minnesota Housing’s [Local Government Housing Programs webpage](#) for forms.

Appendix C – Legal Addendum

1.01 Conflict and Control

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

1.02 Fraud

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

Any person or entity (including its employees and affiliates) that enters into a contract with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the communication channels described in section 1.07.

1.03 Misuse of Funds

A contracting party that receives funding from Minnesota Housing promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the recipient to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the recipient must use Minnesota Housing funds as agreed, and the recipient must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a recipient; or (2) a recipient cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the contract.

Any recipient (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the communication channels described in section 1.07.

1.04 Conflict of Interest

A conflict of interest – Actual, Potential or Appearance of a Conflict of Interest – occurs when a person has an actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. A Potential Conflict of Interest or Appearance of a Conflict of Interest exists even if no unethical, improper or illegal act results from it.

- **Actual Conflict of Interest:** An Actual Conflict of Interest occurs when a person's decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.

MINNESOTA HOUSING – GREATER MINNESOTA SMALL CITIES HOUSING AID GRANT PROGRAM

- **Potential Conflict of Interest:** A Potential Conflict of Interest may exist if a person has a relationship, affiliation or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations or interests.
- **Appearance of a Conflict of Interest:** The Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person’s personal interest, affiliation or relationship inappropriately influenced that person’s action, even though there may be no Actual Conflict of Interest.

A conflict of interest includes any situation in which one’s judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.

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

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party’s responsibilities to mitigate the conflict
- Allowing the contracting party to create firewalls that mitigate the conflict
- Asking the contracting party to submit an organizational conflict of interest mitigation plan
- Terminating the contracting party’s participation

Any person or entity (including its employees and affiliates) that enters into a contract with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all conflicts of interest through one of the communication channels described in section 1.07.

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

1.05 Assistance to Employees and Affiliated Parties

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

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

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to the award, that the Affiliated Assistance meets each of the provisions outlined above.

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

1.06 Suspension

By entering into any contract with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the contract) has not been suspended from doing business with Minnesota Housing. Please refer to Minnesota Housing’s website for a list of [suspended individuals and organizations](#). (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing, then select Suspensions from the menu).

1.07 Disclosure and Reporting

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

- Minnesota Housing’s Chief Risk Officer at 651.296.7608 or 800.657.3769 or by email at MHFA.ReportWrongdoing@state.mn.us;
- Any member Minnesota Housing’s [Servant Leadership Team](#), as denoted on Minnesota Housing’s current organizational chart (Go to mnhousing.gov, scroll to the bottom of the screen and select About Us, select Servant Leadership Team); or
- [Report Wrongdoing or Concerns \(mnhousing.gov\)](#) (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing).

1.08 Electronic Signatures

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

1.09 Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation.

Minnesota Housing’s fair housing policy incorporates the requirements of Title VI of the Civil Rights Act of 1968; the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988; and the Minnesota Human Rights Act. Housing providers and other entities involved in real-estate related transactions are expected to comply with the applicable statutes, regulations and related policy guidance.

MINNESOTA HOUSING – GREATER MINNESOTA SMALL CITIES HOUSING AID GRANT PROGRAM

Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements. Housing providers and other entities involved in real-estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.

In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in the making or purchasing of loans for purchasing, constructing or improving a dwelling, or in the terms and conditions of real-estate related transactions;
- Discriminate in the brokering or appraisal of residential property;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Discriminate in the extension of personal or commercial credit or in the requirements for obtaining credit;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Refuse to grant a reasonable accommodation or a reasonable modification to a person with a disability;
- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and requires those in the business of buying and selling dwellings to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

Under certain circumstances, applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.

As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Housing Choice Voucher or other form of tenant-based rental assistance.

1.10 Minnesota Government Data Practices

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

1.11 Prevailing Wage

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

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

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

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

All questions regarding state prevailing wages and compliance requirements should be directed to that agency as follows:

MINNESOTA HOUSING – GREATER MINNESOTA SMALL CITIES HOUSING AID GRANT PROGRAM

Division of Labor Standards and Apprenticeship

State Program Administrator

443 Lafayette Road N, St. Paul, MN 55155

651.284.5091 or dli.prevwage@state.mn.us

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